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Good morning and thank you for inviting me to give the opening speech of this event for analysis and reflection on collective investment.

Before I start, I would like to thank Petra Hielkema for being here. Very important to have EIOPA. There is no doubt that, over recent years, collective investment has become one of the best savings and investment formulas for Spanish citizens. As proof of this, cumulative assets of investment funds reached 390 billion euros. Funds' assets have multiplied almost by three in ten years.

We have learned that Spanish households invest in Spanish funds (a little over half of them) and in other funds providing services in Spain with passports issued from other European countries. We also know that investment funds stand above others, like pension funds, with a 4 to 1 ratio. In systemic terms, its weight in families' financial wealth represents 45% of what bank deposits represent. This means that it is growingly and significantly relevant,

But there is so much more to do. When I spoke at Parliament a few weeks ago, I mentioned the urgent need to address a strategy to stimulate long-term retail investment in Europe and Spain. Many in Spain and Europe agree on the need to strengthen securities markets if we want to prevent European economies from being irreversibly behind those of other geographies, particularly with respect to America and Asia.

They all agree on the same diagnosis, which calls for urgent consideration. Investments and savings of European citizens continues to excessively rely on bank deposits and medium and long-term financial investment remains low. Likewise, European companies are extremely dependent on bank leverage as a funding formula of their investments (three times more than American companies), thus being subject to the economic cycle of a significantly more volatile formula and European markets suffer from a lack of liquidity due to low institutional investment.

In the same way the diagnosis is known, the due processing is too. The situation cannot be reverse in a short term, therefore being more of an extensive pathway that will require, at least, three complementary therapies.

The first, and most important, is that we could call "shock therapy", involving the use of simple and steady tax formulas, which translate to the incentive of personal investments in financial instruments. Such incentives or investment accounts already exist in other countries such as Sweden and Italy, with proven positive results.

The second therapy I believe should be establishing a framework that promotes the investment in funds and pension schemes, as well as identify incentives to invest in assets of long-term nature, such as equity.

The third and last one is to dedicate more to the enhancement of financial culture and education among younger and older people, while allocating greater resources and effectiveness than has been done until now.

As with any diagnosis, there are those that disagree and give certain reasons that supposedly explain our markets' situations: secondary market fragmentation and lack of single supervision. None of them, in my opinion, are true reasons for European markets to be underdeveloped.

Fragmentation in secondary market trading implies competition and, therefore, an improved service and cost reduction. The U.S. Market, for example, is one that is fragmented into dozens of competing secondary markets and platforms, but continues to be deeper and more liquid markets. Nonetheless, they have a single currency, one central depositary and a CCP for securities.

On the other hand, centralised supervision in Europe is not, in itself, a factor in market integration or growth, as we learned from the tenth anniversary of SSM, which has not integrated European banking markets. This does not mean that there are no areas in which ESMA's centralised supervision makes sense and should be analysed. As an example, large infrastructures, which are clearly cross-border in nature and, therefore, systemic. Another example is large CSDs such as Euroclear or Clearstream, CCPs or even multi-country markets. But, lets keep on track with the idea that companies will go public in mass due to the fact that prospectuses will be supervised in Paris.

Spanish supervisors do not have particular control of the button to boost investors and companies to take a step closer to securities markets, as it is a matter that relies mostly on regulation. But, in addition to acting as "intellectual agitators", we have an important role to play, striving to remove unnecessary obstacles, simplify supervisory and registration procedures and be as efficient as possible in interacting with the regulated sector, as long as this does not put investor protection in jeopardy. I believe that the CNMV has kept all this in mind over recent years (not just the last four). I am aware some sectors perceive us as a strict and rigorous supervising authority, but I hope that the same sectors acknowledge the proposal we made two years ago to make a thorough reform of our fees with its reduction,

this lowering the surplus generated. I also hope that our efforts to facilitate the registration of entities with guidance manuals, pre-notification processes and tools to develop and register prospectuses are duly noted.

