



Annual report regarding its actions and the securities markets **2013**



**CNMV Annual Report regarding its actions
and the securities markets
2013**

Comisión Nacional del Mercado de Valores
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Abbreviations

ABS	Asset-backed security
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ASCRI	Asociación española de entidades de capital-riesgo (Association of Spanish venture capital firms)
AV	Agencia de valores (broker)
BME	Bolsas y Mercados Españoles
BTA	Bono de titulización de activos (asset-backed bond)
BTH	Bono de titulización hipotecaria (mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (public debt book-entry trading system)
CCP	Central Counterparty
CDS	Credit default swap
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESFI	Comité de Estabilidad Financiera (Spanish government committee for financial stability)
CESR	Committee of European Securities Regulators
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal's National Securities Market Commission)
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (venture capital firm)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (euro area)
ESFS	European System of Financial Supervisors
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-traded fund
EU	European Union
FI	Fondo de inversión de carácter financiero (mutual fund)
FII	Fondo de Inversión Inmobiliaria (real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (fund of hedge funds)
FIL	Fondo de inversión libre (hedge fund)
FIM	Fondo de inversión mobiliaria (securities investment fund)
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (asset securitisation trust)
FTH	Fondo de titulización hipotecaria (mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (UCITS)
IICIL	Institución de inversión colectiva de inversión libre (hedge fund)
IIMV	Instituto Iberoamericano del Mercado De Valores (Ibero-American Securities Market Institute)
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LATIBEX	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (alternative stock market)
MEFF	Spanish financial futures and options market
MFAO	Mercado de Futuros del Aceite de Oliva (Olive Oil Futures Market)
MIBEL	Mercado Ibérico de Electricidad (Iberian electricity market)
MiFID	Markets in Financial Instruments Directive

MMU	CNMV Market Monitoring Unit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OMIP	Operator of the Iberian energy derivatives market (Operador do Mercado Ibérico de Energia)
P/E	Price/earnings ratio
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's national register of greenhouse gas emission permits)
ROE	Return on Equity
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital-riesgo (venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e infracciones monetarias (Bank of Spain unit to combat money laundering)
SGC	Sociedad Gestora de Carteras (portfolio management company)
SGECR	Sociedad gestora de entidades de capital-riesgo (venture capital firm management company)
SGFT	Sociedad Gestora de Fondo de Titulización (asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de Inversión de Carácter Financiero (open-end investment company)
SII	Sociedad de Inversión Inmobiliaria (real estate investment company)
SIL	Sociedad de Inversión Libre (hedge fund in the form of a company)
SIM	Sociedad de Inversión Mobiliaria (securities investment company)
SME	Small and medium-sized enterprise
SMN	Sistema multilateral de negociación (multilateral trading facility)
SON	Sistema Organizado de Negociación (multilateral trading facility)
SV	Sociedad de Valores (broker-dealer)
TER	Total expense ratio
UCITS	Undertaking for Collective Investment in Tradable Securities

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I Economic and financial framework

The economic and financial landscape of 2013 was more supportive of financial market stability. This was largely due to the fading of tensions in the euro area, which for various years had been a major source of uncertainty on global markets. Fiscal adjustment and reforms in the area's weakest economies, the progress made towards European banking union and the European Central Bank's (ECB) acknowledgedly firm stance in defence of the euro were the main forces driving the improvement. Another positive influence were the expectations coming through of an improved short- and medium-term performance by the major advanced economies, despite some slippage in growth rates versus the prior year both for them and the emerging market economies (with world GDP growth receding 0.1 points to 3%). The United States, United Kingdom and Japan managed annual growth of between 1.6% and 1.9%, while the euro area ended six successive quarters in recession, albeit with sizeably more modest and, in some cases, negative rates.

Expansionary monetary policies, implemented in contrasting ways in main economic blocs, again had a marked impact on market performance. Two of the year's big stories evidenced differing perceptions of the underlying strength of the economies in question. The first was the Japanese central bank's unveiling last spring of an aggressive expansion of the monetary base designed to stimulate the economy by pushing inflation to 2%. The second was the Federal Reserve's mid-year announcement that it was ready to taper its monetary stimulus as soon as it had the assurance that recovery was under way. This declaration impacted sharply on certain emerging economies in the form of tighter external financial conditions, triggering a steep fall in equity prices, a jump in risk premiums, currency depreciation and outflows of capital. Although these effects tended to later unwind in the affected countries, perceptions of increased emerging market risk persisted through the year and have lasted into the first months of 2014.

In government bond markets, the euro-area economies that had appeared most vulnerable in recent years witnessed a large decrease in the risk premiums demanded by investors. This downtrend survived the Federal Reserve's announcement of a probable phasing-out of quantitative easing, which, by contrast, drove up sovereign yields in the United States, United Kingdom and Germany. In private fixed-income markets, the spreads of medium-rated and high-yield bonds held to a tightening course. Among the year's developments was a pick-up in net issuance by financial institutions after several years in negative terrain. In equity markets, Japanese and US indices led the field with full-year gains ranging from the 26.5% of the Dow Jones to the Nikkei's 56.7%. European indices, meantime, performed somewhat erratically over the opening months within an overall bullish trend, which subsequently strengthened as the region's recovery gained momentum. By the end of the year, most European indices had advanced over 15% versus their start-out values.

In Spain, the incipient recovery of key activity and employment indicators from mid-year onwards, advances in the repair and restructuring of the domestic financial system and the ongoing work of fiscal consolidation served to allay concerns over the domestic economy, which exited recession in the third quarter of the year. In the government bond market, the improved expectations of resident and non-resident investors boosted trading volumes while reducing the yields and spreads of benchmark issues, which by year-end were approaching the levels of spring 2010, before the first outbreak of the European sovereign debt crisis. Specifically, ten-year sovereign bond spreads were down to 220 basis points (bp) at the 2013 close compared to over 630 bp at the height of the crisis. In the realm of private fixed income, tightening spreads went some way to combatting the fragmentation of European markets, which nonetheless remains high to the detriment of Spanish corporates, pushing up their issuance costs versus other European borrowers of comparable credit quality. Equity prices, meantime, followed up an uneven first half with a strong rally that powered the Ibex 35 to an annual gain of 21.4%, outperforming many of its European peers. Liquidity conditions improved in the year while volatility held around the 20% mark, well below the levels recorded for most of the prior year. One salient development was the surge in Spanish share trades on other European regulated markets and multilateral trading facilities, especially in the United Kingdom.

1.1 International economic and financial developments

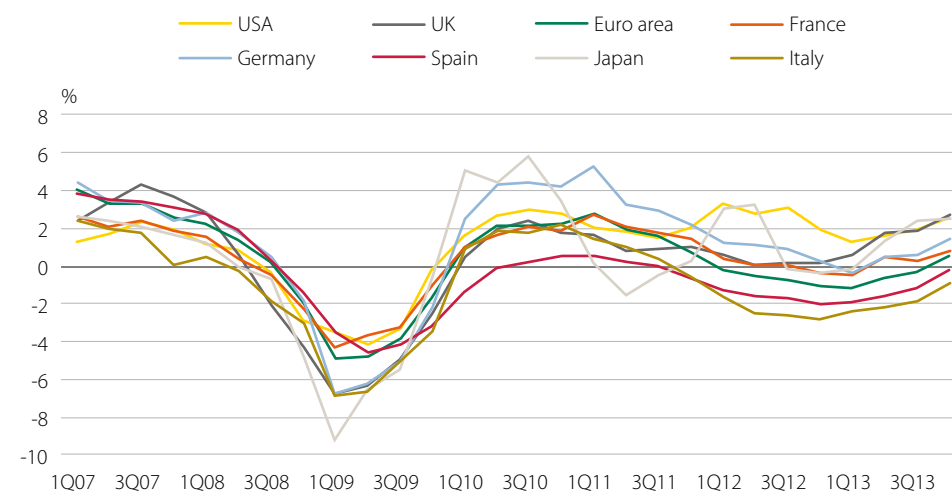
1.1.1 The world economy

A modest advance in world GDP but with gathering momentum

Global output growth of 3.0% lagged slightly behind the previous year's rate (3.1%) due to deceleration in both advanced economies (from 1.4% to 1.3%) and emerging markets (from 4.9% to 4.7%).

GDP: annual change

FIGURE 1.1



Source: Thomson Datastream.

Among the advanced contingent, growth was strongest in the United States, United Kingdom and Japan, with rates in the interval of 1.6% to 1.9%. In Japan's case, the

aggressive monetary expansion embarked on by the central bank added significant impulse to economic activity and inflation. Meantime, euro-area growth remained frail overall (-0.4%) but gained momentum as the year advanced. Most euro members shared in the recovery, including those worst hit in preceding years, enabling a return to positive growth rates in the second quarter after six successive quarters in recession (see Figure 1.1).

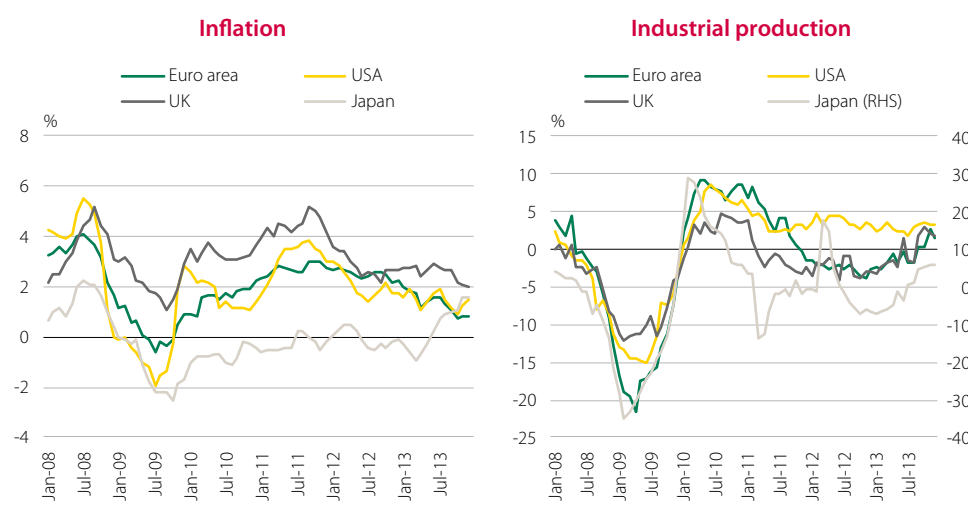
Among the emerging market economies, Asia continued out front by a solid margin (6.5%), while output growth in other regions was a considerably more subdued: 1.5% for Russia, 2.6% for the Latin American economies and 2.5% for the emerging economies of Central and Eastern Europe.

The low inflation environment persists

Inflation was stable or even falling among the advanced economies throughout 2013, due to the absence of demand pressures and commodity price declines. Only in Japan did inflation climb to any significant extent, reflecting a conscious effort by the central bank through its monetary expansion policy (see left-hand panel of Figure 1.2). Despite this, Japan's inflation held at fairly low levels on a par with other advanced economies. Headline rates closed the year at 2.1% in the United Kingdom, 1.6% in Japan, 1.2% in the United States and 0.8% in the euro area.

Inflation and industrial production (annual change)

FIGURE 1.2



Source: Thomson Datastream.

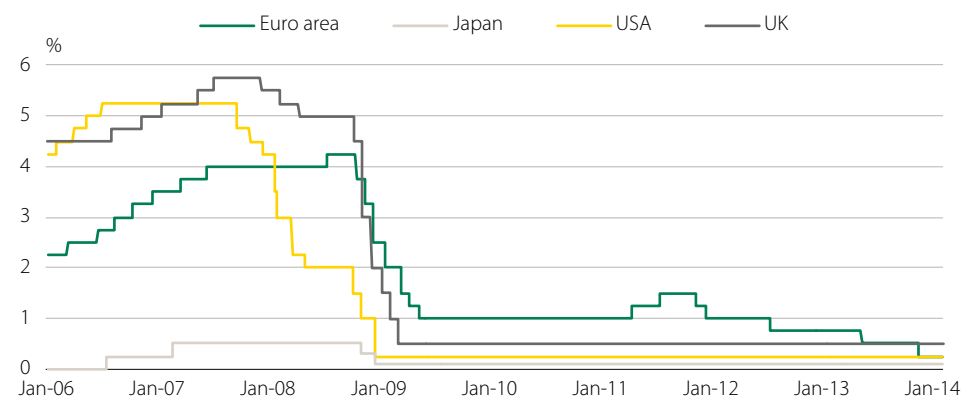
Monetary policy in the advanced economies conserved its markedly expansionary tone albeit with implementation taking very different routes. In the euro area, the ECB cut its main refinancing rate on two occasions¹ to a historic low of 0.25% (see Figure 1.3). In Japan, the monetary authority unveiled plans in April 2013 to double the country's monetary base by the end of 2014 through the purchase of long-term bonds, exchange-traded funds (ETFs) and other assets, the aim being to boost inflation to the neighbourhood of 2%. In the United States, the Federal Reserve announced in May that it would taper its monetary stimulus as soon as employment

¹ The two cuts, of 25 bp each, came into effect in May and November.

and activity figures came up to reasonable speed. Doubts about the timing and pace of this phased withdrawal – which were only dispelled at year end when the Federal Reserve set a starting date in January 2014 – caused a temporary flare-up in tensions on some debt markets around mid-year and a tightening of financial conditions in various emerging economies.

Official interest rates

FIGURE 1.3



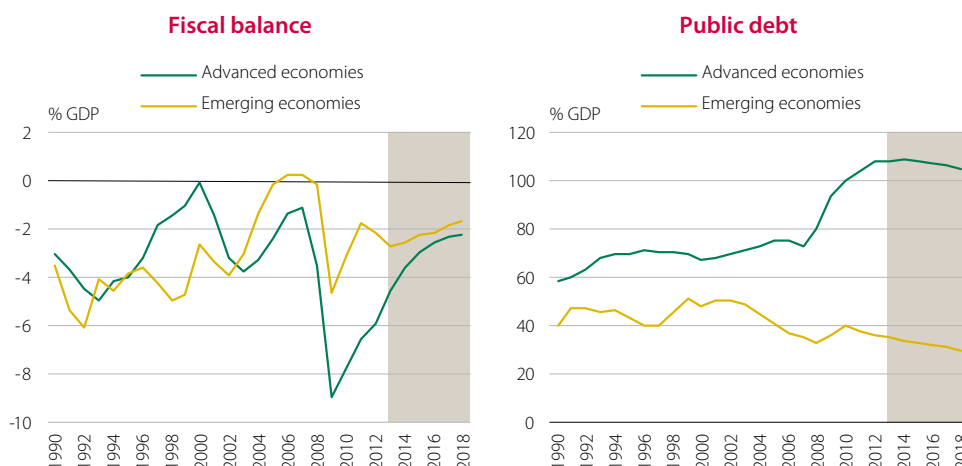
Source: Thomson Datastream.

Fiscal tightening remains the dominant stance among the advanced economies

According to estimates by the International Monetary Fund (IMF),² the fiscal tightening applied by the advanced economies in recent years persisted throughout 2013, in contrast to the slightly looser stance characterising the emerging market economies. In consequence, the average fiscal deficit of advanced economies narrowed from 5.9% of GDP in 2012 to 4.5% in 2013, against a backdrop of still frail economic activity, while the deficit of emerging market economies rose from 2.1% to 2.7%.

Fiscal balance and public debt

FIGURE 1.4



Source: IMF.

Despite their widening deficits, the IMF's projections suggest the fiscal positions of emerging market economies remain considerably sounder than those of their advanced economy partners, with particular regard to public debt (Figure 1.4). Their public deficits, it predicts, will sink below 2% of GDP in coming years while their public debt drops to approximately 30%. Advanced economy deficits, meantime, will average around 2%, but public debt will stay stubbornly above the 100% mark.

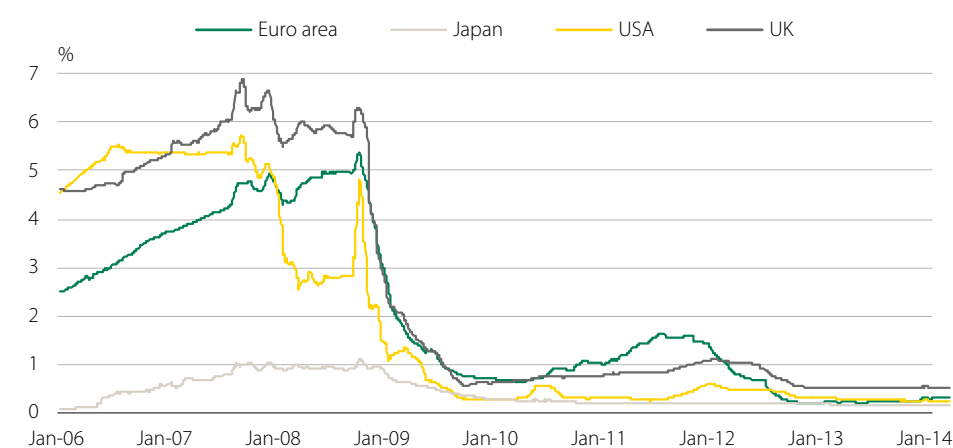
1.1.2 Developments in international financial markets

Short-term rates remain at historic lows

The expansionary monetary policies applied across the main advanced economic regions kept short rates running at historic lows throughout 2013. As we can see from Figure 1.5, three-month interbank rates closed at 15 bp in Japan, under 30 bp in the United States and the euro area, and close to 50 bp in the United Kingdom. Interbank trading volumes remained notably thin in comparison to the levels observed before the financial crisis.

Short-term interest rates (three months)

FIGURE 1.5



Source: Thomson Datastream.

Sovereign debt market tensions ease substantially

Sovereign bond yields tended to move in line with shifting expectations about the performance of national economies, particularly the more settled outlook for Europe's more vulnerable economies and the firming momentum of the United States, the United Kingdom and Japan. The Federal Reserve's mid-year announcement that it would wind down its monetary stimulus programme as economic activity and employment came progressively back to speed drove up volatility on debt markets and sent yields heading higher in the more solid economies (United States, United Kingdom and Germany).

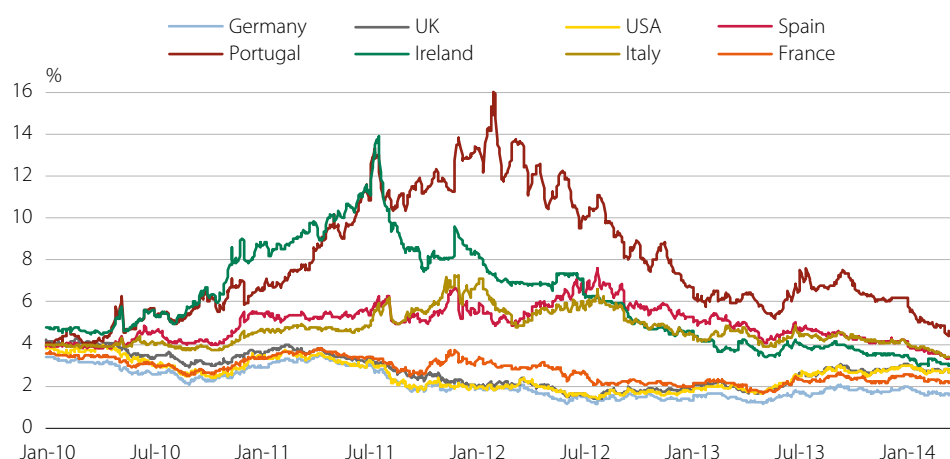
This better risk sentiment towards Europe's weakest economies at a time of historically low interest rates enhanced the appeal of their debt instruments, and prompted a move away from the "flight to quality" strategies dominating in recent years to a new and widespread "search for yield". Their renewed popularity among international investors was supported by the rise in sovereign yields remarked on above.

Ten-year bond yields in the United States, United Kingdom and Germany held more or less flat to June 2013 at under 2% in the first two countries and 1.5% approximately in the third, then pulled steadily higher in the second half to close at 3% and 1.9% respectively.

The decline in risk premiums in the euro area's more stressed economies had its echo in CDS spreads, which had already initiated a narrowing movement in the closing months of 2012 (see Figure 1.7). According to data from this market, the full-year decrease in sovereign spreads came to just under 100 bp in Portugal and Ireland, around 120 bp in Italy and more than 140 bp in Spain.

Ten-year government bond yields

FIGURE 1.6

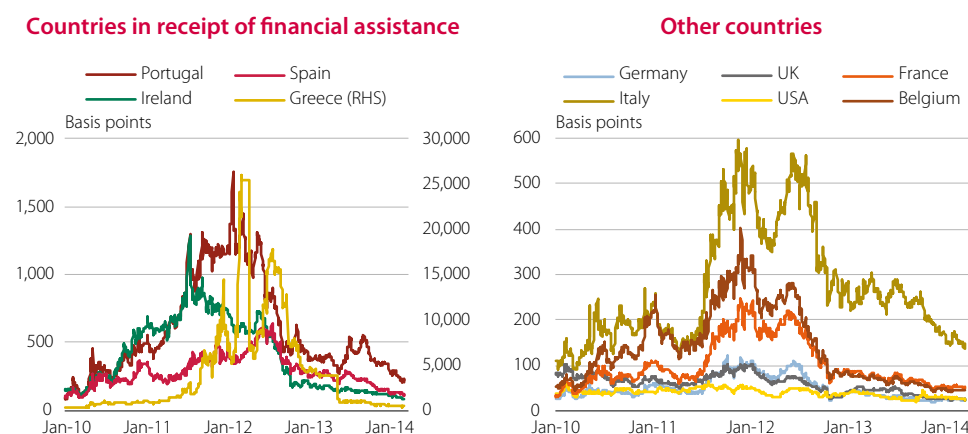


Source: Thomson Datastream.

Conversely, the sovereign yields of countries like Spain, Italy and Ireland headed sizeably lower for most of the year, with the exception of the central months, on lessening uncertainty over their economic and financial health and the progress made on European reform fronts (see Figure 1.6). Investors were slower to be convinced in the case of Portugal, where yields nonetheless began moving lower after the summer months. By the 2013 close, ten-year bonds were yielding 3.4% in Ireland, 4.1% in Spain and Italy, and 6.2% in Portugal, between 41 bp and 116 bp lower than one year before.

Sovereign CDS spreads

FIGURE 1.7

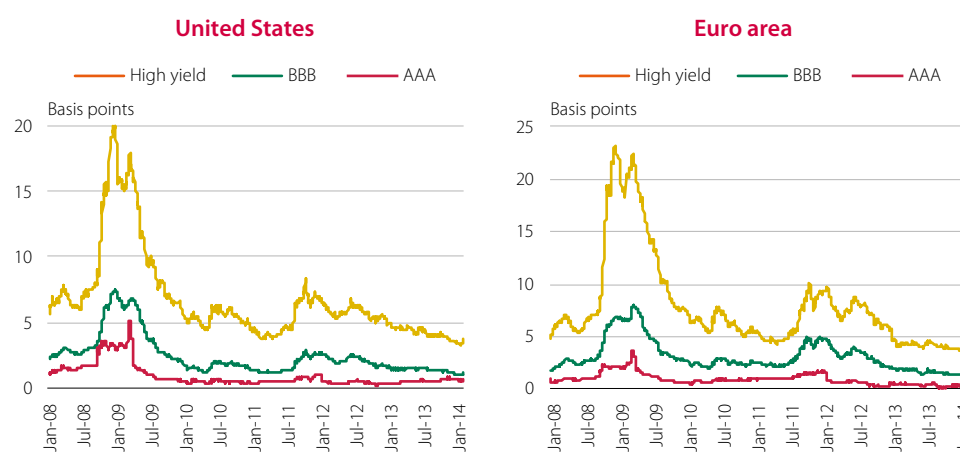


Source: Thomson Datastream.

As well as boosting purchases of peripheral economy public debt instruments, the abundance of liquidity on financial markets and the pre-eminence of “search for yield” strategies prompted a buying wave in medium- and low-rated corporate bonds. This investor shift down the quality spectrum has prolonged the downtrend in spreads of BBB and high-yield bonds in the euro area and the United States. In the case of high-yield instruments, the 2013 decrease ran to 162 bp in the United States and 114 bp in Europe versus falls of 61 bp and 69 bp respectively for BBB-rated assets.

Corporate bond spreads¹

FIGURE 1.8



Source: Thomson Datastream (Merrill Lynch and IBOXX indices). (1) Expressed as the difference between the yield of a set of bonds belonging to an index of determined maturity and credit quality and that of ten-year government bonds (the German benchmark in the case of the euro area).

Financial corporations resume positive net issuance

Net long-term debt issuance in international markets summed 3.5 trillion dollars in the full-year period, 25.8% less than in 2012. Most of the decline traced to sovereign debt issues, whose total volume was 2.4 trillion dollars against 3.7 trillion the year before. This scaling back of public debt issuance (net of redemptions) extended to all main regions, but was most intense in the United States (see Figure 1.9). In the private sector, the big development was the resurgence of bank sector issuance in the United States and Europe after several years of negative net financing. Finally, net issuance by non-financial corporates dwindled slightly in the United States and by a considerable margin in the case of Europe.

Specifically, net debt issuance by European firms shrank 33%, although the difference in gross terms was a far smaller -5.8%. It bears mention that, despite some progress, Europe’s debt markets remain somewhat fragmented in terms of issuers’ funding costs. As we can see from the panels of Figure 1.10, tracking, for illustrative purposes, a series of investment grade issues by European telecommunications operators in 2012 and 2013, the extracost borne by those based in Portugal, Italy or Spain versus those in Germany or France has reduced sizeably in 2013 compared to the gap observed in 2012, though major differences persist.

