CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

PRESS RELEASE

THE CNMV'S REPORT ON NON-BANK FINANCIAL INTERMEDIATION (NBFI) IN SPAIN

10 December 2019

- It is the second edition of the CNMV's six-monthly report which analyses the activity of entities engaged in non-bank financial intermediation in Spain (NBFI).

- According to the methodology of the Financial Stability Board (FSB), the volume of assets subject to non-bank financial intermediation in Spain stood at 296 billion euros in 2018, which represents 6.7% of the Spanish financial system.

- The assessment of risks associated with NBFI shows, in general, that it does not pose a major threat to financial stability.

- However, the CNMV is paying particular attention to the evolution of certain risks, such as the liquidity conditions of assets in investment fund portfolios.

The Spanish National Securities Market Commission (CNMV) has published the report on non-bank financial intermediation (NBFI) in Spain (formerly known at times as "shadow banking"), which updates the information contained in the first analysis of this type published in the CNMV newsletter for the first quarter of this year, and is supplemented by 2018 data. According to the information available, assets related to NBFI in Spain in 2018, excluding entities subject to banking group consolidation, stood at 296 billion euros, which represents 6.7% of the Spanish financial system. Bearing in mind all~~the~~ assets subject to NBFI, in 2018 the volume stood at 504 billion euros, down 5.3% compared with 2017. This decline is due to the reduction in the total outstanding balance of securitisations, and the decrease in the volume of investment fund assets, as a result of market turmoil at the end of 2018 and the increase in unitholder redemptions.

The composition of the NBFI, which is determined according to the classification into one of the five economic functions specified by the FSB, shows that entities belonging to functions 1 and 5, which are

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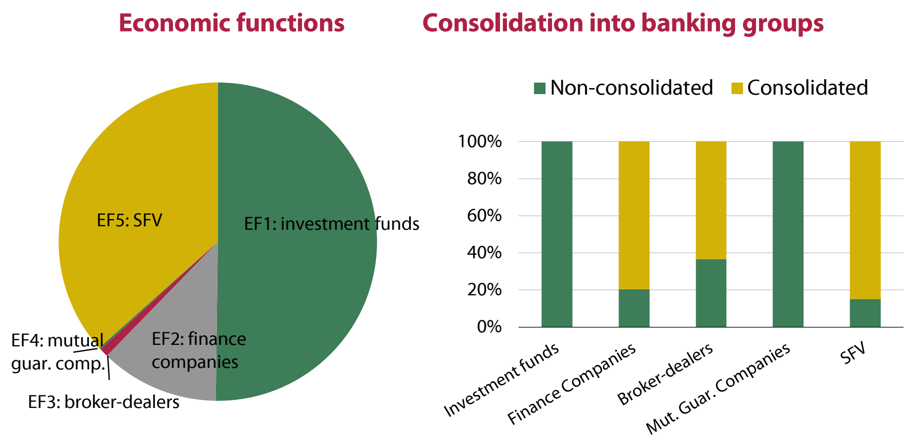
certain types of investment funds and securitisation vehicles, are the most important, representing 50.2% and 36.6% of the total NBFI volume (broad measure)~~, at large~~. These are followed by finance companies~~ial institutions~~ (economic function 2) with 12.1% and, finally, of minor importance (under 1%) are entities belonging to function 3 (broker-dealers) and function 4 (mutual guarantee companies~~schemes~~).

Distribution of non-bank financial intermediation 2018



The new feature of this analysis is the trend of the credit intermediation activities of these entities, which remained stable in 2018, as well as wholesale funding, which, despite being more important in relative terms for this sector[1] than for banks, has been in decline since 2009.

The assessment of risks associated with NBFI shows, in general, that the existence of a major threat to financial stability cannot be concluded. In the case of Spanish investment funds, the indicators analysed are not high except for credit risk, due to the high percentage of credit assets in investment fund portfolios[2]. Liquidity risk of investment funds, which has raised concerns recently due to the possibility of these entities having difficulties in paying significant redemption volumes in the event of turmoil, is maintained at a moderate level within a slightly upward trend. In this regard, it should

[1] This analysis is provided for entities known as OFI (other financial institutions), which include non-bank financial intermediaries after excluding pension funds, insurance companies and financial auxiliaries.
[2] The types of investment funds subject to NBFI and whose risks have been assessed are money market funds, fixed-income funds and mixed funds.

be noted that the CNMV is paying particular attention to the liquidity conditions of portfolio assets of these entities - a task which is facilitated by the high level of reporting of information required by Spanish legislation - as well as to the management of this risk by management companies.

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