

THE CNMV PUBLISHES THE ANNUAL REPORT ON NON-BANK FINANCIAL INTERMEDIATION (NBFI) IN SPAIN

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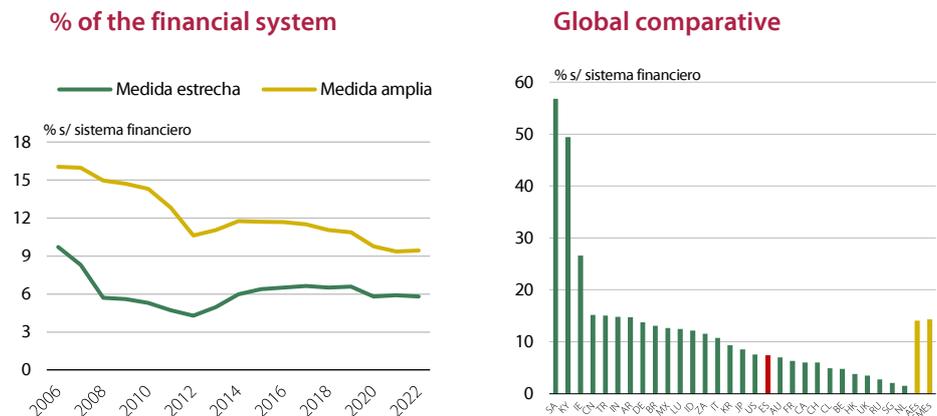
- Assets in NBFI in Spain totalled 300 billion euros in 2022, 8.6% less than in 2021.
- Its weight in the financial system remains close to 6%.
- The assessment of the risks associated with the NBFI does not reveal any substantial change from previous years. The increase in public debt of investment funds has led to an improvement in risk indicators.

Today, the Spanish National Securities Market Commission (CNMV) published a report on non-banking financial intermediation (NBFI) in Spain for 2022.

The document states that the total amount of assets of said companies, after deducting those consolidated in banking groups (the so-called “narrow” measure, compared to the “broad” measure, which includes assets incorporated into consolidated bank balance sheets), amount to 300 billion euros, 8.6% less than in 2021. This number represents 6% of the total financial system, a percentage that has remained fairly stable since 2014 and is lower than that of the countries analysed annually by the Financial Stability Board (FSB) in its NBFI report, which is close to 14% on average.

Relative weight of NBFI

GRAPH 1



Source: CNMV, Bank of Spain and FSB.

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Collective investment schemes account for 93% of the assets analysed, with the remainder corresponding to securitisations (3.8%), finance companies (2.4%), mutual guarantee companies (0.5%) and broker-dealers (0.3%).

Investment funds

It is worth highlighting that no relevant vulnerabilities from a financial stability point of view are identified in the institutions that are part of the NBFIs. In fact, in the case of investment funds, some indicators related to credit and liquidity risk point to an improvement compared to 2021. This can be explained, mainly, by the increase in the public debt existing in investment fund portfolios, in line with the significant rise in asset yields during 2022.

Moreover, the estimated average leverage for NBFIs funds remained very low and far from the regulatory maximums. There is no widespread nor intensive use of leverage, thus the sector's degree of leverage is not currently relevant from a financial stability point of view.

Worth highlighting is the availability and use of liquidity management tools by Spanish fund managers when necessary, always within a framework of permanent and fluid communication between the CNMV and the management companies.

For example, latest data show that 84% of investment funds (in terms of assets) have in their prospectus the possibility of requiring up to 10 working days' notice when redemptions exceed 300,000 euros and that 41% establish the possibility of using a swing pricing mechanism.

Stress test

Investment funds continue to show a high degree of resilience according to the results of the CNMV's periodic stress tests on such institutions. Such tests simulate theoretical scenarios that are very severe in terms of redemptions and assess how many funds could meet the theoretical increase in redemptions with the proportion of liquid assets estimated for each fund.

The last exercise carried out reveals that under the most severe theoretical scenario (up to 19 times more severe than that observed in the worst week of the COVID-19 crisis) only eight funds, four of them under the high yield fixed income category and four others in the "other" category, could experience difficulties in meeting such

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redemptions. Assets of such funds represent 0.24% of the total funds in the sample.

Private markets

This monitor also includes a box regarding a topic of special interest: private finance markets is an area of finance that has grown significantly over recent years and which, although not formally considered part of the NBF, is of great interest to regulators and other market participants.

Methodology applied

The Financial Stability Board (FSB) establishes a methodology that aims to identify the so-called “narrow measure” or entities that can be included among one of the five economic functions that are assimilated to activities with typical banking risks. This methodology considers all investment funds except equity funds, SICAVs, securitisations (or SFVs), finance companies, broker-dealers and mutual guarantee companies part of the NBF.