Net international debt issuance

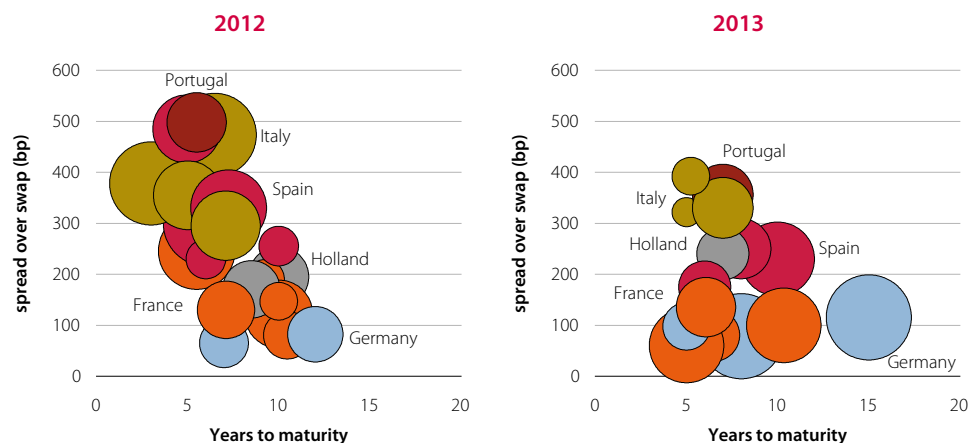
FIGURE 1.9



Source: Dealogic. Half-yearly data.

Debt issuance of European telecommunications companies¹

FIGURE 1.10



Source: Dealogic. (1) Long-term investment-grade floating rate bonds. The size of the bubble is proportional to the size of the issue.

Large gains on developed economy stock markets versus a disparate performance by the emerging group

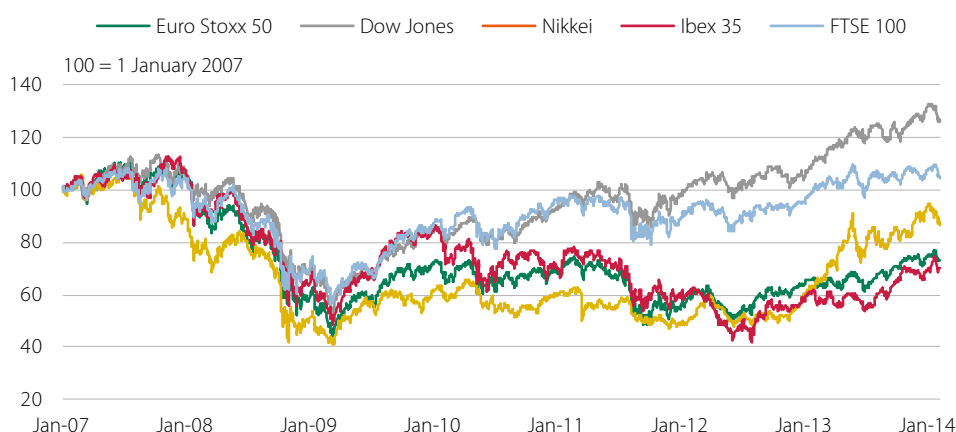
Economic and financial
framework
Economic and financial
environment

Leading advanced economy stock indices powered higher in 2013. The largest rises corresponded to Japanese and US indices, whose bull run through most of the year was buttressed by the relative strength of their economies (see Figure 1.11 and Table 1.1). In Japan's case, the announcement of all-out monetary expansion was the trigger for the run-up in equity prices. Finally, the Dow Jones posted an annual advance of 26.5% against the Nikkei's 56.7%.

European indices tended to waver in the opening months on perceptions of still frail economic growth and delays in getting reform packages off the ground. However, the brighter outlook for the European economy – including its more straitened members – after the third-quarter exit from recession prompted a widespread rally in the closing months that lifted annual gains, in most cases, to upwards of 15%.

Performance of main world stock indices

FIGURE 1.11



Source: Thomson Datastream.

Observed volatility on equity markets held below 20% throughout the year, similar to the standard levels of non-turbulent periods. The big exception was Japan, where volatility spiked at nearly 50% in the spring months, coinciding with the Bank of Japan's unveiling of the largest monetary expansion of recent years. Following the announcement, the volatility readings of the Nikkei index headed lower with the occasional upswing, settling from September onwards at close to 20% (see Figure 1.12).

Performance of main world equity markets

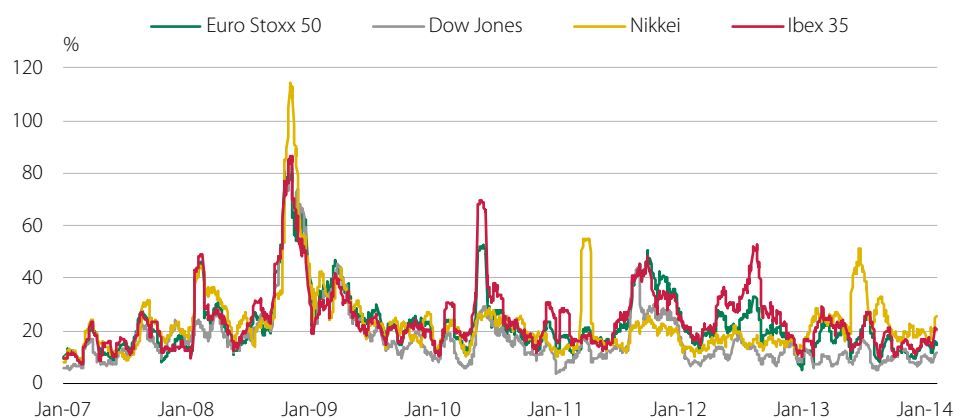
TABLE 1.1

Exchange	Index	Change ¹ (%)				
Developed countries		2009	2010	2011	2012	2013
United States	Dow Jones Ind. A.	18.8	11.0	5.5	7.3	26.5
United States	Nasdaq Composite	43.9	16.9	-1.8	15.9	38.3
Japan	Nikkei	19.0	-3.0	-17.3	22.9	56.7
United Kingdom	FTSE 100	22.1	9.0	-5.6	5.8	14.4
Euro area	Euro Stoxx 50	21.1	-5.8	-17.1	13.8	17.9
Euronext	Euronext 100	25.5	1.0	-14.2	14.8	19.0
Germany	Dax 30	23.8	16.1	-14.7	29.1	25.5
Italy	Mib 30	20.7	-8.7	-24.0	10.2	18.8
Spain	Ibex 35	29.8	-17.4	-13.1	-4.7	21.4
Latin America and Asia						
Argentina	Merval	115.0	51.8	-30.1	15.9	88.9
Brazil	Bovespa	82.7	1.0	-18.1	7.4	-15.5
Chile	IGPA	46.9	38.2	-12.4	4.7	-13.5
Mexico	IPC	43.5	20.0	-3.8	17.9	-2.2
Peru	IGBL	99.2	66.4	-16.7	5.9	-23.6
South Korea	Korea Cmp Ex	49.7	21.9	-11.0	9.4	0.7
Hong Kong	Hang Seng	52.0	5.3	-20.0	22.9	2.9
China	Shanghai Composite	80.0	-14.3	-21.7	3.2	-6.7

Source: Thomson Datastream. (1) In local currency.

Historical volatility¹ of main stock indices

FIGURE 1.12



Source: Thomson Datastream. (1) Historical volatility on day t is calculated as the standard deviation of daily index returns in the 20 preceding sessions.

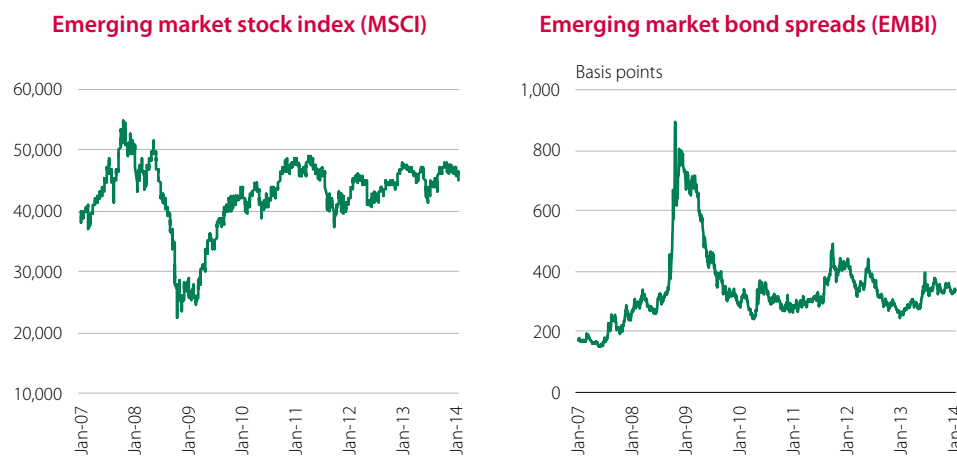
Emerging market stock indices performed more divergently than their advanced counterparts. On top of domestic factors, many felt the negative impact of the Federal Reserve's announcement that it was prepared to phase out its monetary stimulus programme. Eastern European indices, with the exception of Russia's RTS, posted the largest full-year gains, while fortunes were mixed in both Asia and, more so, Latin America (see Table 1.1). The US monetary authorities' tapering talk in the first half of the year caused disruption in the direction and amount of capital flows in some emerging economies, particularly those with the highest ratios of dollar-denominated liabilities (Brazil, India, Russia and South Africa).³ Financing

conditions tightened in response, producing a slump in equity prices and a rebound in sovereign spreads in the first half of 2013, though the effect wore off somewhat in subsequent months, as Figure 1.13 shows.

Economic and financial
framework
Economic and financial
environment

Emerging economy financial markets

FIGURE 1.13



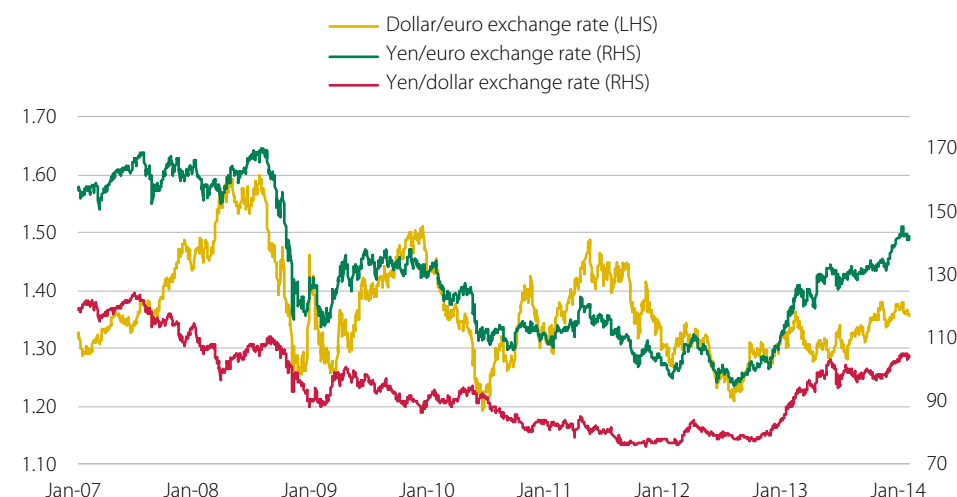
Source: Thomson Datastream and Bloomberg.

The euro gains ground against other major currencies

The euro managed a full-year advance against other major currencies on the back of the improved economic outlook for the area and the return of calm to European financial markets. After holding steady around the 1.30 dollar mark, it began to appreciate in the second half as far as a year-end rate of 1.38 dollars. Gains against the yen, conversely, were concentrated in the opening months, in response partly to the growth of Japan's monetary base, followed by another spurt in the closing weeks (see Figure 1.14). Exchange rates, specifically, progressed from 114 yens in December 2012 to 129 yens in June, and from there to 145 yens per euro at the 2013 close.

Euro exchange rates against the dollar and yen

FIGURE 1.14



Source: Thomson Datastream.

1.2 National economic and financial developments

A budding recovery in domestic activity and employment

The Spanish economy returned to growth in the second half of 2013 after nine straight quarters in recession. Although quarterly growth rates in the period were a muted 0.1% and 0.2% respectively, they served to contain the full-year decline in GDP at 1.2%, 0.4 points less than in 2012.

Analysis of main GDP components shows a progressive realignment between domestic and external demand. Specifically, domestic demand detracted only 0.6 points from growth in the fourth quarter compared to 4.3 points in the first three months, while the positive contribution of net exports dropped from 2.4 to 0.4 points. Private consumer spending and gross fixed capital formation gained speed in the second-half period, but not enough to deliver a positive full-year outcome. Hence final household consumption contracted by 2.1% (-2.8% in 2012) and gross fixed capital formation by 5.0% (-7.0% in 2012). Note the divergent progress within this last component of construction investment, down by 9.6%, and equipment investment, which expanded 2.3% in the full-year period (see Table 1.2). In the external sector, both exports and imports increased at a faster pace in the year's closing quarter for average growth of 4.9% and 0.4% respectively (2.1% and -5.7% in 2012).

Key variables of the Spanish economy

TABLE 1.2

	2009	2010	2011	2012	2013
GDP	-3.8	-0.2	0.1	-1.6	-1.2
Private consumption	-3.8	0.1	-1.2	-2.8	-2.1
Government consumption	3.8	1.5	-0.5	-4.8	-2.3
Gross fixed capital formation, of which:	-17.9	-5.5	-5.4	-7.0	-5.0
Equipment	-24.2	5.0	5.6	-3.9	2.3
Exports	-9.8	11.7	7.7	2.1	4.9
Imports	-16.8	9.4	0.0	-5.7	0.4
Net exports (growth contribution, p.p.)	2.9	0.4	2.1	2.5	1.4
Employment ¹	-6.2	-2.3	-2.2	-4.8	-3.4
Unemployment rate	18.0	20.1	21.6	25.0	26.4
Consumer price index	-0.3	1.8	3.2	2.4	1.4
Current account (% GDP)	-4.8	-4.5	-3.8	-1.1	0.7
General government account (% GDP) ²	-11.1	-9.6	-9.6	-10.6	-7.1

Source: Ministry of Economic Affairs and Competition, National Statistics Office (INE), Banco de España and Thomson Datastream. Annual rates unless otherwise stated. (1) Full-time equivalent jobs. (2) Figures for 2011, 2012 and 2013 include state aid to credit institutions amounting to 0.5%, 3.8% and 0.5% of GDP respectively.

A supply side analysis of GDP shows that all main branches of activity slowed their decline, with some even registering year-on-year growth in the year's closing quarter. Finally, the average gross added value of industry shrank by 1.3% against the -0.5% of services and the -7.7% of the still struggling construction sector. By contrast, the GVA of primary activities expanded 1.2% in the full-year period.

Spanish inflation came down sharply all year from just under 3% in the opening months to approaching 0% in December. This strong drop has its origins in weak domestic demand, moderating energy prices and the unwinding, in September and

October, of the effect of the 2012 hike in VAT. Headline rates averaged 1.4%, one percentage point less than in 2012. Meantime, core inflation traced a year-long descent from 2.3% to 0.2%, for an annual average rate of 1.5%. Spain's inflation differential versus the euro area turned negative in September after opening at almost one full point, and closed the year at -0.5 percentage points.

The latest labour-market figures suggest job destruction and the advance of unemployment may be coming to an end. Jobless rates retreated from their first-quarter peak of 27.2% of the active population to 26% at the annual close, while the decline in employment slowed to a fourth-quarter rate of 1.6%. The statistic of 199,000 jobs lost in 2013 (121,400 in the public and 77,500 in the private sector) compares favourably to the 850,000 of 2012 and the 600,000 of 2011. Unit labour costs, finally, fell by 1.5% on average, prolonging the descent initiated in 2010, on a 2.3% increase in the "apparent productivity of labour" (productivity per worker) and an 0.7% rise in employee wages.

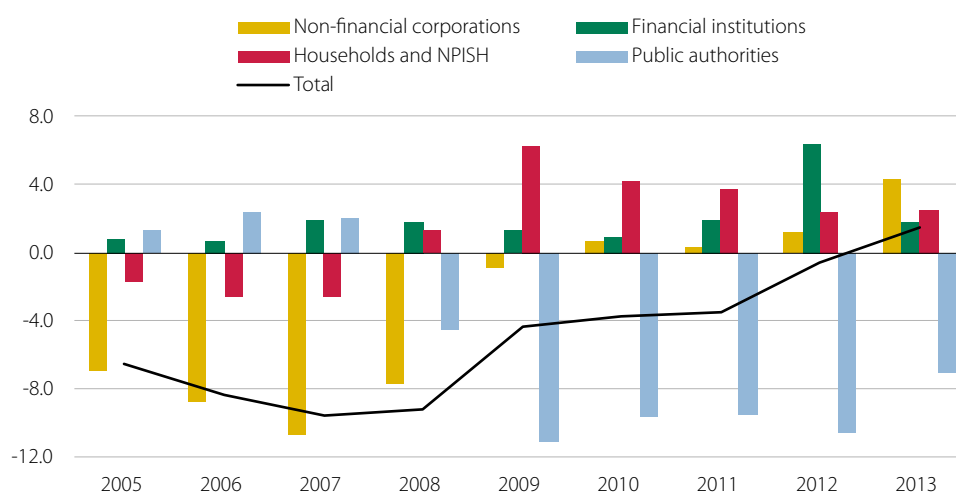
According to available budgetary execution figures for 2013, the general government deficit closed at 6.62% of GDP⁴ (7.08% if we factor in aid to the financial sector), marking a bare 0.1-point overshoot of the official target. Multiannual budgetary objectives for 2014-2016 pursue additional deficit shrinkage to below 3% of GDP in 2016. Meantime, general government debt swelled from 86% at end-2012 to 93.9% in December 2013.

The Spanish economy moves to a net lending position on increased private-sector saving and lower investment

For several years, the Spanish economy had been substantially reducing its net borrowing position versus the rest of the world, as a result of sharply contracting gross capital formation and a jump in private-sector saving – achieved despite a parallel decline in national disposable income. The upkeep of this trend through 2013 produced a net lending position at the annual close equating to 1.5% of GDP (see Figure 1.15).

Net lending (+) or borrowing (-) capacity of the Spanish economy (% GDP)

FIGURE 1.15



Source: National Statistics Office (INE) and Banco de España.

4 The deficit of central government, the social security system and autonomous communities stood at 4.33%, 1.16% and 1.54% of GDP respectively, while local corporations turned in a surplus of 0.41%.

By sector, we can see that non-financial corporates expanded their lending capacity from 1.1% of GDP in 2012 to 4.3% in 2013, while that of households ticked up from 2.4% to 2.5%. Driving the increase in both sectors was a decrease in liabilities and higher savings rates, particularly in the case of non-financial corporations. General government again had the highest funding requirements (7.1% of GDP against 10.6% in 2012).

Household savings rates settle at 10.5% of disposable income

Indicators for the financial position of Spanish households in 2013 reveal that the savings rate tended to stabilise at around 10.4% of disposable income. After a strong run-up in 2008-2009, which carried it to record highs approaching 18% of disposable income, this variable has retreated to approximately pre-crisis levels. Household debt-to-income and debt burden ratios dropped to just under 120% and 14% of gross disposable income respectively, as households reduced their stock of liabilities. Regarding financial investments, salient developments were a return to net investment fund subscriptions after various years in which redemptions dominated, and an increase in deposits held.

Financial assets of Spanish households: Changes during the first years of crisis and comparison versus other euro-area countries

EXHIBIT 1.1

Banco de España's Survey of Household Finances (Spanish acronym: EFF) provides comprehensive data on the income, assets, debt and spending of family units. The survey is run every three years on an extensive sample of households. The four waves available to date – corresponding to 2002, 2005, 2008 and 2011 – cover a period that is particularly illuminating for the study of household behaviour patterns, including as it does economic expansionary and recession phases of unusual intensity and duration. The longitudinal nature of a part of the sample, i.e. the recalling of families interviewed in earlier editions, provides added depth and contrast. The detailed results of the latest round are not yet available but the Banco de España has published a summary of its main findings.¹

The ECB has sponsored a similar initiative in the euro area known as the Household Finance and Consumption Survey (HFCS). Only one edition has been completed to date, providing standard information on households in 15 countries² that ensures the comparability of results. In most cases, the data for this first wave were gathered in the year 2010.

Comparison between the two surveys is especially rewarding for securities market observers, since both inquire into the make-up of households' financial assets, including basic investment products (shares, fixed income and investment funds). The methodology employed involves oversampling of the wealthiest households, those that invest most in this kind of product. In this exhibit, we present the main results of the EFF corresponding to 2011, focusing precisely on the composition of assets. Results are then compared with those of the countries taking part in the HFCS.

The average 2011 income of Spanish households was 34,700 euros while their median³ income was 25,400 euros. Compared with the EFF2008 figures, real median income has decreased by 8.5%, while average income is down by 3.1%.

Average and median net wealth⁴ have headed in the same direction, albeit with falls rather steeper due to the decline in housing values. Hence household average net wealth decreased by 12.5% to 266,700 euros, and median net wealth by 20.1% to 153,300 euros.

According to the EFF2011, financial assets made up 15.6% of the total value of household assets, with the remainder accounted for by real assets. Their main residence was the single most important asset held by households, representing 60.3% of the value of their real assets and 50.9% of the total value of all their assets. These percentages were slightly down with respect to earlier editions.

The ECB's study comes up with similar results, locating the average weight of households' main residence in the 15 survey countries at 60.8% of their total real assets. Inter-country differences loom large in this respect, with percentages ranging from the 83.4% of the Netherlands to 35.7% in Cyprus. The proportion of households owning their main residence stands slightly higher in the EFF, at 83.1% against the 82.7% of the HFCS. The gap here widens below the median level of net wealth. So while in Spain 47.7% of households below the 25th percentile⁵ of net wealth and 92.2% of those falling between the 25th percentile and the median declare themselves home owners, the proportions drop to 4.8% and 28.6% respectively across the HFCS sample.

Regarding financial assets, the most widely reported in the EFF2011 were bank accounts that cannot be used to make payments, followed, in order of importance, by pension schemes and life insurance and accounts and deposits usable for payments. The former made up 22.6% of the value of households' financial assets, at some distance from the peak levels of the 2008 wave (26.4%). Pension schemes and life insurance represented 18.4% of total assets, on a par with previous editions. Finally accounts and deposits usable for payments weighed in at 17.7%, a good way short of the maximum reached in the 2005 wave (26.6%). The biggest differences with HFCS estimates under the financial assets head refer to pension schemes and life insurance, whose average relative weight among the survey countries stood at 26.3%. This percentage varied widely from nearly 50% in the Netherlands and France to less than 10% in Greece and Italy.

Investment assets (listed shares, investment funds and fixed-income securities) represent a much smaller proportion of financial assets in both Spain and the other euro-area countries included in the HFCS. In the case of listed shares, the holdings of Spanish households remained broadly flat between the 2008 and 2011 waves at around 9% of financial assets. This was slightly above the euro-area average as derived from the HFCS (7.9%), though the median invested value was in both cases bordering on 7,000 euros. The percentage of Spanish households directly owning listed shares was around 11%, behind countries like Finland, France or Belgium, where the proportion ranges from 14.7% to 22.2%, but ahead of others such as Greece, Italy and

Portugal, where ownership slumps to between 2.7% and 4.6%. The percentage of shares in financial asset portfolios, percentage ownership and invested value increase with households' net wealth.

The EFF2011 finds a large reduction in investment fund holdings as a percentage of the value of Spanish households' financial assets, compared to the high-point reached in the 2005 wave. These investment products, specifically, have dropped back from 13.2% in this last year to just 5.4% in 2011. The percentage of households with investment funds has held more or less stable since the previous (2008) wave at approximately 5.6%, but the median investment has shrunk by almost 40% to 10,000 euros in 2011. Comparing with the HCFS, the results of the Spanish survey stand in sharp contrast to those of countries like Finland or the Netherlands, where the percentages invested come to 27.7% and 17.7% respectively, though median investments (2,600 and 7,100 euros respectively) are significantly lower. In Italy, with a percentage of ownership similar to Spain's (6.3%), the median investment is double our amount.

Spanish households have little tradition of investing in fixed-income instruments, and the EFF2011 puts their share in the value of financial assets at just 1.5%. This contrasts with the over 5% reported across the HCFS survey, rising to upwards of 10% in countries such as Italy or Malta. According to the EFF2011, Spanish households' median holding of fixed-income assets was around 12,000 euros. However, the HCFS data raise this median amount to 19,200 euros, in line with the figure for the euro area.

In sum, the EFF shows that Spanish households suffered a decline in income and, especially, net wealth over the first years of the current crisis (between 2008 and 2011), largely as a result of the fall-off in real estate values. Spain stands out in comparison to the other euro-area countries in the large percentage of households of below median income who are home owners, which could be a major impediment to their investing in other kinds of assets, as well as causing high levels of debt. It also bears mention that the percentage of Spanish households investing in equity markets through the direct purchase of listed shares is comparable to that of many other euro-area countries, while their ownership of fixed-income securities lags far behind. As regards investment funds holdings – likewise trailing those of other European countries – the EFF reflects a sizeable decline since half way through the previous decade.