We are one of the few supervisory authorities in the EU that publishes, on an annual basis, the performance indicators (KPIs) related to the registration and authorisation of entities and products. Based on data of the last four years, the registration in Spain of, for example, a new investment fund can take on average 1.2 months. This is one third of the time it takes in Luxembourg. The registration of a new fund manager takes an average of 7.3 months, of which (not including the time it takes the promoter to clarify or extend the documentation and the time taken by the authority for the prevention of money laundering to analyse the money laundering matters) the CNMV takes 2.7 months, equal to 36% of the total. There is undoubtedly room for improvement, but I believe that the CNMV's effort to be transparent about its performance is undeniable. The fact that we are open to discussion with the industry and its advisors, as recently was done in the case of fund managers, on how to further shorten these timings, is an indicator of the CNMV's openness and willingness to improve.

Let me go back to the regulatory framework. The RIS initiative created a big controversy and confrontation. A large part of the heated discussion was surrounding the prohibition of the retrocession of fees excluded from consulting services and the effect this could have on the business models of management companies and the viability of collective investment.

Nonetheless, the most relevant debate is that currently taking place in the regulatory domain generated by those who state that, from a point of view closer to central banks and prudential supervision than to securities markets, there is a generalised systemic risk in the “non-banking” sector of the financial system. This, bluntly and clearly put, is known as non-bank intermediation (NBFI).

A small, yet relevant, strand of opinion believes that regulatory solutions similar to those applied to banks are necessary: macro-prudential measures, obligatory liquidity buffers and capital requirements.

In my opinion, such a theory has two major flaws.

The first is the alleged homogeneity of everything ‘non-banking’, as if one could group together an insurance company, a hedge fund and an ETF on the Eurostoxx. A minimally sensible public policy debate is impossible with categories that separate the international financial system into “banks” and “non-banks”.

The second deficiency is to expect that what works to monitor the prudential risk of a credit institution also works to limit the possible risks generated by an investment fund.

There are very few similarities between a deposit and participating in an investment fund, and even fewer similarities between remedies and the risks they present. This is why humans do not use veterinarian medication, even if we have things in common.

There is, of course, a need for an accurate and informed debate on the risks to financial stability generated by collective investment vehicles or pension funds. Such a debate must be very accurate. Among the risks we have seen materialise in the last five years, all of them, and I mean all of them, had two or more of these four common features: 1) Highly leveraged; 2) Repayment commitments or defined benefit; 3) Misalignment between asset liquidity and notice of repayment; or 4) Poorly collateralised derivative exposures.

None of this can be resolved with liquidity buffers or capital requirements. It can be resolved with 1) appropriate and individual supervision according to granular and detailed data (as carried out in Spain since 1991); 2) limits on leverage when necessary (which can be adopted in a macro-prudential manner in certain specific sub-sectors, as Ireland has recently done with real estate funds); 3) requirement of liquidity management tools for collective vehicles with open repayment (as Spain has done for years); and 4) review and improvement of standards for collateral of derivative transactions.

I believe it is very important for all of us to actively participate in such a debate and the related public consultations, such as that initiated this year by the European Commission. I strongly believe that, while this debate has not gained the attention as that on the retrocession of fees, it is far more important and, if a negative conclusion is reached, it could potentially be far more damaging to the interests of investors and of those who provide service to such investors.

I cannot conclude without mentioning an additional element that is important for the present and future of investment funds, and particularly for the development of those associated to sustainability.

Today, the CNMV will announce its intention to comply with ESMA guidelines on names of funds using the term ESG or sustainability-related terms. The past month of May, ESMA finally approved the guidelines, including the requirement for the term "sustainable" (or similar) to invest meaningfully in sustainable investments, in line with Article 2.17 of the SFDR.

The objective of these guidelines is to avoid funds' names that use terms related to the acronym ESG or sustainability to be misleading or unclear. A fund's trading name is an important channel to communicate information about the fund itself to investors and is the first element that investors see. All funds that use terms related to "transition", "social" or "sustainable" and "environmental" terms in their name

must comply with a threshold of 80% of their investments in assets that comply with the binding elements of their investment strategy.

The practical implementation of the guidelines will require certain issues to be specified at a European level, in particular to determine when an investment should be considered “significant” and the application to green bonds. Both issues are being addressed by ESMA and the CNMV is participating very actively in the debate with the aim of clarifying such issues, ideally, from their date of application (21 November).

To end my speech, I would like to thank you for having me here today and I hope you have a fruitful day.

Thank you very much.