

## THE CNMV PUBLISHES THE SECOND ISSUE OF ITS REPORT ON NON-BANK FINANCIAL INTERMEDIATION (NBFI) IN SPAIN

27 July 2020

- The report for the second half of 2019 is the second edition of a series of publications entitled “non-bank financial intermediation monitor”, whose first edition was published at the end of 2019
- According to the methodology of the Financial Stability Board (FSB), the volume of assets that make up the non-bank financial intermediation in Spain remained slightly below 300 billion euros in the first half of 2019, which represents 6.5% of the Spanish financial system
- The assessment of risks associated with NBFI shows little change with regard to the patterns observed in previous years, without detecting a major threat to financial stability
- In view of the situation caused by the COVID-19 crisis, the report includes a section detailing the performance of collective investment schemes (CISs) in Spain and in the European Union in this context

The Spanish National Securities Market Commission (CNMV) has published today the [second issue of its report on non-bank financial intermediation](#) in Spain, which updates and supplements the information contained in the first issue (up to the end of 2018) with data from the first half of 2019. The volume of assets that make up the NBFI in the first half of 2019 (under a broader definition including financial assets of non-banks but which are included in consolidated balance sheets of banking groups) stood at 507 billion euros, representing a slight increase of 0.6% compared with the figure recorded at the end of 2018. The most relevant NBFI firms in Spain in quantitative terms are included in economic function 2 (according to the FSB methodology), which corresponds to certain types of investment funds, and economic function 5, which corresponds to vehicles used for asset securitisation. The performance of both types of firms is different and for a number of years increases (in general) have been observed in investment fund assets and decreases in the outstanding balance of securitisations.

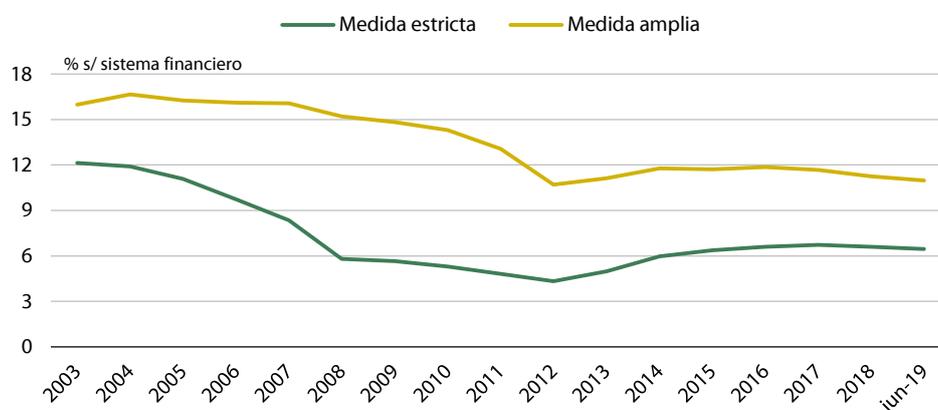
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If assets consolidated in banking groups (in particular securitisations and a special kind of institution –*establecimientos financieros de crédito*–) are deducted, the volume of assets included in the NBF1 *stricto sensu* would amount to 298 billion euros at mid-2019 (0.7% more than in December 2018, representing 6.5% of the whole financial system). The relevance of economic function 1 schemes (CISs) would increase to 89%, above the figure for 2018, which was 85.5%.

### Relative weight of NBF1



The analysis of the risks of institutions included in the NBF1 during the first half of 2019 shows little change with regard to the patterns observed in 2018, with identified vulnerabilities centered in investment funds which, as mentioned above, represent close to 90% of the total NBF1 volume. In this analysis, particular attention is given to liquidity risk and leverage. Thus, the report offers various metrics that affect different areas of the liquidity of investment fund portfolios. These show a certain increase in the relevance of illiquid assets, although the amount is low compared with the total assets figure. With regard to leverage, the exposure to market risk deriving from derivative positions held in investment funds is well below the maximum levels permitted by law, suggesting low risk in this regard.

In view of the situation caused by the COVID-19 crisis since mid-March 2020, this report includes a section detailing the performance of CISs in Spain and in the European Union in this context, which shows that both the observed increase in unitholder redemptions as well as the difficulties in valuating some portfolio assets in the

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moments of major uncertainty have been manageable at all times, both in terms of volume and the use of the various liquidity management tools available. This section also refers to the adoption in Spain, within the context of the crisis, of a new macroprudential tool related to the possibility of establishing pre-notice periods for redemptions not subject to the notice period, minimum amounts or specific mention in the prospectus, which are applicable on a regular basis. These deadlines may be established by the management company or the CNMV.