- 1 Banco de España (2014). "Survey of Household Finances (EFF) 2011: Methods, Results and Changes since 2008", in *Economic Bulletin*, January 2014.
- 2 Belgium, Germany, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
- 3 Median income is the value of income such that 50% of households earn more and the other 50% less.
- 4 Difference between assets and liabilities.
- 5 The 25th percentile is the level of wealth such that 25% have a lower net wealth and the other 75% a higher net wealth.

Tensions subside on domestic debt markets accompanied by a run-down in government and corporate yields

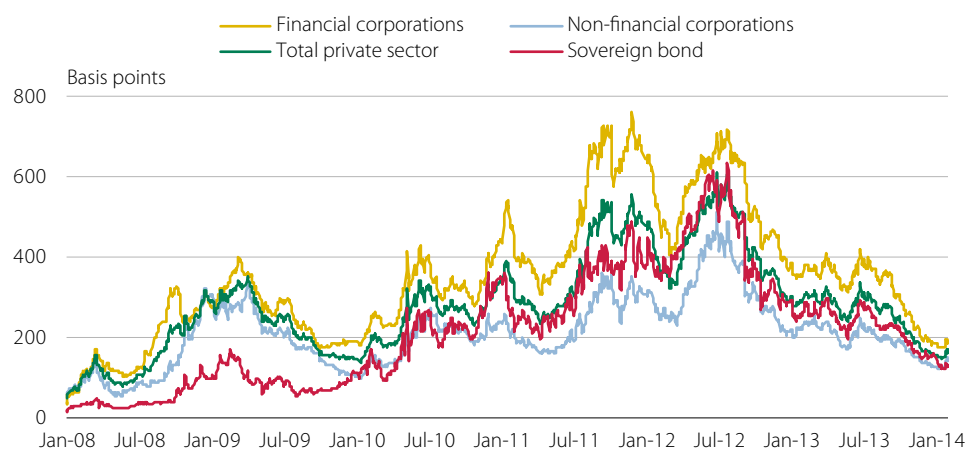
Economic and financial
framework
Economic and financial
environment

Domestic fixed-income markets held within the stabilizing trend initiated after the turmoil of summer 2012, the only blip being a brief spell of tension around mid year due to doubts about the imminent direction of US monetary policy. In general, we can say that the relaxing of tensions on these markets had its cause in agents' growing confidence in the clean-up and restructuring under way in the Spanish financial sector, the efforts being made in fiscal consolidation, and symptoms of a mild up-turn in economic activity, among other factors.

Against this backdrop, the yields and spreads of benchmark instruments came down significantly, accompanied by a notable recovery in non-resident investment in Spanish debt. Ten-year government yields closed at 4.1% versus the 5.3% of end-2012, while the spread over the German bond dropped from 396 bp to 220 bp. The credit spreads of both the sovereign bond and private-sector borrowers (financial and non-financial) narrowed to not far off the levels of spring 2010, prior to the first outbreak of turbulence on European sovereign debt markets (see Figure 1.16).

Risk premium of Spanish issuers¹

FIGURE 1.16



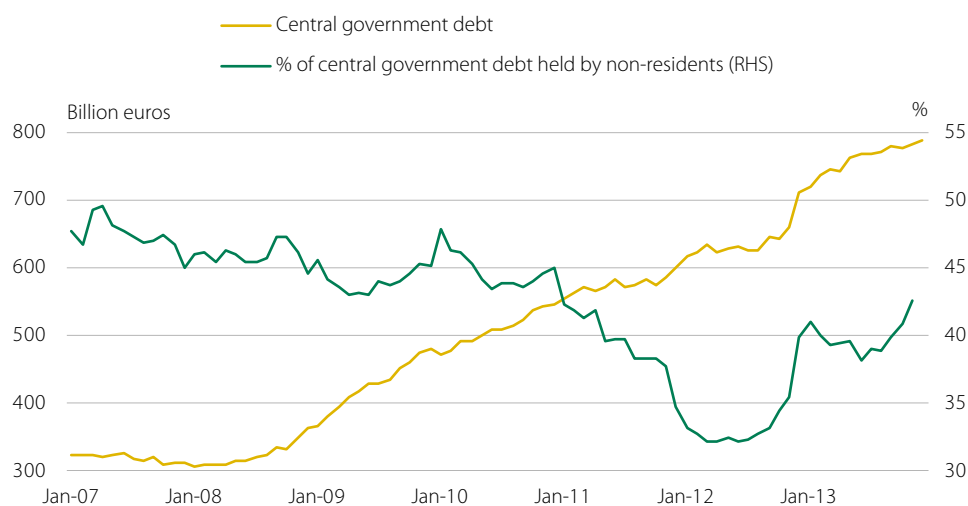
Source: Thomson Datastream. (1) Credit derivatives markets. Five-year maturities. Simple average, except for Spanish sovereign CDS.

The improved financing conditions of the economy failed to translate as an issuance upswing in the resident private sector, reason being the steeply falling funding needs of its biggest borrower, financial institutions. The result was that gross resident private-sector issuance decreased by 58.7% to 162 billion euros. Spearheading the decline were non-convertible bonds and debentures, mortgage covered bonds and commercial paper. Non-financial corporations again accounted for a small share of the annual total, but were considerably more active than in 2012, with non-resident subsidiaries, in particular, stepping up their issuance, a trend discussed more fully in Chapter 3.

The big novelty on domestic private fixed-income markets was the launch of the Alternative Fixed-Income Market (MARF) on 7 October 2013. MARF, which is organised as a multilateral trading facility, seeks to facilitate medium-sized companies' access to finance via the issuance of fixed-income securities. Its principal clients are institutional investors.

Central government debt and non-resident holdings

FIGURE 1.17



Source: Banco de España.

Spain successfully exits the financial assistance programme for the recapitalisation of the banking sector, which nonetheless still faces hard challenges

The Spanish banking industry was immersed all year in a root-and-branch restructuring further to the terms of the Memorandum of Understanding (MoU) concluded between Spanish and European authorities in July 2012. As part of the financial assistance facility envisaged in the MoU and finalizing in January 2014, financial institutions have ramped up their levels of provisioning, while over 50 billion euros in impaired assets have been transferred to the Asset Management Company for Assets Arising from Bank Restructuring (Spanish acronym: SAREB), starting with Group 1 entities in December 2012, and continuing with Group 2 entities in February 2013.

Even after allaying doubts about the quality of its assets, the Spanish banking sector has struggled to contend with weak economic activity at home on top of the fragmentation that characterises European financial markets.

NPL ratios continued to escalate to a November 2013 high of 13.1%. However, sector income statements appear to be in decidedly better shape. To the month of September, financial institutions had obtained aggregate profits of 2.13 billion euros, contrasting with the 5.80 billion losses of the same period in 2012. Although declines in net interest income and income from equity instruments took gross operating income down from 14.44 billion euros to 12.15 billion, sharply falling impairment losses on financial and other assets (down from 13.53 to 5.02 billion and 2.62 billion to 391 million respectively) did enough to propel the sector back into positive numbers.

In this context, bank lending to non-financial resident sectors continued to dwindle through 2013. Outstanding loans fell by 7.1% to December 2013, with loans to non-financial corporates down by 9.4% and those to households down by 5.1%. It bears mention that the rates of decline in these two sub-sectors diverged somewhat from mid-year on, tending to slow in the case of non-financial firms while accelerating for households. In the euro area, lending to non-financial corporates fell by 4% year on year to December 2013, while lending to households kept up the levels of the previous year.

The funding conditions of Spanish credit institutions continued to improve in tune with the calmer mood of financial markets, though, again, the persisting fragmentation of Europe's markets tended to make issuance costlier for smaller banks compared to their same-sized European peers. In any event, ongoing deleveraging has sizeably reduced the sector's funding needs and made it less reliant on debt financing and Eurosystem loans.

Profits growth at non-financial listed corporations

Non-financial listed companies grew their aggregate profits by 7.3% in 2013 to 11.15 billion euros. Heading the list were companies in retail and services, whose earnings swelled from 4.72 billion in 2012 to almost 6 billion in 2013, followed at a distance by industrial firms (see Table 1.3). Positive contributions also came from construction and real estate companies, which managed to rein back losses from 4.93 billion euros to 3.92 billion in 2013. Energy stands out as the only sector whose earnings fell short of the previous year's (down 19% to 8.39 billion euros), though it conserved its lead in straight-money terms.

Earnings by sector:¹ non-financial listed companies

TABLE 1.3

Million euros	EBITDA		EBIT		Profit for the year	
	2012	2013	2012	2013	2012	2013
Energy	27,241	24,114	16,968	13,829	10,346	8,392
Industry	3,466	3,830	1,853	2,273	31	609
Retail and services	28,647	28,378	14,045	14,213	4,716	5,990
Construction and real estate	5,540	3,445	2,199	373	-4,933	-3,921
Total²	64,945	59,695	35,256	30,709	10,391	11,149

Source: CNMV. (1) Year to date. (2) In the case of groups, the total includes only the consolidated data reported by the dominant company, to the exclusion of any other listed firm within the group. The total may differ from the sum of the figures stated for each sector due to subsequent adjustments.

The aggregate debt of non-financial listed companies dropped by 10% in 2013 to 270 billion euros. The largest fall was in construction and real estate, which lowered its debt to the tune of 11.10 billion euros,⁵ followed by retail and services with 9.38 billion and energy with 9.09 billion. Aggregate leverage decreased from 1.41 in 2012 to 1.38 in 2013 after trending lower for several years. Companies' debt coverage ratio, measuring the years needed to repay existing debt assuming constant EBITDA, edged up from 4.3 to 4.5, while their interest cover (EBIT/interest expenses) worsened slightly (from 2.1 to 1.8). Both indicators deteriorated in 2013 across all sectors followed with the exception of retail and services, where improvement drew on both debt reduction and higher inflows under key earning heads.

Spanish stock markets enjoy a bull run after three years of losses

Domestic stock markets were buoyed throughout 2013 by the fading of tensions on European debt markets, the progress made in recapitalising and restructuring the

5 The decline here relies in part on Metrovacesa's exclusion from the 2013 sample. Stripping out this effect, the reduction in debt between 2012 and 2013 stands at nearly six billion euros.

Spanish financial sector and, after summer, agents' improved perceptions on the performance of the economy. Share prices, volatility and liquidity reacted positively to this more supportive economic and financial environment after a somewhat irregular first-half period.

The Ibex 35 rose 21.4% (27.8% including dividends) in what was its first annual increase since 2009 (see Table 1.4), to close the year a little ahead of most European benchmarks. Other domestic share indices went even better, with the Ibex Small Cap and Ibex Medium Cap posting gains of 44.3% and 52% respectively. The year's top performing sectors were insurance (44.7%) and health (41.1%), ahead of industrial goods and services (39.7%) and financial services (31.5%). At the other extreme, the indices listing Latin American securities registered full-year losses of 20% (FTSE Latibex All-Share) and 12.4% (FTSE Latibex Top), as prices sagged in response to the mid-year announcement of a shift in US monetary policy.

The market capitalisation of Spanish listed companies expanded 30.1% in 2013 to 570 billion euros, on the combined effect of rising share prices and, to a lesser extent, the funds raised through the primary market. Equity issuance in the year totalled 39.62 billion euros, 34% more than in 2012, though 57.2% of this sum corresponded to operations in the frame of the financial sector restructuring process.

Trading volumes in Spanish listed shares swelled by 7.8% in 2013 to 765 billion euros. Although the incumbent home-market exchange still accounts for most such trades, the year saw a significant slice of business going to alternative venues, primarily multilateral trading facilities established abroad. As a result, the BME's share of trading in Spanish registered shares slipped from 96.9% to 90% (see Chapter 2).

Performance of Spanish stock market indices and sectors (%)

TABLE 1.4

	2008	2009	2010	2011	2012	2013
Index						
Ibex 35	-39.4	29.8	-17.4	-13.1	-4.7	21.4
Madrid	-40.6	27.2	-19.2	-14.6	-3.8	22.7
Ibex Medium Cap	-46.5	13.8	-5.6	-20.7	13.8	52.0
Ibex Small Cap	-57.3	17.6	-18.3	-25.1	-24.4	44.3
FTSE Latibex All-Share	-51.8	97.2	9.0	-23.3	-10.7	-20.0
FTSE Latibex Top	-44.7	79.3	9.7	-17.1	-2.6	-12.4
Sector¹						
Oil and gas	-30.8	-20.1	0.3	23.2	-31.2	29.9
Chemicals	-67.8	3.4	-60.0	-15.7	-62.7	-34.6
Basic materials	-45.4	23.1	-5.6	-22.5	-5.6	25.4
Construction and construction materials	-51.0	25.5	-14.4	-13.0	-5.4	28.3
Industrial goods and services	-41.9	29.3	-1.9	-7.6	17.8	39.7
Health	-45.0	17.7	-22.2	-0.8	83.0	41.1
Utilities	-31.0	-7.8	-14.3	-13.8	1.7	28.4
Banks	-47.9	46.3	-32.3	-18.3	-4.4	23.1
Insurance	-25.0	19.8	-26.8	13.8	-2.8	44.7
Real estate	-58.6	-43.8	-53.2	-42.4	15.7	4.9
Financial services	-44.3	20.8	12.8	3.5	3.4	31.5
Telecommunications and media	-31.4	23.5	-13.4	-22.7	-20.1	23.5
Discretionary consumption	-39.2	37.0	20.6	1.4	56.8	18.9
Basic consumption	-22.5	-8.4	15.8	-12.1	13.3	19.7

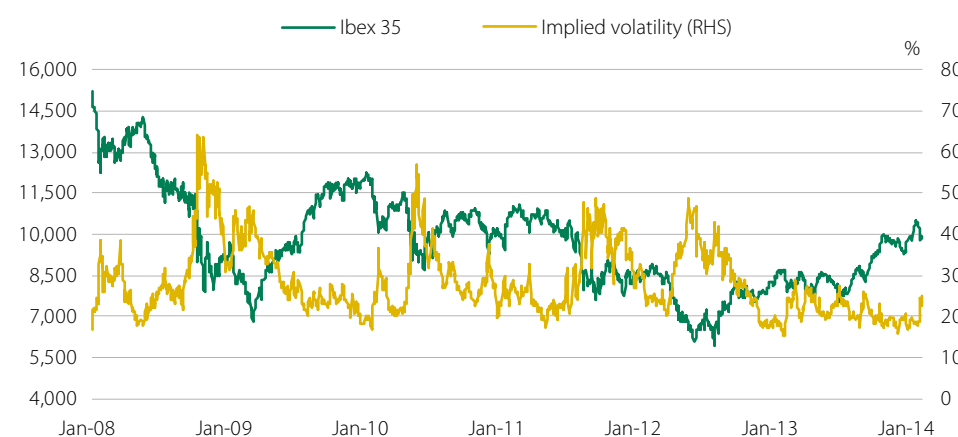
Source: Thomson Datastream. (1) Classification according to Thomson Datastream.

The liquidity conditions of the Ibex 35, as measured by the bid/ask spread, kept up the improvement initiated in the second half of 2012, except for some tightening in the central months of the year as tensions briefly resurfaced on financial markets. The index's implied volatility tended to fluctuate around the 20% mark, with no major spikes.

Economic and financial
framework
Economic and financial
environment

Ibex 35 performance and implied volatility

FIGURE 1.18



Source: Thomson Datastream.

1.3 Economic and financial outlook

In its latest forecasts, the IMF augurs world growth of 3.6% in 2014 and 3.9% in 2015, almost one full point above the 3.0% of 2013. The gathering pace of global economic activity will draw on both the advanced economies, projected to grow by 2.2% in 2014 and 2.3% on 2015 (1.3% in 2013), and the emerging markets, with annual advances of 4.9% and 5.3% respectively (4.7% in 2013).

The risks confronting both groups are of an essentially different nature. Among the advanced economies, the main risk factors are still the frailty of economic activity and, in some areas, the prospect of deflation, plus, in Europe, the need to complete the financial sector clean-up and move ahead with banking union. Finally, there is the danger that financial markets may suffer new waves of turbulence in the event of an abrupt run-up in risk premiums and interest rates. For the emerging economies, the fear is that the switch in US monetary policy could reignite financial market tensions, with the corollary of capital outflows, falling share prices, rising risk premiums and currency depreciation. Some of their number face the added task of rebalancing growth between the domestic and external sector.

The IMF's projections for the Spanish economy point to growth of 0.9% in 2014 and 1.0% in 2015 after last year's 1.2% contraction. Its 2014 estimate, which marks an upward revision versus January last of 0.3 points, still stands slightly below the consensus forecasts of various Spanish private institutions (1.0%) and the Banco de España (1.2%). Meantime, activity and employment indicators suggest the economy is slowly recovering, and should be able to exploit its improved competitiveness without losing sight of fiscal consolidation and bank sector restructuring goals. The main risks for this scenario are those deriving from prolonged labour market weakness.

II Markets and issuers

2.1 General overview

Spanish equity markets also benefited last year from the climate of greater stability prevailing in financial markets. Lower uncertainty with regard to the financial sector and sovereign debt, together with the improvement in expectations regarding economic performance, triggered a fall in the implied volatility of the Ibex 35, which fell from an annual average of 29.7% in 2012 to 21.2% in 2013. Unlike other years, there were no periods of sharp volatility in the Spanish market. In this context, the prices of Spanish shares also joined in the upward trend seen in most developed economies, driven by the reduction in perceived risk relating to traded securities, low interest rates and, especially in the second half of the year, the budding forecasts of an economic upturn. The Ibex 35, which had followed a downward trend since 2010, rose by 21.4% (27.8% if we take into account the dividends paid), a rate of growth above the average for the Eurozone, as explained in Chapter 1.

Market capitalisation grew by 30.1% as a result of the rise in prices and the capital increases performed over the year, which grew significantly both in number and in amount. Noteworthy among the capital increases were those performed by banks in the context of the restructuring and recapitalisation process of the sector.

The trading in other countries of securities listed on Spanish stock markets grew significantly last year. Trading in Spanish markets remained at levels similar to those of the previous year, despite the increase in prices. However, total trading of Spanish listed securities on European regulated markets and multilateral trading facilities as a whole rose by 7.8%, while the proportion of BME in the trading of those securities dropped from 96.9% to 90%. This shows that the fragmentation of trading in equity securities – recorded in the main European markets since the entry into force of the MiFID – has had a significant effect on the Spanish market for the first time. Its impact, however, remains lower than in other similar European markets.

Table 2.1 presents a comparison of the size of the main equity markets, using as an approximation the ratios of capitalisation and trading over nominal GDP. Over 2013, the former rose in all countries presented in Table 2.1 due to the increase in prices, except in China, where they fell. The trading ratios remained relatively stable, except in China and Japan, which saw a significant increase. As can be seen in the table, the capitalisation of the Spanish market in terms of GDP is among the lowest, together with the German market. However, the trading ratio is at the mid-point in comparison with other European markets.

Market capitalisation and trading on regulated markets as a percentage of nominal GDP

TABLE 2.1

	Market capitalisation ¹		Trading	
	2012	2013	2012	2013
USA ²	114.9	143.1	143.0	138.6
Canada	112.6	119.5	74.5	75.4
China ³	75.9	72.8	71.4	93.3
Japan ⁴	67.2	99.8	61.1	133.7
London Stock Exchange ⁵	73.6	94.6	48.5	49.4
Euronext ⁶	67.7	81.0	38.5	38.9
Germany	42.3	51.3	37.0	36.7
Spain	42.6	55.7	67.2	68.8

Source: World Federation of Exchanges, International Monetary Fund (WEO) and CNMV. (1) In local currency, the market capitalisation figures correspond to the last working session of the year. (2) The numerator is the combined total of the NYSE, Euronext US and Nasdaq. (3) Includes data from the Hong Kong, Shanghai and Shenzhen stock markets, as well as the GDP of the People's Republic of China and Hong Kong. (4) Includes data from the Tokyo and Osaka stock exchanges. (5) The London data as from 2010 includes data from the Borsa Italiana, integrated in the London SE Group, and the GDP of both countries. (6) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium and Portugal.

2.2 Listed companies and capitalisation

At the end of 2013, there were a total of 153 companies listed on Spanish stock markets, five fewer than at the end of 2012.¹ This fall took place among Spanish companies in the electronic market as a result of the delisting of five companies and the new listing of one company, specifically a bank formed as a result of the merger of several former savings banks. There was also one other delisting in the secondary market.²

The value of shares admitted to trading on Spanish markets amounted to 570 billion euros, 30.1% up on year-end 2012. This increase was mainly caused by rising prices, but also by the capital increases conducted over the year, especially those carried out by the banking sector (see Section 2.3).

As in previous years, capitalisation was concentrated in a relatively low number of companies. In particular, the 14 companies with the highest capitalisation accounted for 76.5% of the total at the end of the year. However, this percentage fell slightly because certain medium-sized companies saw a greater increase.³

1 This total relates to the official equity markets and hence does not include the companies listed on the Latibex or on the MAB, which are multilateral trading facilities.

2 Annex I.3 provides further information on new listings and delistings.

3 The value of companies with a capitalisation greater than 10 billion euros at 31/12/2012 rose by 23.1% in 2013. The value of companies with capitalisation between 1 billion euros and 10 billion euros rose by 34.5% in 2013. The value of companies with a capitalisation lower than 1 billion euros at year-end 2012 rose by 64.4% (excluding Bankia from this calculation).

Number of companies listed on Spanish stock markets¹

TABLE 2.2

Markets and issuers
Equity markets

	All markets	Electronic market			Open outcry	Secondary market
		Total	Spain	Foreign		
Listed at 31/12/2012	158	127	120	7	23	8
Listed at 31/12/2013	153	123	116	7	23	7
New listings in 2013	1	1	1	0	0	0
New listings	1	1	1	0	0	0
Listed due to merger	0	0	0	0	0	0
Change of market	0	0	0	0	0	0
Delistings in 2013	6	5	5	0	0	1
Delistings	4	3	3	0	0	1
Delisted due to mergers	2	2	2	0	0	0
Change of market	0	0	0	0	0	0
Net change in 2013	-5	-4	-4	0	0	-1

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

Capitalisation¹ of equity on Spanish stock markets

TABLE 2.3

Million euros

	2010	2011	2012	2013	% change 13/12
All markets	470,998.6	421,033.8	438,188.5	570,028.7	30.1
Electronic market	466,762.5	417,269.2	434,934.8	567,055.1	30.4
Spain	465,335.6	415,676.7	432,967.8	564,019.8	30.3
Foreign ²	1,426.9	1,592.5	1,967.1	3,035.2	54.3
Open outcry ³	4,161.6	3,704.9	3,233.0	2,906.2	-10.1
of which SICAVs	33.4	–	–	0.0	–
Madrid	878.8	833.3	667.1	519.4	-22.1
Barcelona	3,465.6	3,242.3	2,945.9	2,749.5	-6.7
Bilbao	362.1	328.8	77.8	183.6	136.2
Valencia	458.7	240.2	350.9	342.5	-2.4
Secondary market	74.6	59.7	20.6	67.5	227.1

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Does not include Latibex, MAB or ETFs. (2) The capitalisation of foreign companies listed on Spanish markets is based on the number of shares registered by Iberclear. (3) The market capitalisation of companies traded by open outcry in more than one market has been included in the figures for each market at the price for that market, but only once in the total for all markets.

By sector (see Table 2.4 and Annexes I.5 and I.7), the greatest growth in capitalisation took place in the banking sector, with 51.5 billion euros, an increase of 40.1% on the previous year. Capital increases contributed 19.8 billion euros (15.5 billion euros in the operations of Bankia), with the increase in prices accounting for the rest. There was also a notable increase in the energy and water sectors and the transport and communications sector, although in these cases this was exclusively due to the upward trend in prices. Finally, the real estate sector was the only sector which recorded a fall in capitalisation as a result of the delisting of Metrovacesa.

Number of listed companies and capitalisation by sector¹

TABLE 2.4

Million euros

Sector	2012	2013	2012	2013	% change 13/12
Oil	1	1	19,263.5	23,861.3	23.9
Energy & water	9	8	66,217.7	83,516.1	26.1
Mining & base metals	8	8	4,248.2	5,218.7	22.8
Cement and construction materials	4	4	1,441.8	1,842.6	27.8
Chemical	6	6	2,201.0	3,713.1	68.7
Textile and paper	18	18	75,365.7	87,844.3	16.6
Metal-mechanical	15	15	10,026.4	12,731.2	27.0
Food	12	12	7,526.6	8,090.3	7.5
Construction	8	8	21,625.7	27,410.3	26.7
Real estate	26	24	4,598.0	2,752.4	-40.1
Transport and communications	4	3	60,849.5	77,550.1	27.4
Other non-financial	27	25	25,055.2	39,887.9	59.2
Total non-financial sector	138	132	298,419.2	374,418.5	25.5
Banks	11	10	128,585.8	180,128.0	40.1
Insurance companies	2	2	8,781.6	12,709.0	44.7
Portfolio companies	8	8	2,388.9	2,759.7	15.5
SICAVs	1	1	13.1	13.5	3.3
Finance houses	0	0	0.0	0.0	-
Total financial sector	22	21	139,769.3	195,610.3	40.0
Total	160	153	438,188.5	570,028.7	30.1

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Does not include Latibex, MAB or ETFs.

2.3 Listings, issues and public offerings

In 2013, a total of 39 companies listed on Spanish stock markets performed 145 capital increases, a significant increase on the total for 2012 (see Annexes I.1 and I.2 for further details). These increases were for a total of 39.1 billion euros, 38.3% up on the previous year and the highest figure since 2007. The capital increases associated with scrip dividends⁴ continued to rise, reaching a total of 9.9 billion euros, as shown in Table 2.5.

As indicated above, banks accounted for most of the funds raised by capital increases. In particular, the banks controlled by the FROB (Fund for Orderly Bank Restructuring) as part of the bank restructuring process (Bankia, NovaCaixaGalicia, Catalunya Banc and Banco de Valencia) raised 22.7 billion euros, 57.2% of the total.⁵ The other banks which performed capital increases over the year obtained 12.6 billion euros.

⁴ See footnote 2 of Table 2.5 for further details.

⁵ NovaCaixaGalicia and Catalunya Banc performed primary offerings for 688.0 million euros. However, these banks were not admitted to trading on the stock market.

Initial public offerings fell significantly compared with the previous year. It is important to highlight the initial public offering of Liberbank, whereby the preferred shares and subordinated debt issued by the savings banks which gave rise to Liberbank were converted into shares of the bank.

Primary and secondary public offerings¹

TABLE 2.5

Million euros

	2010	2011	2012	2013	% change 13/12
Capital increases	16,884.1	20,819.8	28,290.2	39,126.2	38.3
Of which scrip dividends ²	2,021.2	3,862.0	8,357.8	9,869.4	18.1
Of which primary offerings ³	910.0	6,225.4	2,450.5	1,742.8	-28.9
With Spanish tranche ⁴	13.1	5,813.8	2,450.5	1,742.8	-28.9
With international tranche	896.9	411.6	0.0	0.0	–
Secondary offerings	609.5	127.0	1,231.4	0.0	–
Spanish tranche	79.1	124.7	1,231.4	0.0	–
International tranche	530.4	2.3	0.0	0.0	–
Total	17,493.6	20,946.8	29,521.6	39,126.2	32.5
Pro memoria: IPOs					
Primary or secondary offerings ³	1,519.5	6,352.4	3,681.9	1,054.8	-71.3
Others ⁴	8,000.0	10,516.5	–	520.0	–

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. Only includes registered transactions which took place. (2) In scrip dividend increases, the issuer grants shareholder rights which allow them to receive a monetary dividend or convert the rights into shares in a bonus issue. (3) Public offering of warrants after shareholders waived their preferential subscription rights. (4) First admission to trading of the full amount of the share capital.

2.4 Trading

2.4.1 Spot trading

Entry into force of the MiFID in 2007 led to a sharp increase in competition between European equity trading infrastructures and, therefore, significant fragmentation of trading, especially for major securities. As shown in Table 2.6, the shares making up the main European indices were not only traded last year in the regulated market of origin, but also in other markets and multilateral trading facilities. The most noteworthy example of this phenomenon is that of the shares making up the FTSE 100 – for which only 53.6% of the trading took place in the London stock exchange in 2013 – but there is also considerable fragmentation for shares in indices such as the DAX, CAC 40 and FTSE Mib.

Spanish securities admitted to trading on the official markets of BME had not yet been so affected by this trend. However, there was a significant increase in the trading of these securities on other markets in 2013. Specifically, taking as reference total trading of the shares making up the Ibex 35 in European regulated markets and multilateral trading facilities (MTFs), the percentage corresponding to BME fell from 94.2% in 2012 to 83.4% in 2013. The Chi-X trading platform, which is integrated into the British regulated market BATS-Chi X Europe, with

11.3% of the total, was the market which accounted for the greatest volume of trading after Spanish markets.

Percentage of trading on regulated markets and MTFs in 2013

TABLE 2.6

Percentage of trading in shares of each index carried out on a market or an MTF

	Stoxx 50 Europe	FTSE 100	DAX 30	CAC 40	FTSE Mib	Ibex 35
London	14.6	53.6	0.0	0.0	0.0	0.0
Xetra (Germany)	14.5	0.0	64.1	0.0	0.0	0.0
Euronext Paris	7.8	0.0	0.0	57.2	0.0	0.0
Milan	2.5	0.0	0.0	0.0	79.3	0.0
BME	6.7	0.0	0.0	0.0	0.0	83.4
Chi-X	19.9	23.7	21.6	20.6	11.1	11.3
BATS	6.1	6.9	5.1	3.9	2.9	1.9
Turquoise	8.0	11.1	6.5	8.9	4.21	2.3
Other	19.9	4.7	2.7	9.4	2.5	1.1

Source: BATS.

Total trading of Spanish shares listed on official secondary markets operated by BME rose by 7.8% in 2013. The increase was located in other European trading venues, given that the volume traded in the market of origin stood at similar levels to those of the previous year, as shown in Table 2.7. The effective amount of trading on non-Spanish regulated markets and MTFs rose from 22.4 billion euros in 2012 to 77.4 billion euros in 2013. The official markets operated by BME retained 90% of the total amount traded in these securities. As indicated, Chi-X was the trading platform with greatest activity with regard to Spanish shares, with 53.4 billion euros, followed by Turquoise and BATS. The increase in the amount traded in Spanish shares essentially reflects the rise in prices. The number of shares traded fell on the previous year⁶, even though the ban on short selling was only in force for one month in 2013 compared with eight months in 2012.

Spanish securities accounted for 98.6% of the trading on official markets, which amounted to 688.1 billion euros. Together with these markets, BME manages two equity multilateral trading facilities, Latibex and MAB (the alternative stock market), which are discussed later in this chapter. Total equity trading in BME amounted to 698.1 billion euros, 0.5% up on 2012 (see Table 2.8). Despite the increase in trading in other markets of the securities listed on official markets, BME was the fourth largest regulated European market in 2013 in terms of trading and the 12th largest worldwide.

6 Data on the traded shares and total amount have been used to estimate a calculation of the change in the number of shares, aggregated with a Fisher index both for trading in all European markets and in BME, which has shown a fall in the number of traded shares.

Total trading in Spanish equity listed on official Spanish markets¹

TABLE 2.7

Markets and issuers
Equity markets

Million euros

	2009	2010	2011	2012	2013	% change 13/12
Total	875,800.7	1,033,574.8	928,355.2	710,387.1	765,502.2	7.8
Admitted on SIBE	873,782.3	1,030,330.2	926,828.6	709,851.7	764,933.4	7.8
BME	872,323.1	1,020,063.2	912,176.9	687,456.1	687,527.6	0.0
Chi-X	1,352.0	8,383.6	11,120.3	16,601.3	53,396.7	221.6
Turquoise	107.2	269.1	707.7	3,519.6	11,707.9	232.6
BATS	0.0	272.4	1,276.4	2,261.9	10,632.1	370.1
Other ²	0.0	1,341.9	1,547.3	12.8	1,669.2	12,941.0
Open outcry	72.6	165.4	42.8	49.9	51.4	3.0
Secondary market	3.2	3.0	2.3	0.4	1.7	309.7
ETF³	1,942.7	3,076.2	1,481.5	485.1	515.7	6.3

Source: Bloomberg and CNMV. (1) Equity instruments admitted to trading on Spanish official secondary markets and identified by means of an ISIN issued in Spain. This does not hence include foreign securities admitted to trading on these markets whose ISIN is not issued in Spain. (2) It is calculated as the difference between the amount traded of the EU Composite calculated by Bloomberg for each share and the amount traded for the markets and MTFs included in the table, and hence includes trading on other regulated markets, MTFs and OTC systems. (3) Only ETFs with Spanish ISIN.

Equity trading on markets operated by BME

TABLE 2.8

Million euros

	2009	2010	2011	2012	2013	% change 13/12
Total	881,384.3	1,030,869.0	920,455.0	694,885.3	698,128.2	0.5
Official markets	875,869.5	1,026,199.8	915,717.4	690,242.5	691,864.6	0.2
SIBE	875,793.8	1,026,031.4	915,672.3	690,192.2	691,811.5	0.2
of which ETFs	3,470.6	5,968.2	3,495.4	2,736.0	4,283.9	56.6
Open outcry	72.6	165.4	42.8	49.9	51.4	3.0
Madrid	31.4	15.7	16.1	3.0	7.3	138.1
Bilbao	1.1	3.9	0.1	8.5	0.1	-99.2
Barcelona	32.3	143.9	26.4	37.7	44.1	17.0
Valencia	7.8	1.9	0.3	0.7	0.0	-94.1
Secondary market	3.2	3.0	2.3	0.4	1.7	309.7
Alternative stock market (MAB)	5,080.1	4,147.9	4,379.9	4,329.6	5,896.3	36.2
Latibex	434.7	521.2	357.7	313.2	367.3	17.3

Source: CNMV.

The number of trades and the number of orders in the SIBE (integrated Spanish stock exchange) rose by 19.7% and 14.5% respectively on 2012. This rise takes place after the fall seen in 2012, which was associated with the ban on short selling in force that year. In 2013, the ratio of orders to transactions stood at 5.9, slightly lower than in previous years, but much higher than the levels seen prior to 2008, when it stood at around 2. The upward trend of this ratio is related to greater use of programs and algorithms for trading, especially in high-frequency trading (see Exhibit 2.1).

Ratio between orders and transactions executed in the stock market: the impact of algorithmic trading

EXHIBIT 2.1

As shown in the following table, the ratio of orders in the market to the number of transactions historically stood at around 2. However, this ratio has grown continuously since 2008 up to figures close to 6. In turn, the average size of each execution (measured as the ratio of total amount to number of executions) has been falling over the same period.

Orders and executed transactions in equity markets operated by BME

TABLE E2.1

	Transactions	Orders	Cash per transaction	Orders/ Transactions
1991-1995	11,356,187	24,559,595	15,767	2.16
1996-2000	49,019,001	77,853,341	25,901	1.59
2001-2005	74,882,634	137,079,178	38,188	1.83
2006	23,143,452	40,385,557	49,715	1.75
2007	34,541,667	69,995,919	48,228	2.03
2008	36,937,580	88,957,918	33,656	2.41
2009	31,606,663	94,219,392	28,386	2.98
2010	40,456,534	175,640,317	25,639	4.34
2011	45,801,150	284,876,154	20,203	6.22
2012	40,594,732	251,940,470	17,218	6.21
2013	48,607,561	288,458,392	14,477	5.93

Source: CNMV.

The increase in the ratio of orders to trading – which is also seen in other securities markets – is related to the increasingly frequent use of algorithms by institutional investors and investment firms, in the latter case in transactions on behalf of their clients. These algorithms optimally divide the desired purchases and sales so as to minimise the impact on the average price at which these transactions are performed or to obtain better prices.

The presence of high-frequency traders (HFTs) reinforces this trend. HFTs are algorithmic operators which essentially base their strategy on the capacity to react very quickly, even in less than one microsecond, to market events, entering new orders or cancelling those which have already been entered. As a result they generate a large number of orders whose probability of execution is much lower than those of other participants.

With algorithmic operators, above all with HFTs, the latency of orders in the market is reduced, generating an incentive for other operators to adopt these systems so as not to lose competitive advantage. All this means that the messages which are entered in the market and which modify the order book increase notably with regard to the executions that are eventually performed.

Information is entered in the market's price formation mechanisms through the orders. Consequently the sharp increase seen over recent years in the

number of orders is a significant challenge for securities supervisors as one of their main functions is to ensure transparency in the trading process and correct price formation.

Market equity trading in BME was concentrated in the electronic market. As shown in Table 2.9, most trading took place in regular trading, which accounted for over 95% of the total traded amount. Within regular trading, multilateral order-based trading was the most important, accounting for almost 50% of the total. This segment, which last year suffered a sharp fall, was the only segment that grew. Bilateral block trading continued to fall, although its relative weight in the total traded amount (38%) remained above the average for the last five years. The sharpest fall in trading took place in applications, whose amount returned to levels similar to those seen in the first years of the recession, after rising significantly in 2011 and 2012.

Trading on BME in the electronic market by type

TABLE 2.9

Million euros

	2009	2010	2011	2012	2013	% change 13/12
Regular trading	833,854.9	983,584.4	873,485.3	658,891.4	668,553.2	1.5
Order-based	499,182.8	541,879.8	505,870.1	299,022.0	346,049.6	15.7
Applications	51,335.8	58,678.1	69,410.4	80,617.0	56,565.3	-29.8
Block trades	283,336.3	383,026.5	298,204.9	279,252.4	265,938.3	-4.8
Off-hours	5,996.6	17,209.5	9,801.8	9,630.0	7,654.7	-20.5
Other types	37,222.1	25,684.4	34,096.6	23,036.9	16,960.1	-26.4

Source: CNMV.

As with capitalisation, stock market trading continued to be highly concentrated in a relatively low number of securities. Consequently, in 2013, the six Spanish shares of the Ibex 35 which also form part of the EuroStoxx 50 accounted for 69.5% of total trading of Spanish shares in European markets. However, as was the case in capitalisation, the shares of small and medium-cap companies recorded the largest increases in trading and therefore the concentration fell over 2013⁷ (see Annexes I.6 and I.8 for greater details on trading and its distribution).

2.4.2 Margin trading and securities lending

The *crédito* system (for margin trading and securities borrowing) is commonly used by retail investors dealing in Ibex 35 stocks, whereas the *préstamo* system is more commonly used by institutional investors and covers a broader range of securities, including shares traded on the Latibex and exchange traded funds. Unlike the

7 The effective amount traded of Spanish companies admitted to the SIBE whose trading in 2012 was above 10 billion euros fell in 2013 by 2.7%, while that of companies with trading in 2012 between 1 billion and 10 billion euros rose by 67.1%.

crédito system, only part of the securities obtained by securities lending is used to perform transactions in secondary markets.

Margin trading fell in 2013 both in terms of trading and in terms of outstanding balances. Trading, which amounted to 511.9 million euros in 2007, fell to 34.1 million euros last year.

Margin trading using the *préstamo* system rose by 17.3% in 2013 to 464.5 billion euros, as shown in Table 2.10. The outstanding balance in the *préstamo* system rose to 43.4 billion euros at the end of the year. This increase in securities lending at least partly reflects the rise in share prices. It is also important to bear in mind that this trading recorded a sharp fall in 2012, as shown in Table 2.11, coinciding with the ban on short selling. Sales under margin trading also rose in 2013, both in terms of the balance at the end of the year and in trading.

Margin trading¹

TABLE 2.10

Million euros

	Outstanding balance	Trading
2009	5.6	106.4
2010	5.0	65.9
2011	3.9	73.0
2012	2.5	44.4
2013	0.6	34.1

Source: CNMV. (1) Transactions performed in accordance with Order of the Ministry of Economic Affairs and the Treasury, of 25 March 1991, on the margin system in spot transactions.

Securities lending (*crédito* and *préstamo* systems)

TABLE 2.11

Million euros

	Securities lending (<i>crédito</i> system) ¹		Securities lending (<i>préstamo</i> system) ²	
	Outstanding balance	Trading	Outstanding balance ³	Trading
2009	21.1	704.3	47,322.2	471,007.1
2010	9.9	598.0	36,195.9	556,246.7
2011	7.0	518.3	35,626.7	493,602.4
2012	1.2	199.2	34,915.1	395,859.3
2013	7.3	326.8	43,398.9	464,521.5

Source: CNMV. (1) Transactions performed in accordance with Order of the Ministry of Economic Affairs and the Treasury, of 25 March 1991, on the margin system in spot transactions. (2) Regulated by Section 36.7 of the Securities Market Act and Order ECO/764/2004. (3) Total balance less amount of re-lending.

2.5 Takeover bids (OPAs)

Six bids were authorised in 2013 with a potential amount of 395 million euros, the lowest figure for the last 25 years.

Three of the bids were mandatory through the request for delisting of Vueling, Corporación Dermoestética and Metrovacesa. All of them had their respective controlling shareholders as bidders and were accompanied by the corresponding valuation report supporting the bid price.

The others were voluntary bids. The aim of these bids was: to achieve control in the case of the bid of Aguas de Barcelona for Aguas de Sabadell; to strengthen the controlling stake which the IAG group already had in Vueling; and to purchase a certain maximum number of own shares, in the case of Duro Felguera.

The voluntary bid for Vueling was initially rejected by the company's board of directors. Following an improvement to the bid price, which was raised by around 32%, the board issued a favourable report. For its part, the board of directors of Aguas de Sabadell was unable to issue an agreed opinion on the bid as they were unable to reach the necessary majority due to the existence of opposing positions and abstentions.

Takeover bids

TABLE 2.12

Million euros

	2009	2010	2011	2012	2013
Authorised¹					
Number	5	4	3	3	6
Potential amount	9,952	1,127	3,984	1,402	395
Potential amount plus agreements prior to acquisition ²	18,516	1,127	3,984	1,426	395
Carried out³					
Number	5	4	3	2	6
Amount	7,201	1,040	3,873	1,282	351
Amount plus agreements prior to acquisition ²	17,605	1,040	3,873	1,306	351

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or withdrawn. Does not include the amounts for squeeze outs.

2.6 Multilateral trading facilities

2.6.1 Latibex

In 2013, the prices of shares traded on Latibex fell, as shown by the 20% drop in the Latibex All Share index. The drop in prices is related to their performance in the home markets, especially the Brazilian Bovespa index, which suffered a 15.5% fall in local currency and a 29.6% fall if we take into account the depreciation of the Brazilian Real. Brazilian shares – which have a dominant weighting in this market – were seriously affected by the announcement of the change in the direction of US monetary policy, the implications of which were discussed in Chapter 1.

At year-end 2013, a total of 26 companies were admitted to this market, one fewer than the previous year as a result of the delisting of Banco de Chile. As shown in Table 2.13, the country with the largest number of companies was Brazil, followed

by Mexico. Capitalisation of this market at the end of the year totalled 130.3 million euros, 17.7% down on 2012. The drop in capitalisation can mainly be explained by the drop in prices in the home market and the appreciation of the Euro against the reference currencies. Brazilian companies accounted for 88.3% of total capitalisation, followed by Mexican and Argentinian companies.⁸

Despite the fall in prices, trading rose to 367.3 million euros, 19.0% up on 2012. Although Brazilian companies accounted for 53.3% of total trading, the relative weighting of Mexican companies rose significantly with their trading rising by 80.3% leading to them accounting for 42.4% of total trading.

Companies listed on the Latibex, by country

TABLE 2.13

Million euros

Country	No. of companies		Market capitalisation ¹			Trading		
	2012	2013	2012	2013	% change	2012	2013	% change
Argentina	2	2	5.1	4.8	-5.7	0.1	0.1	-3.9
Brazil	12	12	133.1	115.1	-13.5	205.0	195.8	-4.5
Chile	3	2	4.0	2.6	-35.2	7.3	7.1	-3.8
Colombia	1	1	1.3	1.4	4.3	9.2	5.4	-41.1
Mexico	8	8	11.4	4.8	-57.9	86.3	155.6	80.3
Peru	1	1	3.3	1.6	-52.0	5.1	3.2	-37.7
Total	27	26	158.2	130.3	-17.7	313.1	367.3	19.9

Source: CNMV. (1) Securities deposited in Iberclear.

2.6.2 The Alternative Stock Market (MAB)

The MAB is a multilateral trading facility managed by BME which hosts trading in different segments for growth stocks, investment companies (SICAVs), venture capital entities, hedge funds and SOCIMIs (Spanish REIT companies).

The number of companies listed on the MAB rose from 3,015 at the end of 2012 to 3,066 at the end of 2013. Capitalisation totalled 32.2 billion euros, a rise of 30.7% on year-end 2012. Trading also rose and amounted to 5.9 billion euros, 36.2% up on the previous year. The SICAV segment is the largest in terms of number of companies, capitalisation and trading.

The number of companies listed in the growth stocks segment totalled 23, following the listing of one energy company during the year. No company was delisted in this segment, which is basically made up of recently-created small companies.

Total capitalisation at the end of the year amounted to 1.68 billion euros, more than triple the value at year-end 2012. This significant leap in the value of the companies was mainly due to the increase in some of their prices. In particular, the sharp rise in the prices of Let's Gowex and Carbures Europe explains 86.0% of the total increase in capitalisation.

Million euros

	No. of companies		Market capitalisation ¹			Trading		
	2012	2013	2012	2013	% change	2012	2013	% change
Venture capital entities	1	1	54.0	49.3	-8.7	0.2	0.3	33.7
Growth stocks	22	23	528.8	1,677.7	217.3	51.9	279.2	437.4
SICAVs	2,986	3,035	23,776.0	27,572.2	16.0	4,261.0	5,594.6	31.3
Hedge funds	6	5	247.9	2,747.9	1,008.3	16.4	22.0	33.8
SOCIMIs	0	2	–	124.3	–	–	0.2	–
Total	3,015	3,066	24,606.7	32,171.2	30.7	4,329.6	5,896.3	36.2

Source: CNMV. (1) Includes only the value of those entities for which there was trading during the year.

The amount traded rose to 279.2 million euros, well above the 51.9 million euros recorded in 2012. Trading was extremely concentrated in the two aforementioned companies, which accounted for 86.3% of the total increase.

2.7 Exchange-traded funds (ETFs)

There were 69 ETFs traded on Spanish markets at year-end 2013, two fewer than the previous year. Of the listed and active ETFs at the end of the year, three were managed by a Spanish entity, 27 by a German entity and 39 by a French entity.

The trading of ETFs on the SIBE in 2013 totalled 4.28 billion euros, compared with 2.74 billion euros in 2012. The increase in trading was particularly concentrated in two ETFs referenced to the Ibex 35, which accounted for 65.0% of the total traded amount in 2013.

Most of the ETFs were referenced to equity indices. There was a wide range of available benchmarks, as in geographical terms seven had Spanish benchmarks, 21 had European benchmarks and 40 had benchmarks from other areas. A total of 53 funds follow the simple investment strategy of tracking a specific index, six used an inverse tracking strategy while the remaining nine funds followed a more complex relationship with the benchmark index.

3.1 General overview

Gross issues of securities in 2013 fell by 32.9% on the previous year and net issues, i.e. the difference between gross issues and redemptions, were negative for the first time in the last two decades. The drop in issues was concentrated in the private sector, specifically in the main issuers – financial institutions. The process of restructuring and recapitalisation of the financial sector led to a significant reduction in the sector's funding needs compared with previous years, which encouraged the fall in issues. It is important to remember that most of the issues performed by financial institutions over recent years were retained by the institutions with the aim of using the securities as collateral to obtain financing from the ECB. Consequently, the fall in issues in the sector essentially reflects their lower dependence on these operations, as indicated in Chapter 1. Furthermore, it is important to bear in mind that the deposit-loan gap was positive for financial institutions and therefore they did not need additional financing to make their loans.

Unlike in previous years, the public sector accounted for a higher proportion of gross issues than the private sector. The latter accounted for 40.6% of the total nominal amount, over 25 percentage points down on the previous year. As shown in Table 3.1, the bulk of this amount (specifically 95.7%) corresponded to financial institutions even though their issues fell by 60% on 2012. The gross issues of non-financial companies rose significantly, in line with the worldwide improvement seen in access to fixed-income markets, as indicated in Chapter 1, especially in the second half of the year. There was also an increase in issues abroad made by non-resident subsidiaries of non-financial companies. With regard to the type of instruments used in private fixed-income issues, there was a sharp fall in issues of non-convertible bonds and debentures and of mortgage bonds. In the case of the former, the fall in issues was a consequence of the end of the State Guarantee Programme. The case of the latter was closely linked to credit institutions reducing their use of the ECB to obtain financing and the fact that these instruments had become the main collateral used in this type of operation. There was also a sharp fall in placements of commercial paper, after a two-year rise which basically reflected the financing needs of the financial sector in a particularly difficult context.

Gross public sector issues rose by 16.0%. The State notably increased the number of issues, with conditions which were considerably more favourable than in previous years with regard to the cost of the operations. The funds obtained resulted in a sharp rise in net issues. In the case of the regional governments, however, gross issues fell and net issues were negative. Local authorities did not use the primary market and therefore recorded negative net issues. The uneven behaviour of the different public authorities was largely due to the difficulties for regional governments and local authorities to access fixed-income markets. The State maintained specific lines of funding for regional governments and local authorities throughout 2013.

Issues and outstanding balances: breakdown by issuer

TABLE 3.1

Nominal amount in million euros

	Amount ¹		Change (%)	Pro memoria: Euro area	
	2012	2013		2013	% change 13/12
Gross issues²	684,943	459,567	-32.9	8,732,257	-24.0
Public authorities	235,231	272,786	16.0	2,586,058	-1.7
Financial institutions ³	443,873	178,761	-59.7	5,371,506	-33.2
Non-financial companies	5,839	8,019	37.3	774,693	-5.4
Net issues²	16,648	-126,720	-	-151,051	-
Public authorities	63,363	85,635	35.1	281,660	46.7
Financial institutions	-49,849	-216,780	-334.9	-517,251	-744.1
Non-financial companies	3,134	4,425	41.2	84,540	-31.9
Outstanding balances^{4,5}	1,836,230	1,732,246	-5.7	16,385,690	-1.1
Public authorities	736,743	822,087	11.6	7,224,501	3.9
Financial institutions	1,082,165	888,450	-17.9	8,089,875	-6.2
Non-financial companies	17,322	21,709	25.3	1,071,313	7.9

Source: Bank of Spain, CNMV and ECB. (1) Includes issues in Spain and abroad. (2) For currency issues of public authorities, the exchange value in euros is used by applying the average exchange rate for the month published by the ECB. For currency issues of financial institutions and non-financial companies, the exchange value in euros is used by applying the average exchange rate for the month published by the ECB. (3) Includes the Instituto Catalán de Finanzas, which does not register its issues with the CNMV. (4) For currency issues, the exchange value in euros is used by applying the exchange rate of the ECB at the end of the period. (5) Outstanding balances cannot be adjusted with net issues because of the use of different exchange rates for currency issues.

Among secondary fixed-income markets, the public debt book-entry market remained the largest in terms of trading volume. This was the only market in which trading rose (by 4.7%), which was linked to the increase in issues in the primary market and the rise in prices. In the other two secondary markets – AIAF and the stock markets – the fall was significant. In the AIAF market, where the bulk of trading is concentrated in private fixed-income securities, the fall took place above all in the most important segment: the sell-buybacks/buy-sellbacks segment. As in recent years, the cash management operations of the General Secretariat of the Treasury and Financial Policy played a key role in the market and accounted for 87.9% of the total amount traded. However, these operations fell substantially in 2013 largely as a result of the fall in trading on the market. The fall in fixed-income trading volume in stock markets mostly affected the securities issued by regional governments.

Trading on official secondary markets

TABLE 3.2

Nominal amount in million euros

By market						% change 13/12
	2009	2010	2011	2012	2013	
Public debt book-entry	18,561,559	18,584,073	20,371,117	14,425,644	15,098,573	4.7
AIAF	4,658,632	4,383,119	7,388,186	3,119,755	1,400,758	-55.1
Stock markets	74,756	67,384	68,356	60,149	32,326	-46.3
Total	23,294,947	23,034,576	27,827,659	17,605,548	16,531,657	-6.1

Source: CNMV and Bank of Spain.

3.2.1 Primary market

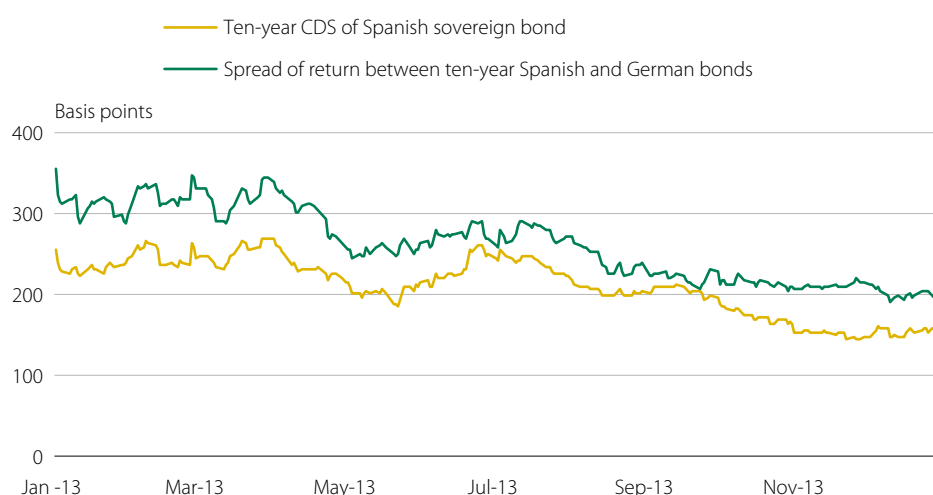
Gross issues by public authorities totalled a nominal amount of 272.79 billion euros in 2013, 16.0% up on the previous year. As already indicated, the bulk of the issues came from the central government, which issued 96.0% of the total. Issues by regional governments fell for the second consecutive year, in this case by 32.7%. Local authorities made no issues in 2013 (see Annex I.11).

Issues by public authorities rose by 35.1% to 85.64 billion euros as a result of the public deficit which remains very high and the provision of funds to pay the debt owed to suppliers by regional governments and local authorities by means of the Regional Liquidity Fund and the Supplier Payment Plan, respectively.¹ One of the main aims of the two initiatives is to minimise the refinancing risks of regional governments and local authorities in such an unstable environment as that suffered by public debt markets over recent years. The issues by the State allowed regional governments to record negative net issues for the second year running, in this case for 5.5 billion euros (see Annex I.12 for further details).

The State was able to issue debt in a more favourable context than in previous years thanks to the significant decrease in the risk premium, especially as from April. The risk premium paid on the ten-year CDS fell by 100 basis points (bp), while the spread between the rates of ten-year German and Spanish bonds fell by 164 bp (see Figure 3.1). As indicated in Chapter 1, the fall in sovereign risk reflects both the effort towards fiscal consolidation carried out over recent years and the progress in reorganising and restructuring the banking sector. The reduction in risk premiums in other Eurozone economies, as well as the perception of lower contagion risk between these economies, also contributed significantly (see Chapter 1).

Ten-year CDS of sovereign Spanish debt and adjusted spread of the yield on the German ten-year bond¹

FIGURE 3.1



Source: Markit and Thomson Datastream. (1) The ten-year CDS on German bonds is added to the spread of the Spanish ten-year bond and the German bond. This spread, adjusted as indicated, is an approximation of the risk premium of the ten-year Spanish bond.

1 The Regional Liquidity Fund was allocated 23 billion euros in 2013. The Supplier Payment Plan, in the three stages of 2012 and 2013, paid invoices for a total amount of almost 42 billion euros.

3.2.2 Secondary market

Public debt book-entry market, AIAF and stock markets

In Spain, the public debt of public authorities can be traded on three official markets: the public debt book-entry market, stock markets and AIAF. The public debt book-entry market is the most important in terms of volume of transactions. This market recorded an increase in trading of 4.7% in 2013, reaching a total amount of 15.1 trillion euros. Trading of long-term debt (State *bonos* [bonds] and *obligaciones* [debentures]) grew by 7.5% and accounted for 81.3% of the total, while trading in short-term debt fell by 5.9%.

The segment with the highest amount of trading in the public debt book-entry market was the sell-buybacks/buy-sellbacks segment, which accounted for 45.8% of total trading. These transactions were mainly performed with *bonos* and *obligaciones*. These were followed in importance by outright trading, which amounted to 5.3 trillion euros. It should be pointed out that within this last segment there was a rise in forward transactions, especially in *bonos* and *obligaciones*.

Trading on the public debt book-entry market

TABLE 3.3

Million euros

	2009	2010	2011	2012	2013	% change 13/12
Letras	3,091,844	3,319,700	3,692,347	2,954,645	2,779,894	-5.9
Outright	202,589	430,541	900,845	831,616	909,806	9.4
Spot	197,502	420,292	876,841	815,335	890,801	9.3
Maturity	5,087	10,249	24,004	16,281	19,005	16.7
Repos	2,107,507	1,594,756	1,213,816	682,733	553,083	-19.0
Sell-buybacks/Buy-sellbacks	781,748	1,294,403	1,577,686	1,440,296	1,317,005	-8.6
Bonds and debentures	15,430,615	15,232,470	16,603,741	11,418,697	12,270,203	7.5
Outright	2,417,266	4,360,430	6,262,733	4,064,927	4,403,836	8.3
Spot	2,272,782	4,214,730	6,081,059	3,932,284	4,186,878	6.5
Maturity	144,484	145,700	181,674	132,643	216,959	63.6
Repos	6,537,836	4,181,103	2,993,210	2,259,542	2,268,423	0.4
Sell-buybacks/Buy-sellbacks	6,475,513	6,690,937	7,347,798	5,094,228	5,597,944	9.9
Debt of regional governments and other public institutions	39,100	31,903	75,029	52,303	48,476	-7.3
Outright	10,020	11,564	33,473	17,538	29,008	65.4
Spot	9,054	7,268	28,621	15,223	25,906	70.2
Maturity	966	4,296	48,052	2,315	3,102	34.0
Repos	28,769	19,439	38,285	32,602	13,449	-58.7
Sell-buybacks/Buy-sellbacks	311	900	3,271	2,163	6,019	178.3
Total	18,561,559	18,584,073	20,371,117	14,425,644	15,098,573	4.7

Source: Bank of Spain.

Trading between account holders and third parties accounted for 47% of total market trading, two percentage points lower than in the previous year. The remaining 53% corresponded to trading between account holders (see Annexes I.13 and I.14 for further details).

With regard to the other official markets, the public debt traded in 2013 amounted to 41.54 billion euros, a 20.9% drop on the previous year. Stock markets accounted for most of this trading, specifically in securities issued by regional governments. It should be pointed out that last year State debt started to be traded on the AIAF market for the first time.

Trading of public debt on AIAF and on stock markets

TABLE 3.4

Million euros

By market	2009	2010	2011	2012	2013	% change 13/12
AIAF	134	52	7	92	175	90.3
Treasury bills	0	0	0	0	11	-
State <i>bonos</i> and <i>obligaciones</i>	0	0	0	0	143	-
Regional government <i>bonos</i> and <i>obligaciones</i>	0	0	0	0	0	-
Local authority <i>bonos</i> and <i>obligaciones</i>	51	2	3	1	4	437.4
State entity <i>bonos</i> and <i>obligaciones</i>	83	6	2	29	6	-79.6
Other public body <i>bonos</i> and <i>obligaciones</i>	0	44	2	62	11	-82.4
Stock markets	66,532	61,180	64,400	52,425	41,363	-21.1
Treasury bills	43	34	19	18	12	-31.8
State <i>bonos</i> and <i>obligaciones</i>	7	297	865	1,171	102	-91.3
Regional government <i>bonos</i> and <i>obligaciones</i>	65,121	59,958	62,196	50,022	40,100	-19.8
Local authority <i>bonos</i> and <i>obligaciones</i>	408	163	267	136	51	-62.5
State entity <i>bonos</i> and <i>obligaciones</i>	953	727	1,054	1,079	1,099	1.8
Other public body <i>bonos</i> and <i>obligaciones</i>	0	0	0	0	0	-
Total	66,665	61,232	64,407	52,517	41,538	-20.9

Source: CNMV.

SENAF

SENAF is a multilateral trading facility linked to the AIAF market where institutional investors trade with State debt. The volume traded in 2013 amounted to 64.01 billion euros, a rise of 59.9% on the previous year.

3.3 Private fixed income

3.3.1 Primary market

Gross private fixed-income issues amounted to 186.69 billion euros in 2013, a fall of 58.5% on the previous year. This amount includes the total placed both by issues in Spain, which are registered with the CNMV, and those made abroad by resident issuers. As usual, the bulk of the issues arose from financial institutions. As indicated

above, the fall in the issues by these institutions explains the drop in total gross issues. However, there was a significant rise in issues by non-financial companies, which rose by 37.3% (see Table 3.1). Issues abroad fell compared with 2012, but their proportion of the total rose from 20.5% to 25.6%. Long-term issues continued to gain relative importance and accounted for 69.2% of the total.

Issues registered with the CNMV amounted to 138.84 billion euros, a fall of 61.2% on 2012. 68.3% of this amount corresponded to long-term issues, with the remainder corresponding to commercial paper. As shown in Table 3.5, non-convertible bonds and debentures were the securities with the greatest relative weight among long-term issues (34.3%), followed by securitisation bonds (30.1%) and mortgage bonds (26.1%). Among these instruments, only securitisation bonds recorded an increase, specifically of 20.1%. In contrast, mortgage bonds and non-convertible bonds and debentures recorded falls of 75.7% and 62.4%, respectively. With regard to other long-term instruments issued over the year, there were falls both in territorial bonds and in convertible bonds and debentures, which accounted for 8.5% to 0.8% of the total, respectively.

The sharp fall in non-convertible bonds and debentures is related to the exceptional increase in the issues of these instruments in the previous year, driven by the start-up of the 2012 State Guarantee Programme for issues by financial institutions² and by the issues, also with a State guarantee, made by the SAREB (Asset Management Company for Assets Arising from Bank Restructuring). The two types of issues accounted for 91.7% of the total in 2012, which means that the issues made without a State guarantee amounted to 7.11 billion euros in that year. In 2013, only the SAREB made guaranteed issues. These issues totalled 24.57 billion euros, accounting for 75.5% of the total. Issues made without a State guarantee amounted to 7.98 billion euros, 12.1% up on 2012.

Issues of mortgage bonds fell as financial institutions required less financing from the ECB than in previous years. The net debt of Spanish institutions with the ECB at the end of the year amounted to 201.87 billion euros, a fall of 35.5% on the previous year. It is important to remember that issues of mortgage bonds grew sharply in 2011 and 2012 and that the issuers retained the securities to use them as collateral for the loans granted by the ECB. This increase was driven by the better treatment of these instruments compared with other assets which could be used as collateral and as a result of the implementation in November 2011 of a covered bond purchase programme, which the ECB maintained in force until October 2012.³ The amount registered in 2013 is in line with that seen in the Spanish market up to 2010. Issues of territorial bonds fell by 9.6%.

As indicated above, issues of securitisation bonds rose by 20.1% on 2012, although it is important to remember that the volume registered in that year (23.8 billion euros) was the lowest amount for the last ten years. If we break down long-term securitisation issues according to the type of asset used for securitisation, we can see that loans

2 The 2012 Guarantee Programme is regulated by Order ECC/149/2012, of 30 January, which implements Section 2.b) of Article 49 of Law 39/2010, of 22 December, on the General State Budget for 2011.

3 In November 2011, the Eurosystem implemented the second covered bond purchase programme to be conducted in the primary and secondary markets for a value of 40 billion euros. Once the programme ended in October 2012, the ECB published that it had carried out purchases for a nominal amount of 16.4 billion euros and declared its intention to maintain these securities until maturity.

to companies and SMEs were the most important (37.3%), followed by debt securitisations for financing the electricity deficit (33.4%). Mortgage-backed securities created through asset-backed securitisation funds (Spanish acronym: FTA) accounted for 25.2% of the total, while for the second year running no mortgage-backed securitisation fund (Spanish acronym: FTH) was registered. Although relatively less important, it should be pointed out that securitisations based on auto loans accounted for 4.1% of the amount of the issues described in this section. Annexes I.19 y I.20 provide additional information on securitisation bond issues registered at the CNMV.

As in recent years, securitisation bond issues carried out in 2013 were mostly retained by the originating financial institutions for use as collateral in funding operations with the ECB. However, the percentage retained in 2013 stood at 55.4% of the total, 13 percentage points down on 2012, and now far from the percentages retained between 2008 and 2011, which ranged between 80.9% and 95.6%.

Gross issues registered at the CNMV: breakdown by instrument

TABLE 3.5

Nominal amount in million euros

	2009	2010	2011	2012	2013
Long-term	196,134	128,863	185,491	224,948	94,848
Non-convertible bonds and debentures	62,249	24,356	20,192	86,442	32,537
Subordinated debt	5,831	4,540	5,421	0	0
Convertible bonds and debentures	3,200	968	7,126	3,563	803
Mortgage bonds	35,574	34,378	67,227	102,170	24,800
Territorial bonds	500	5,900	22,334	8,974	8,115
Securitisation bonds	81,651	63,261	68,413	23,800	28,593
asset-backed (ABS)	80,835	63,261	66,313	23,800	28,593
mortgage-backed (MBS) ¹	817	0	2,100	0	0
Preferred shares	12,960	0	200	0	0
Other issues	0	0	0	0	0
Short term²	191,342	97,586	103,501	132,882	43,991
Commercial paper	191,342	97,586	103,501	132,882	43,991
asset-backed	4,758	5,057	2,666	1,821	1,410
Total	387,476	226,449	288,992	357,830	138,839

Source: CNMV. (1) Issued by mortgage securitisation funds. (2) The figures for commercial paper issues correspond to the amounts placed.

It is also noteworthy that in 2013 three bank asset funds (Spanish acronym: FAB) promoted by the SAREB were registered with the CNMV.⁴ The bonds issued by

4 FABs are separate asset pools with no legal personality and are made up of assets and liabilities transferred by the SAREB. They are investment vehicles with an advantageous tax regime which can only be created by the SAREB. The aim is to group together assets depending on criteria determined by the SAREB (for example, nature of the assets or geographic location) in order to facilitate their divestment. Management of FABs is restricted to the securitisation management companies registered with the CNMV. The basic regulation of FABs is established in Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, as well as in its implementing regulation – Royal Decree 1559/2012, of 15 November – which establishes the legal regime for asset management companies.

these funds amounted to 326.4 million euros and were retained by the SAREB, except for a small part amounting to 25.7 million euros, which was acquired by a fund from Luxembourg through a private placement.

The amount of issues of convertible bonds and debentures registered with the CNMV totalled 803 million euros,⁵ a fall of 77.4% on 2012. All the registered issues were carried out with the aim of providing the issued securities in exchange for preferred shares and subordinated debt. Finally, it should be pointed out that no issue of subordinated bonds or debentures or of preferred shares was registered in 2013.

Gross private fixed income issued by Spanish issuers in foreign markets

TABLE 3.6

Nominal amount in million euros

	2009	2010	2011	2012	2013	% change 13/12
Long-term	47,230	51,107	51,365	50,312	34,542	-31.5
Preferred shares	3,765	0	0	0	1,653	-
Subordinated debt	2,061	0	242	307	750	144.4
Bonds and debentures	41,404	50,807	51,123	50,005	32,049	-35.9
Securitisation bonds	0	300	0	0	0	-
Short-term	102,456	76,624	68,677	41,570	13,400	-67.8
Commercial paper	102,456	76,624	68,677	41,570	13,400	-67.8
asset-backed	108	248	322	11,590	0	-
Total	149,686	127,731	120,043	91,882	47,852	-47.9
Pro memoria: Gross issues of subsidiaries of Spanish companies resident abroad						
Financial companies	119,566	161,897	79,199	18,389	8,071	-56.1
Non-financial companies	18,470	29,369	29,197	30,734	40,200	30.8
Total	138,036	191,266	108,396	49,123	48,271	-1.7

Source: Bank of Spain.

Placements of commercial paper corresponding to issues or issue programmes registered with the CNMV fell by 66.9% in 2013, thus resuming the downward trend which was interrupted in 2011 and 2012. Since the start of the recession, the fall in economic activity has resulted in lower demand for short-term financing by financial institutions and large non-financial companies, the segment's main issuers. The temporary rally in 2011 and 2012 is mainly explained by the difficulties faced by financial institutions in obtaining funding over that period and the entry into force of two royal decree-laws which penalised the marketing of deposits in favour of other financial instruments.⁶ In this context, financial institutions used commercial

⁵ This amount does not include private issues. It should be noted that last year the SAREB performed a private issue of convertible debentures, which amounted to 737.8 million euros.

⁶ Royal Decree-Law 771/2011, of 3 June, and Royal Decree-Law 16/2011, of 14 October. The former established additional contributions to the Deposit Guarantee Fund for those entities which agreed deposits or settled sight accounts with remunerations exceeding specific interest rates, while the latter raised the contributions which credit institutions needed to make to the Deposit Guarantee Fund.

paper more aggressively by offering very attractive interest rates compared with other financial assets so as to raise funds not only from the segment's traditional investors, but also from customers in their retail network. Annexes I.16, I.17 and I.18 provide greater detail about private fixed-income issues registered at the CNMV.

The fixed-income issues of Spanish companies abroad in 2013 fell by 47.9% on 2012. As in recent years, the fall was largely concentrated in the short-term segment. Long-term issues, which accounted for most of the total (72.0%), also suffered a sharp fall, as shown in Table 3.6. Finally, it should be pointed out that issues carried out by subsidiaries of Spanish companies resident abroad suffered a slight fall of 1.7%. There was a large difference between the issuing behaviour of the subsidiaries of financial and non-financial companies. The issues by subsidiaries of financial companies fell by 56.1%, while issues by non-financial companies rose by 30.8%. This rise in the issues by subsidiaries of non-financial companies might reflect, on the one hand, an improvement in how Spanish companies are perceived in the market and, on the other hand, greater activity of Spanish non-financial companies abroad.

Recent trends in non-performing securitised assets and bond defaults in Spanish securitisation

EXHIBIT 3.1

Given the importance gained by securitisation in the Spanish financial system over the last decade, in 2009¹ the CNMV established a transparency regime for securitisation funds in operation. Current legislation determines that funds must disclose on a half-yearly basis their balance sheet, income statement and statement of cash flows. They must also provide detailed information on the situation of the assets assigned to the fund and the liabilities issued, as well as on the situation of the credit enhancements incorporated into the fund.

This exhibit uses the public information provided by the securitisation funds in operation to analyse their most recent performance with regard to doubtful securitised assets² and defaults in payments to holders of securitisation bonds. The analysis is focused on mortgage-backed funds, funds specialised in company loans and on those which have securitised consumer loans and auto loans. The data offered herein update, in these two sections, the data which the reader may find in a recent Working Paper published by the CNMV, which analyses the features of Spanish securitisation funds from their creation in the 1990s and their performance during the financial crisis.³ Among its conclusions, the aforementioned study indicates that these financial structures have proven to be resilient during the crisis without there appearing to be an excessive transfer of risks to investors in securitisation bonds.

The information available on preparing this Exhibit refers to the position of securitisation funds at 30 June 2013. At that date, there were 380 outstanding public securitisation funds, 26 fewer than at year-end 2012. The balance sheets of these funds contained receivables for a nominal amount of 277.73 billion euros, 10.3% down on the end of the previous year. The reduction in the funds' assets, which is in line with that recorded over recent years, is mainly the result of compliance with the amortisation schedules of the securitised loans, as well as the early liquidation of numerous funds as it was

impossible to use the bonds as assets in operations with the Eurosystem following the downgrading of their credit rating. There have also been few issues over recent years and therefore it has not been possible to replace the securities which are withdrawn from the market with new securities.

Of the funds which remained in operation on the aforementioned date, mortgage-backed funds accounted for 76% of securitised receivables in Spain (211.14 billion euros), company loan funds accounted for 14.2% (39.42 billion euros) and consumer and auto loan funds accounted for 2.5% (6.91 billion euros).

Doubtful assets followed different trends in each one of these groups of funds over the last year. The lowest ratio corresponded to mortgage-backed funds, which stood at 2.57% in June 2013, compared with 1.96% recorded in the same month of the previous year. The mortgage portfolios assigned over 2005-2009 show the worst performance, with NPL ratios ranging between 4.3% and 6.23%. Given that mortgage portfolios were incorporated into securitisation funds on average between one and two years after origination, these loans were mainly granted between 2003 and 2007, i.e. during the period of greatest growth in credit and mortgage securitisation. The funds originated by entities subsequently placed under administration by the Bank of Spain show higher NPL ratios than those promoted by other entities. In 2013, the average ratio of doubtful assets of the portfolios assigned by the former stood at 7.2%, compared with 2.78% recorded by the portfolios assigned by entities which had not received any State support.⁴

The highest ratios of doubtful assets corresponded to securitisation funds backed by company loans. Specifically, these funds recorded an NPL ratio of 8.39% in June 2013. Although this was also an increase on the 6.48% recorded 12 months previously, it remained lower than the ratio recorded by the sector as a whole, which stood at 12.3% in June 2013 according to data published by the Bank of Spain. With regard to funds backed by consumer loans and auto loans, the ratio of doubtful assets on their balance sheets stood at 5.94%, although this was a fall on the ratio of 6.46% recorded in the same month of the previous year.

Despite the increase in the ratios of doubtful assets seen in the securitised loan portfolios of the funds with the highest relative weighting (mortgages and company loans), no significant default ratios were recorded for holders of securitisation bonds. According to information sent by management companies to the CNMV, at the close of the first half of 2013, funds had unpaid sums of 377 million euros on their balance sheets. Of this amount, 298 million euros corresponded to unpaid interest and 78 million euros to unpaid principal. The default ratio⁵ of principal payments stood at 0.028%. However, there has been a significant increase in the losses passed on to issued liabilities (1.85 billion euros), which is higher than the losses recorded in the whole of 2012. 44% of these losses came from three funds backed by company loans established in 2011; two of them were liquidated early during the course of 2013.

In order to evaluate the quality of asset-backed securities, in addition to the information published on the performance of the funds, the different market agents continue taking into consideration the credit rating given to these financial instruments by credit rating agencies. In general, during the crisis, Spanish securitisation bonds have suffered significant falls in the ratings which were initially given as a result of, *inter alia*, the impairment suffered by the underlying asset portfolios and the downgrades of the ratings of Spanish financial institutions providing services to the funds. In the latter case, both the situation of the entity itself and the lowering of the sovereign rating were significant factors for these downgrades.⁶ In 2013, the ratings of Spanish securitisation bonds have remained relatively stable. The bulk of the issues remained in the category of investment grade. Specifically in December 2013, 44% of the outstanding amount had a rating of BBB, 28% had a rating of A and 12% had a rating of AA.

- 1 CNMV Circular 2/2009, subsequently amended by Circular 4/2010, which, *inter alia*, established a framework of obligations applicable to the preparation of periodic reporting for securitisation funds.
- 2 CNMV Circular 2/2009, amended by Circular 4/2012 and Circular 6/2013, classifies doubtful assets as those assets with payment arrears.
- 3 Martín Martín, R. (2014). *Análisis de los fondos de titulización españoles: características en el momento de su constitución y comportamiento durante los años de la crisis* [Analysis of Spanish securitisation funds: characteristics at the time of their creation and performance during the crisis]. CNMV Working Paper No. 57 Available at http://www.cnmv.es/DocPortal/Publicaciones/Monografias/DT_57.pdf
- 4 Bear in mind that these figures are from entities which undertook securitisation operations alone. They do not consider multi-seller funds.
- 5 The default ratio is calculated as the percentage of the unpaid amounts over the total outstanding amounts of the funds.
- 6 See, for example, the analysis on the cascade effect triggered by the downgrades in the credit rating of Spanish sovereign debt offered in Exhibit 5 of CNMV document (2012). "Informe sobre los mercados y sus agentes: situación y perspectivas" ["Report on securities markets and their agents: situation and outlook"], in the *CNMV Bulletin*, Quarter III. Available at https://www.cnmv.es/DocPortal/Publicaciones/Boletin/QBIII2012_weben.pdf

3.3.2 Secondary market

AIAF and stock markets

Spain has five official secondary markets on which private fixed-income securities are traded – AIAF and the four stock markets. At year-end 2013, the outstanding balance of fixed-income securities admitted to trading amounted to 725.83 billion euros, a fall of 19.7% on the previous year, which is in line with the fall seen in registered issues. The AIAF market accounted for around 97.6% of the total amount at the end of the year. The breakdown and trend in the number of issuers, the number of issues and the outstanding balance of the securities listed in each one of the markets are shown in Tables 3.7 and 3.8, respectively.

The outstanding balance of securities listed on AIAF at year-end 2013 was 708.6 billion euros, slightly down on the figure recorded at the close of the previous year. As shown in Table 3.7, the fall affected all traded fixed-income instruments, although it

was particularly notable in absolute terms in bonds and debentures, which include securitisation bonds, as well as in mortgage bonds. In relative terms, there was a noteworthy 55.6% fall in the outstanding balance of commercial paper. Securitisation bonds remained the securities with the greatest relative weight in the outstanding balance admitted to trading (38.0%), followed by mortgage bonds (34.8%).

The outstanding balance of private fixed-income issues admitted to trading on stock markets fell by 29.4%. As shown in Table 3.8, almost all the stock market balance corresponds to financial sector issues. The drop in the outstanding balance of these issues accounted for 97.8% of the total. The relative weight of the issues of non-financial companies is very low.

Issuers, issues and outstanding balances of private fixed income on AIAF TABLE 3.7

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
	2012	2013	2012	2013	2012	2013	% change 13/12
Commercial paper	42	30	2,529	1,130	64,927	28,816	-55.6
Bonds and debentures	528	459	1,986	1,730	487,412	402,330	-17.5
Securitisation bonds	385	341	1,334	1,188	315,373	269,177	-14.6
Mortgage bonds	49	48	328	283	293,143	246,968	-15.8
Territorial bonds	18	12	52	39	33,314	29,794	-10.6
Matador bonds	11	9	12	10	831	695	-16.4
Total	611	492	4,907	3,192	879,627	708,602	-19.4

Source: AIAF and CNMV.

Fixed-income trading on AIAF and the stock markets totalled 1.38 trillion euros, 55.8% down on 2012. This amount is the lowest level since 2007. Almost all the trading on both markets, specifically 99.6%, corresponded to the AIAF market, where trading fell by 55.9% on the previous year. The drop in trading affected all the assets traded on this market. The recorded falls range between 36.5% for bonds and debentures and 86.1% for territorial bonds.

78.3% of trading on the AIAF market corresponded to trades between account holders while the rest corresponded to trade with third parties. Within own account trading, securitisation bonds remained the most used assets, accounting for 42.2% of the total. With regard to the other assets, trading in mortgage bonds accounted for 24.0% while trading in bonds and debentures accounted for 22.0% of the total. Transactions using sell-buybacks/buy-sellbacks were the most commonly used, accounting for 74.2% of the total amount traded on the market.

As in recent years, most of these transactions were linked to the use of instruments listed on AIAF as collateral in the auctions of the ECB and to the cash operations conducted in the market by the General Secretariat of the Treasury and Financial Policy. The trading of the General Secretariat accounted for 87.9% of the total amount traded in sell-buybacks/buy-sellbacks performed with bonds of financial institutions, although this amount fell by almost six trillion euros on 2011.

Issuers, issues and outstanding balances of private fixed income on markets

TABLE 3.8

Markets and issuers
Fixed-income markets

Nominal amount in million euros

	No. of issuers		No. of issues		Outstanding balance		
	2012	2013	2012	2013	2012	2013	% change 13/12
Financial institutions	39	28	127	93	24,210	17,221	-28.9
Credit institutions	17	10	42	21	9,859	5,963	-39.5
Other financial institutions ¹	22	18	85	72	14,352	11,258	-21.6
Non-financial companies	4	3	6	3	195	2	-99.0
Barcelona Stock Exchange	38	27	120	90	21,192	15,162	-28.5
Bilbao Stock Exchange	19	11	42	23	17,979	12,859	-28.5
Madrid Stock Exchange	17	9	41	22	20,477	14,190	-29.2
Valencia Stock Exchange	21	12	50	26	18,195	11,502	-36.8
Total	43	31	133	96	24,405	17,223	-29.4

Source: Stock markets and CNMV. (1) Includes the European Investment Bank.

Trading with third parties fell by 40.0%. This type of trading remained low as a proportion of the total traded amount, accounting for only 19.8%. As in the previous year, non-convertible bonds and debentures were the most highly traded securities in this segment, with a nominal amount of 80.91 billion euros, followed by mortgage bonds, with 71.65 billion euros.

Fixed-income trading on the stock markets

TABLE 3.9

Nominal amount in million euros

By type of asset						% change
	2009	2010	2011	2012	2013	13/12
Commercial paper	533,331	385,239	227,535	199,795	111,458	-44.2
Bonds and debentures	3,854,897	3,711,804	5,953,577	1,329,846	844,066	-36.5
Securitisation bonds	3,527,486	2,784,775	5,462,806	1,136,966	530,051	-53.4
Mortgage bonds	263,150	271,442	662,177	994,071	336,630	-66.1
Territorial bonds	7,209	14,458	544,781	595,600	83,031	-86.1
Matador bonds	45	176	116	443	97	-78.2
By type of transaction						
Outright	378,347	288,927	343,100	428,838	286,520	-33.2
Repos	362,069	304,493	198,515	108,772	67,889	-37.6
Sell-buybacks/Buy-sellbacks	3,918,216	3,789,698	6,846,571	2,582,145	1,021,027	-60.5
Total	4,658,632	4,383,119	7,388,186	3,119,755	1,375,436	-55.9

Source: AIAF and CNMV.

The amount traded through the Sistema Electrónico de Negociación de Deuda (electronic debt trading system, SEND), the trading platform created in AIAF to increase market transparency and improve information available to retail investors, grew sharply from 1.29 billion euros in 2012 to 2.62 billion euros in 2013. Bonds and debentures were once again the most traded securities on this platform, accounting for 83.3% of the total.

Private fixed-income trading on the stock markets

TABLE 3.10

Nominal amount in million euros

	2009	2010	2011	2012	2013	% change 13/12
Financial institutions	4,524	7,703	5,238	4,896	4,792	-2.1
Credit institutions	208	228	208	712	1,743	144.8
Other financial institutions ¹	4,315	7,475	5,030	4,183	3,049	-27.1
Non-financial companies	28	33	17	22	4	-80.3
Barcelona Stock Exchange	3,840	7,165	4,912	3,477	4,057	16.7
Bilbao Stock Exchange	12	5	23	3	4	12.2
Madrid Stock Exchange	585	480	291	1,079	401	-62.8
Valencia Stock Exchange	115	86	58	359	335	-6.8
Total	4,552	7,735	5,256	4,918	4,796	-2.5

Source: Stock markets and CNMV. (1) Includes the European Investment Bank and the securitisation bonds guaranteed by the Generalitat de Catalunya (Regional Government of Catalonia).

Finally, private fixed-income trading on stock markets fell by 2.5%. As shown in Table 3.10, the debt securities issued by financial institutions accounted for almost all the volume traded. The relative weight of trading of issues of credit institutions rose significantly from 14.5% of the total in 2012 to 36.3% in 2013. The Barcelona Stock Exchange accounted for the bulk of the trading.

Alternative Fixed-Income Market (MARF)

A significant new development over the last quarter of the year was the start-up of the MARF, which aims to promote the use of fixed income as an instrument for companies to raise funding. The new market is set up as a multilateral trading facility and is aimed at institutional investors. The first issue to be listed on this market took place on 20 December. This was an issue of five-year bonds by the company Copasa for a volume of 50 million euros and a coupon of 7.5%, which started to be listed on 20 December.

One of the developments in derivative markets in 2013 was the split of the governing company of MEFF into two companies, one with management responsibilities relating to the actual functions of the market (MEFF Exchange) and the other with management responsibilities relating to central counterparty functions (BME Clearing). It was also noteworthy that the board of directors of the Olive Oil Futures Market (MFAO) opted not to request authorisation to operate a central counterparty adapted to the requirements established in the EMIR Regulation. MFAO will cease operating as an official secondary market in 2014 when the last contract open to trading matures, but will request authorisation to operate as a multilateral trading facility.

As in other European markets, the number of contracts traded on MEFF Exchange fell on the previous year. However, the bulk of the fall took place in contracts on individual shares given that Ibex 35 contracts rose notably. The growth of trading in this sector, which includes the contracts with the highest nominal amount, resulted in an increase in the total nominal amount of contracts traded on the market.

The premiums in the warrants market fell once again both in the primary market and in stock market trading, which affected practically every product. The number of contracts traded on MFAO, however, was higher than in the previous year, in the context of prices which were also higher.

4.1 MEFF Exchange

Organised derivatives markets traded a total of 195 billion contracts worldwide in 2013, 1% up on 2012, according to data from the World Federation of Exchanges. However, the major European markets recorded a predominantly negative trend, as shown in Table 4.1. This might reflect, at least in part, a fall in hedging transactions linked to the reduction in volatility in the spot market (see Chapter 1).

MEFF Exchange also recorded a fall in the number of traded contracts, specifically of 21.2%. As shown in Table 4.2, the fall was mainly concentrated in contracts on individual shares, given that the other major segment of trading in this market – Ibex 35 products – saw significant growth. In fact, the total nominal amount of the contracts traded on the market rose by 28.8% on the previous year (see Figure 4.1), reflecting, above all, the growth in the Ibex 35 Plus futures, which have the highest nominal unit amount (ten euros for each Ibex 35 point). Activity in the public debt segment, which accounts for a negligible proportion of total trading, fell following the upturn recorded in the previous year.

Trading on European financial derivatives markets

TABLE 4.1

Thousands of contracts

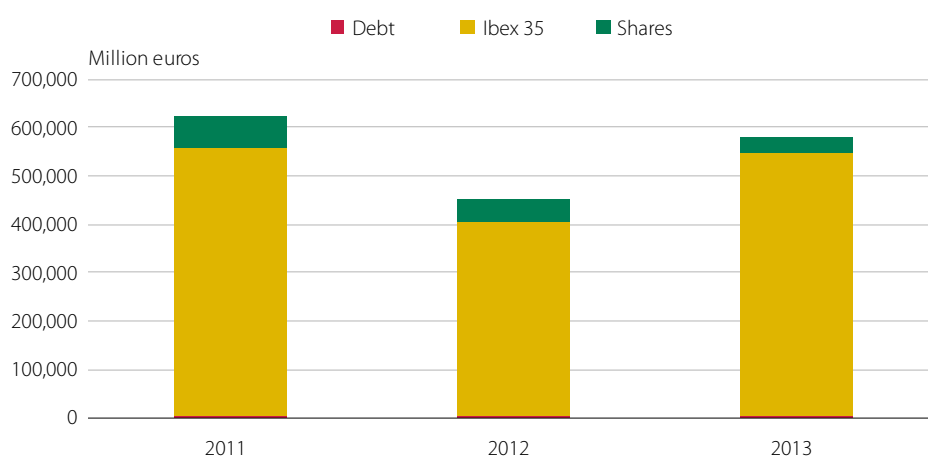
	2010	2011	2012	2013	% change 13/12
Eurex	1,897,403	2,043,920	1,660,205	1,552,369	-6.5
NYSE Euronext Liffe	1,222,556	1,148,498	955,802	941,803	-1.5
Nasdaq OMX	108,611	117,017	125,329	125,972	0.5
MEFF	64,237	62,803	61,208	48,250	-21.2

Source: Eurex, Nasdaq OMX, NYSE Euronext and CNMV.

The volumes traded followed different patterns over the year in the two main segments of the market. The number of contracts traded in Ibex 35 derivatives basically followed an upward trend from the first quarter, which contrasts with the fall seen in the second half of the previous year, which coincided with the restrictions applied to short selling. However, trading of equity contracts, which had also suffered a sharp fall in 2012, did not react in the same way, and instead continued the downward trend until the fourth quarter of the year, in which there was significant growth. The data from the first quarter of 2014 confirm the health of the segment of Ibex 35 products.

Trading on MEFF Exchange: nominal amount

FIGURE 4.1



Source: CNMV.

MEFF Exchange offers trading of one single public-debt derivative, the contract on the ten-year bond. Trading in this instrument has been symbolic since the adoption of the euro at the start of the last decade. The high level reached in the spread of Spanish debt triggered an upturn in this contract in 2012, although with low trading volumes. However, the fall in the spread led to a drop in trading in 2013.

Trading on MEFF Exchange¹

TABLE 4.2

Markets and issuers
Derivatives markets

Thousands of contracts

	2010	2011	2012	2013	% change 13/12
Debt contracts	14	18	45,238	13,667	-69.8
10-year bond Future ³	14	18	45,238	13,667	-69.8
Ibex 35 contracts	6,946,167	5,814,233	5,410,311	6,298,106	16.4
Ibex 35 futures ²	6,638,925	5,594,337	4,989,706	5,780,863	15.9
Plus	6,280,999	5,281,218	4,745,067	5,578,607	17.6
Mini ²	357,926	309,965	242,477	198,736	-18.0
Dividend impact	0	3,154	2,162	3,520	62.8
Ibex 35 options ²	307,242	219,897	420,606	517,243	23.0
Contracts on shares	57,291,482	56,989,129	55,753,236	41,938,920	-24.8
Stock futures	19,684,108	27,578,789	21,220,876	14,927,659	-29.7
Dividend futures	-	-	25,000	66,650	166.6
Stock options	37,607,374	29,410,340	34,507,360	26,944,611	-21.9
Total	64,237,663	62,803,380	61,208,785	48,250,693	-21.2

Source: CNMV. (1) The differences in the nominal value of the different products makes it impossible to compare them based on the number of contracts traded. However, the evolution of trading over time in each type of product can be tracked. (2) In the case of the Mini futures and options, the number of contracts traded is calculated by dividing by ten so as to standardise the individual size of the contract with those of the Ibex 35 Plus future (it is taken into account that the multiplier of the index used to calculate nominal value of the contract is one euro in the first two cases and ten euros in the last case). (3) Until 2012, trading corresponds to MEFF Fixed Income.

Following the split of MEFF in July, all the members of the former MEFF became members both of BME Clearing and of MEFF Exchange. Since then, no member has requested to be removed from the latter. Bearing in mind that in MEFF Exchange there are only non-clearing members, the comparison which is shown in the following table is made by considering the figures of members active in MEFF Exchange and the former MEFF at year-end 2013 and 2012, respectively.

Number of members in MEFF Exchange

TABLE 4.3

	31/12/2012	31/12/2013	Members joining in 2013	Members leaving in 2013
Trading members ¹	65	59	2	8
Proprietary trading members	18	14	2	6
Total	83	73	4	14

Source: MEFF and CNMV. (1) On eliminating the former distinction by type of member, the classification of trading members includes the former non-clearing members, individual clearing members and general clearing members.

New developments in MEFF Exchange

The most important new legal aspect in 2013 was the separation of the market and clearing functions, which was authorised by the Ministry of Economic Affairs and Competition on 19 July and published in the BOE (Official State Gazette) on 14 August 2013. Two separate companies were created as a consequence of this split: MEFF Sociedad Rectora del Mercado de Productos Derivados, S. A. – which will be

the governing company of the official secondary market and which will act under the trade name of MEFF Exchange – and BME Clearing, S. A., for participation on its own account with regard to clearing and settlement of securities and instruments admitted to registration, clearing and settlement, including the derivatives admitted to trading on MEFF Exchange. Each of these required the corresponding authorisation of the new regulations, general conditions, circulars and agreements, although part of them are similar to the previous MEFF regulations.

As it is a separate legal entity, BME Clearing requested authorisation to operate a central counterparty under Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR).

In addition to the necessary adjustments to its regulation, MEFF Exchange also made the changes necessary for flexible contracts (with maturity and, as the case may be, strike prices different from the standard) to be admitted to trading on the market, which up to that time had only been admitted to registration for subsequent clearing.

MEFF Exchange also introduced other new developments in its market services, which include the following:

- New modifications were introduced in the requirements for market makers. Minimum conditions were established for classification as market maker for ten-year bond futures, equity futures with settlement by delivery, share dividend futures, American-style stock options and Ibex 35 options. Furthermore, in the last two cases the figure of the specialist market maker was established with lower quoting requirements and lower economic benefits than those of the continuous market makers which existed up to that date. In the case of market makers in Ibex 35 futures, the percentage of the session in which they are required to quote with a maximum range and minimum volume increased from 70% to 80%.
- A maximum filter was established which is applicable to high-frequency traders (HFTs) in Ibex 35 futures which limits the number of contracts traded in a few seconds by means of attacking orders of the same sign (purchase or sale). A maximum filter of open positions was also established for clearing members of the HFTs.
- The system for auctions and volatility auctions was modified, excluding the Time Spread contracts in the opening auction.
- European stock futures settled by differences were delisted following the December maturity. These contracts, which were introduced in MEFF in 2007, only recorded trading in the first two years, with no open positions held since then.

4.2 Warrants and certificates

There was a fall in issues in the warrants market in 2013, while the primary market for certificates remained inactive, as it had been in the previous year. The premiums traded in both types of contracts also fell in the secondary market.

4.2.1 Issues

Seven entities issued warrants in 2013, the same number as in the previous year. As shown in Table 4.4, the number of issues rose from 7,073 in 2012 to 8,347 in 2013. The premiums paid by investors fell to 3.62 billion euros, 5.5% down on 2012. This fall affected all the underlying assets except for currencies, where premiums rose by 84.6%.

Warrant issues registered with the CNMV

TABLE 4.4

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Stock	Indexes ¹	Currencies	Commodities
2009	9	7,342	5,165,129	2,607,091	2,000,077	328,862	229,099
2010	9	8,375	4,915,297	2,537,377	1,852,552	371,084	154,285
2011	9	9,237	5,544,579	3,211,742	1,786,793	228,172	317,873
2012	7	7,073	3,834,332	2,231,665	1,273,550	76,584	252,533
2013	7	8,347	3,621,169	2,211,777	1,122,621	141,402	145,369

Source: CNMV. (1) Includes baskets of securities and of indexes.

As in recent years, no certificates were registered with the CNMV in 2013. The last registered issue dates back to 2010 (see Table 4.5).

Certificate issues registered with the CNMV

TABLE 4.5

Thousand euros

	Number		Amount of premium				
	Issuers	Issues	Total	Stock	Indexes ¹	Currencies	Commodities
2009	0	0	0	0	0	0	0
2010	1	1	10,136	0	0	0	10,136
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indexes.

The most important new development in the segment in 2013 was the introduction of a new type of product: multi warrants. These instruments are call warrants whose underlying asset is an index with a constant daily level of leverage. The main difference with leveraged ETFs is that in multi warrants the base is recalculated daily and therefore the accumulated return at more than one day does not match the return of the index in the period multiplied by the leverage. Currently only the following multi warrants call issued by Société Générale on the Ibex 35 are admitted to trading: Apalancado Neto X5 [Leverage Net X5], Ibex 35 Triple Apalancado Neto [Ibex 35 Triple Leverage Net], Ibex 35 Inverso X5 [Ibex 35 Short X5] and Ibex 35 Triple Inverso [Ibex 35 Triple Short]. Trading has been very low (less than 1% of the segment) since the first issues at the start of 2013.

4.2.2 Secondary market

The trading of warrants on the secondary market fell for the sixth consecutive year. Total premiums traded fell from 765.4 million euros in 2012 to 752.7 million euros in 2013. This reduction affected all types of underlying asset and was once again particularly intense in warrants on raw materials, where the amount of the premiums traded fell by 61.4% after having also suffered a sharp fall in the previous year. The underlying asset of half of warrants trades was a Spanish company.

Trading in warrants on the electronic market

TABLE 4.6

Premiums traded, in thousand euros

	No. of issues	Premiums traded, by type of underlying				Total
		Indexes ¹	Stock	Currencies ²	Commodities	
2009	8,038	761,610	907,527	61,557	37,749	1,768,443
2010	7,750	689,565	820,500	33,176	59,970	1,603,211
2011	8,328	518,219	751,968	34,096	245,916	1,550,200
2012	7,419	268,621	436,586	18,214	42,016	765,437
2013	7,299	255,411	465,674	15,415	16,213	752,713

Source: CNMV. (1) Includes baskets of securities and of indexes. (2) Includes fixed-income warrants in the years in which these were traded.

As shown in table 4.7, the trading of certificates also fell, in this case dramatically, with the value of premiums traded dropping from 16.7 million euros in 2012 to 0.9 million euros in 2013. The trading was concentrated exclusively in commodities contracts, which did not prevent the traded amount falling sharply, as in the case of warrants, in this case by 94%.

Trading in certificates on the electronic market

TABLE 4.7

Premiums traded, in thousand euros

	No. of issues	Premiums traded, by type of underlying				Total
		Indexes ¹	Stock	Currencies	Commodities	
2009	22	33,087	978	0	5,095	39,160
2010	16	10,563	1,542	0	9,910	22,015
2011	13	3,856	240	0	87,960	92,055
2012	4	546.1	0	0	16,232	16,778
2013	2	0	0	0	966.3	966.3

Source: CNMV. (1) Includes baskets of securities and of indexes.

4.3 Other financial contracts

No issues of option contracts were registered with the CNMV in 2013. The last registered issue dates back to 2010 (see table 4.8).

Thousand euros

	Number		Amount of premium				Exchange
	Issuers	Issues	Total	Stock	Indexes ¹	Commodities	Rates
2009	1	3	35,000	25,000	10,000	0	0
2010	1	7	64,000	47,000	17,000	0	0
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indexes.

4.4 Olive Oil Futures Market

A total of 108,965 contracts were traded on the Olive Oil Futures Market (Spanish acronym: MFAO) in 2013, 11.4% more than in the previous year. The volume remained high in the first quarter of the year but, once the price began to follow a downward trend, the volume fell significantly. This fall was accentuated as from July when the board of directors decided that it was not going to request authorisation to operate a central counterparty adapted to the requirements provided in the EMIR Regulation, as discussed below. In monetary terms, trading amounted to 294 million euros, 76 million euros up on 2012. The average price at which the contract for one tonne of oil was traded stood at 2,394 euros, 16.9% up on the previous year.

MFAO membership figures

TABLE 4.9

	2012	2013
Custodian clearing members	6	5
Clearing members	3	3
Non-clearing members	2	2
Industrial members	8	7
Total	19	17

Source: MFAO and CNMV.

The number of MFAO members fell by two in 2013.

4.4.1 New developments in the MFAO market

In 2013, the industrial members which are not required to submit audited financial statements were exempted from the obligation to send them to the governing body, in accordance with the provisions in Royal Legislative Decree 1/2011, of 1 July, wherein the consolidated text of the Law on Auditing was approved, Royal Decree-Law 1517/2011, of 31 October, wherein the Regulation that develops the consolidated text of the Law on Auditing was approved, and Royal Legislative Decree 1/2010, of 2 July, wherein the consolidated text of the Capital Companies Law was approved.

In addition, the criterion for accepting combined orders for price differences between maturities in force (Spanish acronym: OCDV), which allows the trading of futures with different maturities negotiating the price difference between them, was adjusted. With the algorithm in force at that time, registering transactions required the prices of the two contracts to be within their respective bid-ask spreads. This made it impossible to accept transactions in those cases in which the price of the second maturity (calculated as the price of the first maturity plus the difference between the first and second) was outside the bid-ask spread. In order to allow all transactions to be registered, an amendment was made to the Circular which regulates OCDV establishing that the registration price must be between the highest bid price and the lowest ask price in both maturities. This price will be the closest value to the average of the bid-ask spread of the closest maturity which allows the price of the furthest maturity to also be between the corresponding bid-ask spread.

From a company point of view, the most noteworthy new development resulted from the resolutions of the board of directors dated 31 July 2013, ratified by the general meeting of 12 September 2013, relating to adaptation to the EMIR Regulation. MFAO decided not to request authorisation to establish a central counterparty in accordance with the requirements established in the aforementioned Regulation and to no longer carry on its activity as official secondary market as from September 2014, the date on which the last contract open to trading matures. At the same time, it will propose authorisation of a multilateral trading facility, regulated by Title XI of the Securities Market Act, in which olive oil futures will be traded and which will be managed by a new securities broker created for this purpose, which will be established by the governing body.

5 Registry, counterparties, clearing and settlement

Markets and issuers
Registry, counterparties,
clearing and settlement

5.1 Iberclear

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal, which operates under the business name of Iberclear, is in charge of registering, clearing and settling securities in Spain. Iberclear mainly deals with securities on stock markets, public debt markets and AIAF.

At year-end 2013, Iberclear had 173 participating entities, 18 fewer than at the end of 2012 (see Table 5.1). The number of participants in settlement activities on the public debt market fell by 14 and on AIAF by six. The number of participants in stock markets and the Latibex fell by nine and ten, respectively.

Iberclear members

TABLE 5.1

	2012	2013
Total Iberclear¹	191	173
Members of:		
Stock markets	83	74
Latibex	73	63
AIAF	95	89
Public debt	155	141

Source: Iberclear. (1) The total is lower than the sum of the number of clearing members in the various markets since some firms are members of more than one market.

5.1.1 Iberclear-CADE

In 2013, a total of 3,611 issues were registered on this platform, a fall of 32% on the previous year. 89% of issues were admitted to trading on the AIAF market and the rest on the public debt market. The total nominal amount of the issues stood at 1.5 trillion euros, a fall of 5% on 2012. 48% of the nominal amount corresponded to issues listed on AIAF and 52% to issues listed on the public debt market.

The AIAF market recorded a 35% reduction in the number of issues compared with the previous year, and an 18% fall in the nominal amount issued. The number of issues on the public debt market rose by 3% and the nominal amount issued rose by 12%.

Iberclear-CADE. Registry

TABLE 5.2

Million euros

	Public debt		AIAF		Total		% change 13/12
	2012	2013	2012	2013	2012	2013	
Number of issues	381	393	4,948	3,218	5,329	3,611	-32.2
Nominal amount	705,782	793,594	884,506	720,477	1,590,288	1,514,071	-4.8

Source: Iberclear.

Tables 5.3 and 5.4 show the most significant figures for settlement. In the AIAF market, there was a noteworthy fall in the number of transactions and the amount settled in the two main segments, that of outright trades and that of repos and sell-buybacks and buy-sellbacks. In the former, the overall number of trades fell by 7% and the settled amount by 31%. In the repos and sell-buybacks and buy-sellbacks segment, the number of trades fell by 44% and the settled amount by 54%. There was also a sharp rise in the nominal amount of temporary transfers between accounts of the same owner, which rose from 406 million euros in 2012 to 42.91 billion euros in 2013. This increase was mainly due to the transfers of bonds issued by the Asset Management Company for Assets Arising from Bank Restructuring (Spanish acronym: SAREB). The total number of trades on AIAF fell by 14% and settled trades by 45%.

The number of trades and the settled amount in the public debt market in the segment of outright trades rose by 16% and 15%, respectively. In the repos and sell-buybacks and buy-sellbacks segment, there was a significant fall in the number of trades, specifically 15%, but a much smaller drop of 1% in the settled amount. If we take into account all types of trades, the number of trades fell by 7% and the settled amount by 0.4%. Taking this market and the AIAF market together, the falls stood at 9% and 6% respectively.

Iberclear-CADE. Number of trades settled

TABLE 5.3

	Public debt		AIAF		Total		% change
	2012	2013	2012	2013	2012	2013	
Outright trades	534,459	617,386	1,318,639	1,221,820	1,853,098	1,839,206	-0.7
Repos and sell-buybacks and buy-sellbacks	3,050,489	2,582,898	74,179	41,621	3,124,668	2,624,519	-16.0
Outright transfers (between accounts of the same owner)	454,339	499,598	445,783	306,601	900,122	806,199	-10.4
Temporary transfers (between accounts of the same owner)	33,857	15,386	579	945	34,436	16,331	-52.6
Transfers of held-to-maturity securities	678,536	681,172	73,660	76,466	752,196	757,638	0.7
Transfers for collateral (to a different owner)	1,897	2,356	6,735	3,390	8,632	5,746	-33.4
Total	4,753,577	4,398,796	1,919,575	1,650,843	6,673,152	6,049,639	-9.3

Source: Iberclear.

Iberclear-CADE. Amount of settled trades¹

TABLE 5.4

Million euros

	Public debt		AIAF		Total		% change
	2012	2013	2012	2013	2012	2013	
Outright trades	5,228,373	5,997,395	460,725	318,506	5,689,098	6,315,901	11.0
Repos sell-buybacks and buy-sellbacks ²	25,134,936	24,967,280	4,313,338	2,001,771	29,448,274	26,969,051	-8.4
Outright transfers (between accounts of the same owner)	6,513,551	6,527,745	952,075	719,824	7,465,626	7,247,569	-2.9
Temporary transfers (between accounts of the same owner)	162,376	154,247	406	42,913	162,782	197,160	21.1
Transfers of held-to-maturity securities	11,324,418	10,475,872	489,523	399,586	11,813,941	10,875,458	-7.9
Transfers for collateral (to a different owner)	86,151	124,436	195,970	58,855	282,121	183,291	-35.0
Total	48,449,805	48,246,975	6,412,037	3,541,455	54,861,842	51,788,430	5.6

Source: Iberclear. (1) Effective amount, in the case of outright trades, repos and sell-buybacks/buy-sellbacks; nominal amount, transfers to different accounts of the same owner and to different owners. (2) For sell-buybacks and buy-sellbacks, both the amount of the purchase and of the sale are recorded.

5.1.2 Iberclear-SCLV

At year-end 2013, a total of 5,934 issues were registered on this platform, with a nominal amount of 117.2 billion euros. Both the number of registered issues and the nominal amount rose on the previous year, as shown in Table 5.5. The rise in the number of registered issues was mainly due to the increase in the number of warrant issues. In the Latibex market, both the number of issues and the registered amount fell.

Iberclear-SCLV. Registry

TABLE 5.5

Million euros

	Stock market			Latibex		
	2012	2013	% change	2012	2013	% change
Number of issues	5,212	5,934	13.9	32	30	-6.3
Registered amount ¹	112,732	117,199	4.0	158	130	-17.8

Source: CNMV. (1) Nominal amount, in the case of the stock market; effective amount, in the case of the Latibex.

The number of trades settled in 2013 on both stock markets and Latibex together stood at 33,278,123, with an effective value of 1.41 trillion euros. Therefore, the number of trades fell by 2.1% and the settled amount rose by 0.8% compared with the previous year.

In addition to the settlement of trades of securities, Iberclear-SCLV settles transfers of securities between accounts of the same owner in different entities. These transfers may be free-of-payment or against payment. There was a significant increase in both types of transfer in 2013, with free-of-payment transfers rising by 23.7% and transfers against payment by 19.5%. The main reason for these increases was the transfer of issues between entities as a result of the restructuring of the financial system.

With regard to OTC trades, there was an increase in the number and effective amount of trades against payment from central counterparties. OTC trades against payment rose by 65% and the effective settled volume by 192%. These sharp increases essentially reflect the increase in trading on foreign markets of securities registered in Iberclear.

Iberclear-SCLV. Trades settled

TABLE 5.6

Million euros

	Stock market				Latibex			
	No. of trades		Amount		No. of trades		Amount	
	2012	2013	2012	2013	2012	2013	2012	2013
Purchases and sales	33,942,486	33,231,184	1,397,152	1,407,791	44,535	46,939	624	731
Failed settlements	21,569	32,701	1,961	3,613	1,156	1,180	18	19
Buy-ins	112	185	3	11	3	15	0	0.3
Transfers f.o.p.	664,226	821,708	-	-	331	370	-	-
Transfers a.p.	886,127	1,059,270	398,776	420,552	1,507	1,180	0	0
OTC a.p.	68	12	1,440	159	-	-	-	-
OTC f.o.p.	56	205	-	-	-	-	-	-
OTC CCP a.p.	292,785	482,692	24,067	70,428	-	-	-	-
OTC CCP f.o.p.	51	132,371	-	-	-	-	-	-
Total	35,785,799	35,727,442	1,821,435	1,898,931	46,373	48,489	624	731

Source: Iberclear. Transfers f.o.p. = transfers free-of-payment. Transfers a.p. = transfers against payment. OTC CCP = bilateral transactions through central counterparties.

The amount of failed settlements rose in 2013 mainly as a result of the high amount of some of the trades which suffered a delay. Failed settlements accounted for 0.78% of the total settled amount, compared with 0.32% in 2012. Nevertheless, these levels remain very low compared with international averages. The number of non-settled trades on D+3 was 0.33% of total trades, compared with 0.21% recorded in 2012.

5.1.3 Technical enhancements

Iberclear Circular 3/2013, of 26 June: Trading members not classified as Iberclear participating members

Section 4 of Article 44 *bis* of the Securities Market Act 24/1988, of 28 July, stipulates that Iberclear shall be governed by that Act and its implementing legislation and by a regulation to be approved by the Ministry of Economic Affairs and Competition on the basis of a report by the CNMV, the Bank of Spain and the regional governments whose Statutes of Autonomy empower them in the matter of regulating securities trading venues.

Following approval of Order ECC/680/2013, of 8 April, published in the BOE (Official State Gazette) on 25 April 2013, Articles 11 and 12 of the Iberclear Regulation were amended. These amendments allow stock-market members or trading

members not to be participating entities in the Securities Clearing and Settlement System. However, in this case, these entities must enter into an agreement with a participating entity that will be held liable for the registration, clearing and settlement requirements arising from the trading member's transactions with regard to the trading member and the system. Pursuant to Order ECC/680/2013, Iberclear approved Circular 3/2013, of 26 June, which implements the aforementioned amendment to the Regulation.

Iberclear Circular 4/2013, of 26 September: Modification of technical and functional requirements

With the approval of Circular 4/2013, of 26 September, Iberclear drew up a new document containing the technical and functional requirements which the entities referred to in Article 76.2 of Royal Decree-Law 116/1992, of 14 February, must comply with in order to obtain the classification of participating entity in the registration, clearing and settlement system.

With the aim of optimising the communication systems used in exchanging information with all the entities which participate in registration, clearing and settlement processes, an SFTP standard software was incorporated as an alternative for the transfer and exchange of files with its participating entities. Iberclear also decided not to continue using XFB monitor (previously, Pelican) and Editran C, given that they were scarcely used.

Iberclear Circular 5/2013, of 27 November: Issuing entities: Formal, functional and technical requirements

Article 497 of the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, establishes that the entities which are required by securities market legislation to keep registers of the securities represented through the book-entry system must inform the issuing company, whenever requested and irrespective of whether its shares are required to be registered shares by legal provision, of the data necessary to identify shareholders, including any available addresses and means of contact.

Therefore, in accordance with this legislation, Iberclear extends the communication service to access the information on ownership of the transactions which are performed on its shares to those issuers which request such information irrespective of whether or not their shares are required to be registered shares by legal provision.

5.2 MEFF/BME Clearing

In August 2013, MEFF split into two companies, one engaged in market functions (MEFF Exchange) and the other engaged in central counterparty functions (BME Clearing), in accordance with the requirements of Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories, known as EMIR.

Following the split, the central counterparty has various types of participants, which may be grouped into two major blocks: clearing members and non-clearing members.

The former is divided into individual clearing members, if they only clear their own transactions and those of their clients, and general clearing members, if they also clear transactions of other members and their clients. The latter group is in turn divided into proprietary non-clearing members, which simply register transactions on their own account, and non-clearing members which may register transactions both on their own account and those of their clients.

Clearing members were referred to as *liquidadores* in the old system and are now referred to as *miembros compensadores* in the new functional layout of BME Clearing. Non-clearing members are now referred to as *miembros no compensadores* and were referred to as *miembros negociadores* or trading members in the former MEFF, to the extent that the new Regulation to be a member of MEFF Exchange requires the classification as member of the central counterparty.

Bearing in mind the above, Table 5.7 offers a comparison of the numbers of active members in BME Clearing and the former MEFF with the new categories.

Number of members in BME Clearing by segment

TABLE 5.7

	2012	2013
Total segment financial derivatives	83	73
General clearing members	8	7
Individual clearing members	36	35
Proprietary non-clearing members	18	14
Non-clearing members	21	17
Total segment MEFFPower	28	34
Total segment MEFFRepo	31	30

Source: MEFF and CNMV.

In its activity as a central counterparty, MEFF and its successor as from August – BME Clearing – updated on several occasions the margin requirements per position and modified the instruments accepted for these margins, including the possibility of pledges in favour of the central counterparty of German, French, Austrian, British, Belgian and US public debt in Clearstream and Euroclear. Furthermore, in order to adapt to the EMIR Regulation, BME Clearing made several modifications to the margins system, which include the following: firstly, guarantees as a way of providing the margins are now only to be accepted exclusively for position margins in the group of energy contracts, and secondly, the reference to the maximum amount of the collective margin was eliminated.

5.2.1 MEFFClear/MEFFRepo

The aforementioned split of MEFF did not affect the activity of this segment, which remained high over the year, although slightly lower than in 2012.

The registered nominal amount fell by 7.7% on the previous year to 1.26 trillion euros. All the volume corresponded to bilateral trades, with no transactions traded on electronic platforms incorporated into the central counterparty. A total of 12,094 transactions were registered, a fall of almost 18% on 2012. The proportion of sell-buybacks and buy-sellbacks as a percentage of total trades fell to 21.5%

compared with 25% in 2012. The high for the year was reached in April, with a percentage of 27%, while the high for the year in 2012 was 37%.

The average nominal amount per trade remained over 100 million euros throughout the year, except in October and November, when it dropped to 86 million euros and 95 million euros, respectively. The average period of the sell-buybacks and buy-sellbacks stood at 8.5 days, although in some months it exceeded ten days (compared with an average of 6.7 days in 2012). The average risk registered increased on 2012, with an historic record in the session of 5 December, when it reached 38.86 billion euros.

In this segment, the registration times were modified for trades maturing on the same day, bringing back the close by up to 15 minutes before the general time limit established by Iberclear.

Activity in MEFFClear/MEFFRepo

TABLE 5.8

Million euros

	2012	2013
Nominal volume registered on the SENAF platform	0	0
Nominal volume in bilateral transactions	1,362,256	1,258,180
Total	1,362,256	1,258,180
Number of transactions on SENAF	0	0
Number of bilateral transactions	14,697	12,099
Total	14,697	12,099
Number of members	31	30

Source: CNMV and MEFF/BME Clearing.

5.2.2 MEFFPower

The registered volume in this segment stood at 33.5 TWh, four times higher than in 2012. One third of the volume corresponded to September and October as a result of the transactions with annual and, above all, quarterly, contracts. The effective amount of the transactions in this segment exceeded 1.7 billion euros, compared with 440 million euros in 2012.

The increase in registered volume involved a rise in the open position, which closed the year at above 2.3 TWh, 35.7% up on 2012, although over several months of the year it grew to above 4 TWh. At the end of the year, 92% of the open position was concentrated in quarterly and, above all, monthly contracts due to the transformation of the annual contracts into other contracts with shorter delivery periods in accordance with the cascade procedure applicable in these contracts.

5.3 European initiatives in changing registration, counterparty, clearing and settlement services

Progress continued to be made in 2013 on the different initiatives relating to post-trading in Europe. The most noteworthy aspects are described below.

TARGET2- Securities (T2S)

In March 2013, the CNMV Board approved the Framework Agreement between Iberclear and the Bank of Spain, with the latter acting on behalf of all the members of the Eurosystem, for affiliation of Iberclear to the TARGET2-Securities (T2S) project. This agreement establishes the contractual rights and obligations with the Eurosystem of the central securities depositories (CSD) which sign up to the project.

The modifications proposed in the reform of the Spanish system¹ will make it possible to fully adapt the settlement of Spanish markets to the model proposed by T2S. These modifications will make it easier to fit into this project and will facilitate the interoperability of the Spanish settlement system with systems existing in Europe.

European regulation on OTC derivatives, central counterparties and trade repositories (EMIR)

Significant progress was made over 2013 in implementing the EMIR as the different level 2 rules of the regulation gradually entered into force.

On 15 March 2013, various obligations provided in the EMIR and implemented by means of the regulatory technical standards and implementing technical standards drawn up by ESMA over 2012 entered into force. These include the following: timely confirmation of contracts; notification from non-financial counterparties of exceeding the clearing threshold; marking-to-market and reliable and prudent marking-to-model to be used for outstanding OTC derivative contracts.

Subsequently, on 15 September 2013, other requirements included in the EMIR relating to post-trading began to be enforceable for derivatives users. These requirements basically referred to establishing set procedures beforehand to identify and resolve possible disputes between the parties, as well as reconciliation and portfolio compression.

This regulation did not only have an immediate effect on the operations of participants in derivative markets, but it also led to significant changes in the functioning of the infrastructures of the financial markets whose use is promoted by the EMIR. In this regard, it should be highlighted that over 2013 Spanish central counterparties carried out various modifications to their organisation and operations with the aim of adapting to the obligations established in this regulation.

Accordingly, and as referred to above, MEFF split into BME Clearing and MEFF Exchange, and the former was subsequently authorised to act as a central counterparty under the terms established in the EMIR.

In the area of commodity derivatives, as a consequence of entry into force of the EMIR, the general shareholders' meeting of MFAO approved the transformation of the market into a multilateral trading facility with the aim of clearing products traded in that market by means of a different system to that of a central counterparty.

1 See CNMV (2013). *Reform of the Registry, Clearing and Settlement System*, May. Available at http://www.cnmv.es/docportal/aldia/SituacioReforma130513_en.pdf

Finally, it is important to point out that between November and December 2013 ESMA authorised six entities to act as trade repositories under the EMIR, including Regis-TR, which is 50% owned by Iberclear and 50% by Clearstream. The mandatory reporting of trading began on 12 February 2014 in accordance with the provisions in the aforementioned regulation.

Markets and issuers
Registry, counterparties,
clearing and settlement

III Financial institutions and investment services

Following several years of falls, assets managed by mutual funds recovered significantly in 2013 as a result of the increase in the value of portfolios and, above all, a significant net inflow of money. The increase was accompanied by a significant rearrangement of the relative weighting of the main categories of funds in the total assets of the sector. There was a noteworthy drop in guaranteed funds and a sharp rise in passively managed funds, almost all of which were mutual funds with a non-guaranteed specific target return (see Exhibit 11.1). These changes were driven by the expectation that interest rates would remain low and by the marketing strategies of financial institutions.

Another noteworthy development in CIS was the increase in assets registered by SICAVs and by foreign UCITS marketed in Spain. The recovery in collective investment also resulted in a considerable improvement in the profit before tax of CIS management companies and a significant reduction in the number of management companies recording losses.

6.1 Mutual funds

The downward trend seen in the assets managed by mutual funds since 2007 was broken last year. At the end of the year, assets managed by mutual funds amounted to 156.68 billion euros, 26.3% up on year-end 2012. This significant growth was the result of the funds obtaining new contributions from investors and, to a lesser extent, the rise in the value of the portfolios. Net subscriptions for the period accounted for 73.8% of the rise in assets managed of 32.64 billion euros, while returns on the portfolio contributed 26.2%.

Most of the rise in the assets managed by mutual funds was concentrated in the fixed income and passively managed categories, which recorded increases of 14.39 billion euros and 13.53 billion euros, respectively. In both cases, over 90% of the increase was due to higher subscriptions, which in net terms amounted to 13.41 billion euros and 12.68 billion euros, respectively (see Annex II.1). In the case of passively managed funds, subscriptions were mainly made in funds with a non-guaranteed specific target return, the number of which grew significantly. As indicated in Chapter 11 (see Exhibit 11.3), the CNMV implemented a series of preventive measures to strengthen transparency in the marketing of these funds.

Assets managed by the other categories also rose, except in the case of guaranteed fixed-income and equity funds, where assets managed fell by 4.96 billion euros and 1.91 billion euros, respectively. In both cases this fall in assets was solely due to the redemptions carried out by unit-holders, where net subscriptions totalled 6.72 billion euros and 2.69 billion euros, respectively. The portfolio returns, which amounted to

1.75 billion euros for guaranteed fixed-income funds and 780 million euros for guaranteed equity funds, were relatively high compared with other categories.

Consequently, there were significant changes in the trends seen over recent years in the spread of total assets among different categories of mutual funds. The relative weighting of fixed-income funds at the end of the year stood at 35.1%, after having fallen from almost 50% in 2009 to 32.8% in 2012. The relative importance of guaranteed fixed-income funds fell from 29.4% in 2012 to 20.1% in 2013, after three years of continuous rises.

The distribution of mutual fund assets among the different categories continues to show a clear predominance of conservative options, even though the joint weighting of the most important of these categories (fixed-income, mixed fixed-income and guaranteed funds) fell from 78.2% in 2012 to 68.4% in 2013. This fall is the result, *inter alia*, of the drop in the expectations of the return of the assets in which many of these funds invest and the active marketing strategies carried out by financial institutions to retain their customers, by making other collective investment alternatives available (see Exhibit 11.3).

The aggregate yield of mutual funds stood at 6.5%, which is higher than the 5.5% obtained in 2012 and much higher than the figures for the first few years of the recession. It should be pointed out that the yield was positive in all mutual fund categories and, in general, higher in the second half of the year. As in the previous year, the categories which saw the largest rise in portfolio value were the euro equity and international equity categories, with yields of 28.1% and 20.3%, respectively. In contrast, fixed-income funds and absolute return funds obtained the lowest yields, of 2.3% and 2.8%, respectively (see Annex II.4).

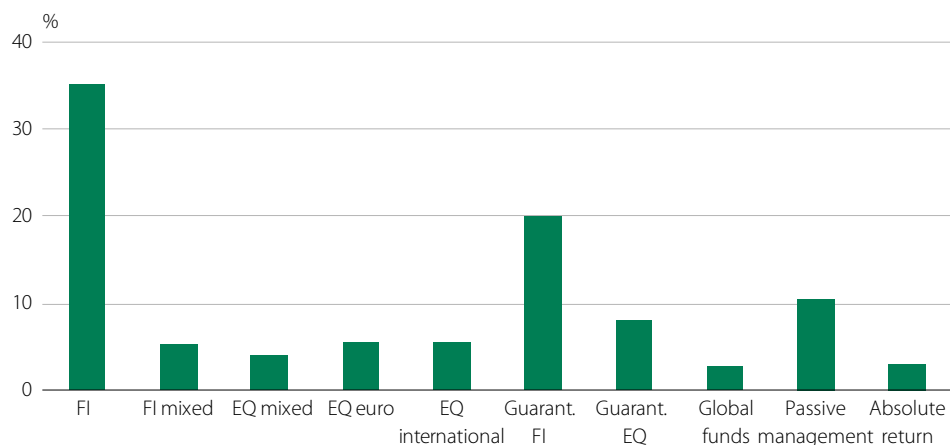
The composition of the aggregate assets managed by mutual funds changed in favour of Spanish securities. As shown in Table 6.1, the proportion of the domestic portfolio rose from 66.9% in 2012 to 69.1% in 2013, while the proportion of the foreign portfolio fell from 28.6% to 26.2%. The main reason for the increase in the domestic portfolio was the net investment in debt securities (around 13.5 billion euros) and in deposits in financial institutions, which rose by eight billion euros. The cash heading, which current regulations require to be at least 3%, accounted for 4.5% of assets managed at the end of the year, compared with 4.3% in 2012.

Despite the recovery in assets managed, management companies continued reducing the number of available funds. Accordingly, 309 mutual funds were withdrawn during the year, of which 288 were absorbed by another fund. A total of 147 new funds were registered, considerably higher than the number registered in recent years, although still far from the numbers seen prior to the start of the crisis. Consequently, in December 2013 a total of 2,043 mutual funds were registered with the CNMV, compared with 2,205 funds in 2012 (see Table 6.2). Average assets per fund rose substantially from 56.2 million euros in 2012 to 76.7 million euros in 2013.

Mutual fund asset breakdown

FIGURE 6.1

Financial institutions and
investment services
Collective investment



Source: CNMV.

Mutual fund asset breakdown¹

TABLE 6.1

Million euros

	2012	%	2013	%	% change 13/12
Assets	124,040	100.0	156,680	100.0	26.31
Financial investment portfolio	118,447	95.5	149,343	95.3	26.08
Spanish securities	82,930	66.9	108,313	69.1	30.61
Debt securities	65,999	53.2	79,480	50.7	20.43
Equity instruments	3,141	2.5	5,367	3.4	70.87
Collective investment schemes	3,171	2.6	4,498	2.9	41.85
Deposits in credit institutions	10,333	8.3	18,444	11.8	78.50
Derivatives	286	0.2	523	0.3	82.87
Other	0	0.0	0	0.0	-
Foreign securities	35,513	28.6	41,030	26.2	15.54
Debt securities	20,494	16.5	20,313	13.0	-0.88
Equity instruments	7,669	6.2	11,034	7.0	43.88
Collective investment schemes	7,112	5.7	9,286	5.9	30.57
Deposits in credit institutions	46	0.0	46	0.0	0.00
Derivatives	192	0.2	351	0.2	82.81
Other	1	0.0	0	0.0	-100.00
Doubtful, delinquent or in litigation investments	4	0.0	1	0.0	-75.00
Cash	5,375	4.3	7,062	4.5	31.39
Net balance (debtors/creditors)	219	0.2	274	0.2	25.11

Source: CNMV. (I) Excluding hedge funds and funds of hedge funds.

Registrations and de-registrations in 2013

TABLE 6.2

Type of firm	Firms registered at 31/12/2012	New registrations	De- registrations	Firms registered at 31/12/2013
Total financial CIS	5,246	274	391	5,129
Mutual funds	2,205	147	309	2,043
Investment companies	2,981	124	70	3,035
Funds of hedge funds	24	0	2	22
Hedge funds	36	3	10	29
Total real estate CIS	14	2	0	16
Real estate mutual funds	6	0	0	6
Real estate investment companies	8	2	0	10
Total foreign UCITS marketed in Spain	754	100	74	780
Foreign funds	421	48	61	408
Foreign companies	333	52	13	372
CIS management companies	105	1	10	96
Depositories	84	0	7	77

Source: CNMV.

In line with the growth in assets under management, the number of unit-holders rose by 14.5% and closed the year at over five million (see Annex II.1). Most of this increase was concentrated in passively managed funds, with a rise of more than 300,000 unit-holders (more than three times the rise recorded in 2012), and in fixed-income funds, with practically 250,000 more unit-holders. Only guaranteed funds recorded a fall in the number of unit-holders, with a reduction of 200,000. The percentage of unit-holders in mutual funds who were natural persons stood at 97.1%, which was very similar to the percentage recorded in 2012. They accounted for 80.4% of total assets (82.2% in 2012). Average assets per unit-holder totalled 31,021 euros at the end of 2013, 10.3% up on 2012.

6.2 Investment companies (SICAVs)

Following four years of consecutive falls, the number of SICAVs registered with the CNMV rose in 2013 to 3,035, a rise of 1.8% (see Table 6.2). There were 124 new registrations and 70 de-registrations, of which eight were absorbed by other SICAVs and five by mutual funds. As in previous years, almost all SICAVs were listed on the Alternative Stock Market.

The number of SICAV shareholders rose by 2.1% from 404,865 in 2012 to 413,264 in 2013. The assets managed by SICAVs rose by 16.6% to 27.62 billion euros. This rise was the result of the increase in the value of the portfolio, with gains which amounted to 2.4 billion euros, and the entry of new funds, which in net terms amounted to 1.55 billion euros. Average assets per SICAV rose by 14.6% to 9.1 million euros, while average assets per shareholder rose by 14.3% to 66,386 euros.

As shown in Table 6.3, the relative weight of the domestic portfolio in the total assets of SICAVs fell (from 48.8% to 43.9%), while the relative weight of the foreign portfolio rose (from 46.2% to 50.6%). This change in the composition was the result of a significant increase in the size of the foreign portfolio last year, and a slight

shrinking of the domestic portfolio. Within the domestic portfolio, there were significant increases in investments in shares and in other CIS. However, these increases were offset by a considerable fall in investment in deposits in credit institutions. Within the foreign portfolio, almost all the headings rose both in amount and percentage, with a noteworthy rise in investment in foreign CIS for the second consecutive year. The percentage of the cash heading at the end of the year stood at 4.7%, a new rise on the figure for the previous year.

Financial institutions and
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Investment company asset breakdown

TABLE 6.3

Million euros

	2012	%	2013	%	% change 13/12
Assets	23,682	100.0	27,621	100.0	16.63
Financial investment portfolio	22,512	95.1	26,106	94.5	15.96
Spanish securities	11,568	48.8	12,119	43.9	4.76
Debt securities	6,021	25.4	6,304	22.8	4.70
Equity instruments	2,272	9.6	3,006	10.9	32.31
Collective investment schemes	701	3.0	1,135	4.1	61.91
Deposits in credit institutions	2,532	10.7	1,645	6.0	-35.03
Derivatives	8	0.0	1	0.0	-87.50
Other	34	0.1	27	0.1	-20.59
Foreign securities	10,940	46.2	13,985	50.6	27.83
Debt securities	2,489	10.5	2,614	9.5	5.02
Equity instruments	3,588	15.2	5,086	18.4	41.75
Collective investment schemes	4,700	19.8	6,120	22.2	30.21
Deposits in credit institutions	14	0.1	5	0.0	-64.29
Derivatives	147	0.6	153	0.6	4.08
Other	2	0.0	8	0.0	300.00
Doubtful, delinquent or in litigation investments	4	0.0	2	0.0	-50.00
Intangible assets	0	0.0	0	0.0	-
Property, plant and equipment	0	0.0	0	0.0	-
Cash	960	4.1	1,302	4.7	35.63
Net balance (debtors/creditors)	210	0.9	213	0.8	1.43
Pro-memoria: no. of shareholders	404,865	-	413,264	-	2.07

Source: CNMV.

6.3 Hedge funds

Hedge funds account for less than 1% of total assets managed by Spanish collective investment schemes. This collective investment segment is made up of two types: hedge funds and funds of hedge funds. In both cases, the investment vehicle may be a fund or a company. The assets held by these vehicles at year-end 2013 amounted to 1.39 billion euros, 4.9% down on 2012. The fall was fully concentrated in funds of hedge funds, whose assets fell by 35.2% to 350.3 million euros. This was mainly due to the liquidation processes in which some of these vehicles are involved. In contrast, the assets of hedge funds rose by 12.9% to 1.04 billion euros. At the end of the year, hedge funds accounted for 73.0% of assets in the segment while

funds of hedge funds accounted for 9.4%. Companies operating in both sectors accounted for the remaining 17.6% (see Annexes II.1 and II.4).

The yield of the portfolio was positive for both hedge funds and funds of hedge funds, with returns of 16.39% and 5.21%, respectively. The number of unit-holders fell by 5.7% to 5,437. Unit-holders in hedge funds fell by 0.5%, while unit-holders in funds of hedge funds fell by 9.5%.

The total number of this type of vehicle registered with the CNMV once again fell on the previous year, from 60 to 51 (see Table 6.2). More specifically, the number of hedge funds fell to 29 (three new registrations and ten de-registrations) and the number of funds of hedge funds fell to 22 (two de-registrations). At the end of the year, a significant number of these vehicles, all of which were established in the form of funds, were in the process of liquidation, specifically three hedge funds and 13 funds of hedge funds.

6.4 Real estate CIS

Real estate CIS assets grew by 1.1% in 2013, following four successive years of falls. However, only real estate companies grew as real estate funds, which account for 81.2% of the total, fell once again.

The assets of real estate funds fell by 12.4% and ended 2013 at 3.68 billion euros. This fall was the result, firstly, of the ongoing fall in value of the asset portfolios of these funds and, secondly, the liquidation process which affected two of the six active funds. The two factors also contributed towards the yield for the year being negative (-11.28%) and to the number of unit-holders falling dramatically from 25,218 at the end of 2012 to 5,750 at the end of 2013.

In the first few months of 2014, two funds decided to split, without dissolving and with parcel segregation of their assets, into the corresponding financial mutual funds.

For their part, real estate companies increased their assets from 284 million euros to 854 million euros mainly as a result of the transformation of one public limited company into a real estate company. At the end of the year, there were ten real estate companies registered with 1,023 unit holders, 9.2% up on the previous year.

6.5 Foreign UCITS marketed in Spain

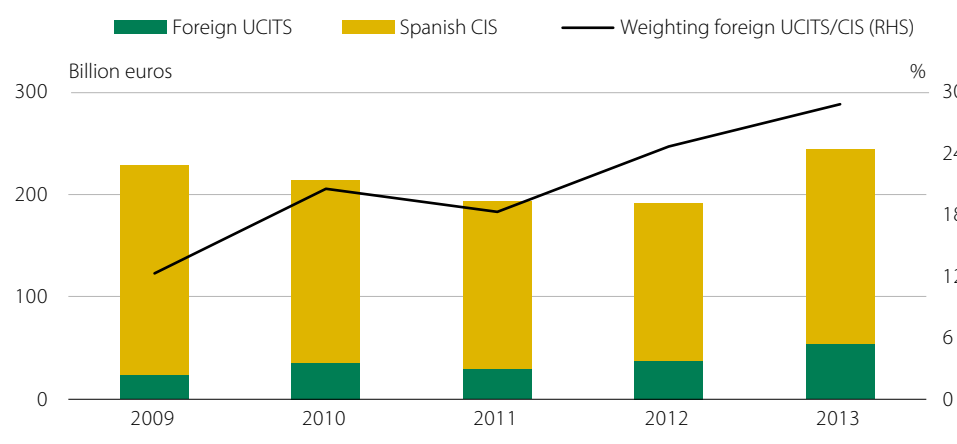
The total volume of investments by foreign UCITS marketed in Spain rose significantly for the second consecutive year, specifically by 43.7% in 2013. The volume invested by these vehicles amounted to 55.55 billion euros in 2013, equivalent to 28.8% of the assets of Spanish CIS, four percentage points up on 2012 (see Figure 6.2).

As has been the case over recent years, the number of foreign UCITS registered with the CNMV rose from 754 vehicles at the end of 2012 to 780 at the end of 2013. This increase was concentrated exclusively in the segment of investment firms, which saw 39 new registrations leading to a total of 372 registered firms. In contrast, the number of funds fell from 421 to 408. Most of the new registrations corresponded

to vehicles from Luxembourg and Ireland, while, for the second consecutive year, the number of vehicles from France fell significantly (see Annex II.5).

Assets of foreign UCITS marketed in Spain

FIGURE 6.2



Source: CNMV.

6.6 Collective investment scheme management companies

In December 2013 there were a total of 96 CIS management companies registered with the CNMV, nine fewer than in 2012. There was one new registration and ten de-registrations over the year (see Annex II.6). Half of the de-registrations were associated with the restructuring process of the Spanish financial system. In addition, as has been the case since the start of the crisis, the number of managed CIS fell significantly as a result of the high number of mergers between funds. Nevertheless, the assets managed by CIS management companies grew by 18% to 189.5 billion euros, mainly as a result of the positive performance of mutual funds, which were all managed by this type of institution. The sector continued to be extremely concentrated: the three largest management companies held a combined share of 40% of the assets managed by the sector at the end of the year.¹

In line with the positive performance of collective investment, CIS management commissions, which are by far the most significant commission for this type of entity, rose by 12.6% to almost 1.6 billion euros, following several years of ongoing falls. Management commissions received accounted for a little less than 1% of assets under management, a similar percentage to that recorded in previous years. As shown in Table 6.4, marketing commissions paid to other entities also rose, but at a lower rate (9%). Therefore, if we also include the high earnings on capital instruments, which rose from less than one million euros in 2012 to more than 16 million euros in 2013, the aggregate gross margin of the sector grew by 31.3% in 2012.

¹ These three management companies are Santander Asset Management, S.A.; SGIC, BBVA Asset Management, S.A., SGIC; and Invercaixa Gestión, S.A., SGIC.

Income statement of CIS management companies

TABLE 6.4

Thousand euros

	2012	2013	Change (%)
Interest margin	24,283	22,359	-7.92
Net commissions	582,781	690,000	18.40
Commission revenue	1,536,507	1,729,079	12.53
CIS management	1,415,339	1,594,176	12.64
Front-end and back-end fees	32,534	29,941	-7.97
Other	88,635	104,962	18.42
Commission expenses	953,727	1,039,078	8.95
Profit from net financial investments	-4,014	61,213	–
Earnings on capital instruments	667	16,737	2,409.3
Net exchange differences	1	-368	–
Other products and net operating charges	-2,944	-916	68.89
Gross profit	600,774	789,025	31.33
Operating expenses	304,106	323,062	6.23
Personnel	183,717	201,103	9.46
General expenses	120,389	121,959	1.30
Depreciation, amortisation and other provisions	20,085	15,066	-24.99
Impairment losses on financial assets	1,923	288	-85.02
Net operating profit	274,659	450,610	64.06
Other gains/losses	11,355	2,381	-79.03
Profit (loss) before tax	286,014	452,991	58.38
Corporate income tax	-83,243	-114,917	-38.05
Profit from continuing operations	202,772	338,074	66.73
Profit from discontinued operations	0	0	–
Net profit (loss) for the year	202,772	338,084	66.73

Source: CNMV.

General expenses rose by 6.2% in 2013, following several years of moderation, while larger falls were seen under the headings of “Depreciation, amortisation and other provisions” and “Impairment losses on financial assets”. Net operating profit rose by 64.1% on 2012 in contrast with the falls suffered over previous years. Consequently, the aggregate profit before tax stood at 453 million euros, 58.4% up on the previous year.

The favourable performance of the sector was also reflected in the number of loss-making firms and the amount of such losses. There were 11 loss-making companies at end-2013, 17 fewer than in 2012, and the aggregate losses amounted to 2.1 million euros, compared with 10.2 million euros in the previous year (see Table 6.5).

**Profit before tax, number of loss-making firms
and amount of loss**

TABLE 6.5

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Thousand euros

	Profit before tax	No. of loss-making firms	Amount of loss
2009	235,857	31	41,379
2010	293,545	34	20,235
2011	278,649	32	11,361
2012	286,014	28	10,164
2013	453,001	11	2,102

Source: CNMV.

6.7 CIS depositories

The number of CIS depositories registered with the CNMV at the end of 2013 once again fell compared with the previous year from 84 to 77 as a result of the seven de-registrations over the year. Most of these took place in the context of the restructuring process of credit institutions.

As in previous years, banking groups clearly predominate in this activity. Specifically, banks accounted for 78.1% of the total assets of CIS (73.3% in 2012), while savings banks accounted for 17.2% (21.1% in 2012). The remaining 4.7% was divided among credit cooperatives, broker-dealers and insurance companies.

The activity and revenue of financial institutions (credit institutions and investment service firms) in the area of investment improved significantly in 2013. Both the brokered volume and the commissions received for trades tended to stabilise, while other revenue for services, particularly those for marketing mutual funds, rose.

In the specific case of broker-dealers, the improvement in activity on the account of third parties was accompanied by an increase in the results from proprietary trading. Both broker-dealers and brokers enjoyed a significant across-the-board recovery in results. The number of loss-making firms fell significantly in both cases.

It is also necessary to highlight the consolidation of financial advisory firms, which continue to grow in number, as an increasingly important segment of investment firms.

7.1 Credit institutions¹

At the end of 2013, a total of 141 Spanish credit institutions (banks, savings banks and credit cooperatives) were registered with the CNMV to provide investment services, seven fewer than in 2012. As in 2012, this fall is related to the conversion and concentration process undertaken in the banking sector. A total of 454 foreign credit institutions were authorised to provide investment services in Spain, one less than in the previous year (see Annex II.12). 394 of the registered foreign credit institutions operated under the free provision of services regime and 60 through branches. Almost all the foreign credit institutions were from other Member States of the European Union (444 institutions).

Table 7.1 shows the total revenue of credit institutions from the provision of security services and marketing of mutual funds and non-bank financial products and their relative weight in the service commissions received by these entities. As shown, the revenue from security services fell by 1.6% on the previous year, while the revenue from marketing mutual funds rose by 16.9%, in line with the growth in collective investment over the period (see Chapter 6). These two types of revenue together as a proportion of total revenue received for commissions rose by 1.9 percentage points, but they are still far from the high reached prior to the start of the crisis (26.4% in 2007).

1 Credit institutions are allowed to provide investment services provided that the legal regime under which they operate, their articles of association and a specific authorisation allow them to do so. The CNMV supervises their activities in this area.

Credit institution revenue from the provision of securities services and marketing of non-bank financial products

TABLE 7.1

Million euros

	2010	2011	2012	2013	% of total CI comm
Securities services	1,288	1,399	1,214	1,195	8.8
Placement and underwriting	267	426	299	188	1.4
Securities trading	407	398	366	391	2.9
Administration and custody	524	509	479	531	3.9
Asset management	89	68	67	84	0.6
Marketing of non-bank financial products	3,104	3,064	2,927	3,263	24.1
Mutual funds	1,296	1,228	1,157	1,353	10.0
Pension funds	470	462	453	468	3.5
Insurance	1,242	1,252	1,159	1,187	8.8
Other	95	122	156	255	1.9
Pro memoria:					
Total revenue from commissions	14,466	14,343	13,955	13,524	33.0

Source: Bank of Spain.

The comparison of the commissions received by credit institutions and investment firms shows the dominance of the former in providing investment services. As shown in Table 7.2, the former exceeded the latter in all types of investment services, even in processing and executing securities trading, a category which was traditionally dominated by investment firms.

Commissions received for investment services. 2013

TABLE 7.2

Million euros

	Broker-dealers and brokers	Portfolio management companies	Credit institutions (CI)	Total	% CI/total
Total investment services	536	17	2,547	3,100	82.2
Placement and underwriting	10	-	188	198	94.9
Securities trading	388	-	391	779	50.2
Asset management	32	17	84	133	63.2
Administration and custody	18	-	531	549	96.7
Mutual fund marketing	88	0	1,353	1,441	93.3

Source: CNMV and Bank of Spain.

7.2 Investment service firms²

7.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2013, a total of 82 broker-dealers and brokers were registered with the CNMV, five fewer than in 2012. As shown in Table 7.3, four firms registered and nine firms de-registered over the year. Three of the new registrations corresponded to independent entities, while the fourth corresponded to an entity belonging to a Spanish insurance company. Three of the de-registrations corresponded to independent entities, two corresponded to entities belonging to Spanish financial groups and the remaining de-registrations corresponded to foreign financial groups (see Annex II.8).

In 2013, there were also several significant changes in the controlling interests of broker-dealers and brokers. Specifically, there were six changes of control, of which four affected broker-dealers, while the other two affected brokers. In the case of the broker-dealers, the purchasers were two Spanish credit institutions, one Spanish broker-dealer and one foreign credit institution respectively. In the case of the brokers, the purchasers were one independent company and one foreign financial institution (see Annex II.9).

Registrations and de-registrations of firms

TABLE 7.3

Type of firm	Firms at 31/12/201	New registrations	De-registrations	Firms at 31/12/2013
Spanish firms	87	4	9	82
Broker-dealers	46	1	6	41
Stock market members	33	0	4	29
Non-members	13	1	2	12
Brokers	41	3	3	41
Stock market members	4	1	0	5
Non-members	37	2	3	36
Foreign firms	2,534	284	140	2,678
With a branch	37	7	6	38
Free provision of services	2,497	277	134	2,640
Pro memoria:				
Representatives	6,851	629	691	6,789

Source: CNMV.

Very few broker-dealers and dealers use the Community passport to operate in other countries of the European Union by means of a physical presence. At the end of 2013, seven institutions had branches in other countries (United Kingdom,

2 In accordance with Article 64 of the Securities Markets Act, investment service firms cover broker-dealers, brokers, portfolio management companies and financial advisory companies.

Italy, Portugal, Sweden and France), the same number as in 2012. There were 40 institutions authorised at the end of the year under the free provision of services regime, one fewer than in 2012. There were no changes with regard to the previous year in the list of countries in which these institutions provide services (see Annex II.10).

As shown in Table 7.3, in 2013, 284 institutions authorised in other Member States informed the CNMV of their intention to begin providing investment services in Spain. Most of these notifications corresponded to institutions under the free provision of services regime, which increased in number from 2,534 in 2012 to 2,678 in 2013. The number of foreign institutions with a branch increased by one, from 37 to 38. As is usual, most of the new registered institutions are authorised in the United Kingdom (see Annex II.7).

Results

Broker-dealers and brokers together obtained profit before tax of 213.0 million euros in 2013, 337% up on the previous year. The rise was greater in broker-dealers (366%) than in brokers (176%). However, as indicated in the 2012 Annual Report, the sector's results that year were pushed sharply down by the results of one of the broker-dealers (Ahorro Corporación Financiera), with losses which accounted for 84.6% of total. If we exclude this company, the rise in profits for the rest of the sector in 2013 amounted to 15.4%. As usual, broker-dealers generated most of the profit before tax for the sector in 2013 (91.3%).

The increase in the profits of broker-dealers was mainly the result of a significant recovery in revenue associated with the entities' ordinary activities (gross margin). As shown in Table 7.4, the main component of this revenue – commissions from providing services to third parties – fell slightly, but there was a sharp rise in the profit from financial investments, which rose from 9.4 million euros in 2012 to 256.1 million euros in 2013. It should be pointed out that this heading had recorded a sharp fall in 2012 which was largely due to the losses suffered by the aforementioned company. The interest margin also contributed to the rise in gross margin, although to a more modest extent.

Commissions from order processing and execution remained the most important among the sources of revenue from the provision of services to third parties. These commissions, which fell very slightly in 2013, mainly come from brokering in Spanish equity markets. The brokered volume in these markets has been falling since 2007, with the sole exception of 2010. The brokered volume also fell in 2013, although the aggregate impact on revenue from order processing and execution was mitigated by the rise in average brokerage fees charged to clients (see Figure 7.1). With regard to other commissions, there was a noteworthy rise in commissions for investment advisory services and for marketing funds. There was also a noteworthy fall in the commissions for placement and underwriting and for other services provided to third parties. Commissions paid to other entities remained at a similar level to that of the previous year. These payments were the equivalent of 31% of the commissions received.

Income statement for broker-dealers¹

TABLE 7.4

Financial institutions and
investment services
Provision of investment
services

Thousand euros

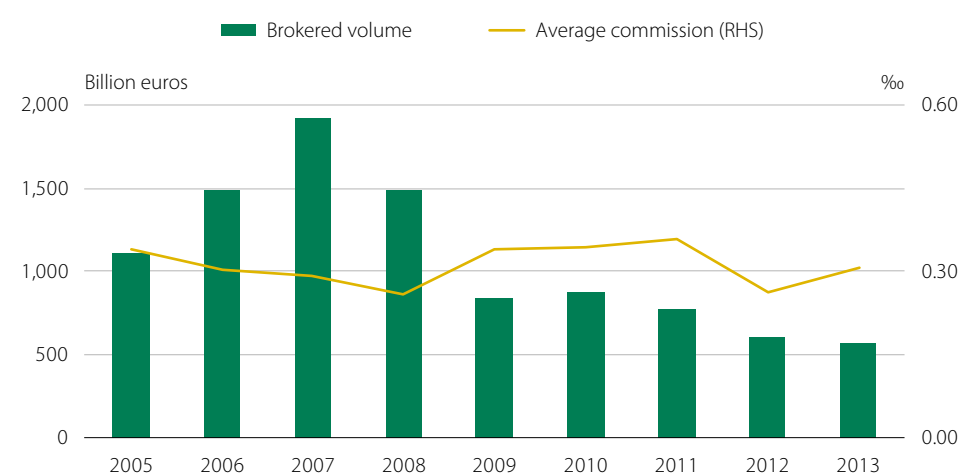
	2012	2013	% change 13/12
Interest margin	56,161	67,334	19.9
Net commissions	410,739	387,217	-5.7
Commission revenue	589,027	565,787	-4.0
Order processing and execution	348,403	347,522	-0.3
Placement and underwriting	6,869	4,824	-29.8
Deposit and entry of securities	19,775	17,987	-9.0
Marketing CIS	45,049	51,766	14.9
Portfolio management	14,883	15,581	4.7
Investment advisory services	5,137	10,500	104.4
Other	148,911	117,607	-21.0
Commission expenses	178,288	178,570	0.2
Profit from financial investments	9,402	256,110	2,624.0
Net exchange differences	-37,363	-149,034	-298.9
Other products and operating charges	8,841	10,566	19.5
Gross profit	447,780	572,193	27.8
Operating expenses	376,019	384,641	2.3
Personnel	240,409	254,606	5.9
General expenses	135,610	130,035	-4.1
Depreciation, amortisation and other provisions	23,556	-609	-
Impairment losses on financial assets	12,905	3,123	-75.8
Net operating profit	35,300	185,038	424.2
Other gains/losses	6,448	9,531	47.8
Profit (loss) before tax	41,748	194,569	366.1
Corporate income tax	53,810	53,763	-0.1
Profit from continuing operations	-12,062	140,806	-
Profit from discontinued operations	0	0	-
Net profit (loss) for the year	-12,062	140,806	-

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Operating expenses of broker-dealers rose by 2.3%. This small upturn suggests that companies have completed the adjustment policies which they had been implementing over recent years to adapt to current conditions in financial markets. The increase in operating expenses was more than offset by the fall in depreciation, amortisation and other provisions and the fall in net impairment losses on financial assets. The rise in the gross margin and the reduction in expenses led to a sharp increase in the operating profit, which rose from 35.3 million euros in 2012 to 185 million euros in 2013.

Broker-dealers which are stock market members: brokered volume and average effective commission in Spanish equity

FIGURE 7.1



Source: CNMV.

As has increasingly been the case in recent years, a small number of firms generated most of the profits of this sub-sector. Specifically, five broker-dealers obtained 64.4% of the aggregate profits of all the profit-making broker-dealers. Another noteworthy figure is that, in line with the sector's aggregate results, most companies (65%) increased their profits in 2013.

Profit before tax, no. of loss-making broker-dealers and amount of the losses before tax

TABLE 7.5

Thousand euros

	Profit before tax (total) ¹	No. of loss-making firms	Amount of the losses before tax
Broker-dealers			
2010	278,519	10	-10,682
2011	217,240	13	-21,375
2012	41,748	14	-146,732
2013	194,569	5	-6,503

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The improvement in the sector's results led to a significant fall in the number of broker-dealers which recorded losses before tax, as shown in Table 7.5. Only five companies ended the year with losses, nine fewer than in the previous year. These five companies had already suffered losses in the previous year and one of them was in the process of liquidation. Four of the five companies were independent entities. The amount of the accumulated losses recorded also fell sharply from 146.7 million euros in 2012 to 6.5 million euros in 2013, although it is important to take into account that one single entity had concentrated 84.5% of accumulated losses in the previous year.

Unlike broker-dealers, brokers may not invest on their own account. Therefore, their revenue almost exclusively comes from providing services to third parties. Brokers which are stock market members obtain most of their revenue from processing and executing orders, while non-member brokers, which make up the majority of this

sub-sector, have tended to specialise in certain services. Most brokers are independent firms (23 out of a total of 41), whereas broker-dealers are mostly controlled by a financial group (only seven firms are independent out of a total of 41).

Financial institutions and
investment services
Provision of investment
services

Income statement for dealers¹

TABLE 7.6

Thousand euros

	2012	2013	% change 13/12
Interest margin	1,912	1,799	-5.9
Net commissions	93,246	110,422	18.4
Commission revenue	108,198	130,738	20.8
Order processing and execution	38,113	40,196	5.5
Placement and underwriting	3,128	4,715	50.7
Deposit and entry of securities	576	505	-12.3
Marketing CIS	25,949	35,823	38.1
Portfolio management	14,476	16,267	12.4
Investment advisory services	3,092	5,707	84.6
Other	22,864	27,525	20.4
Commission expenses	14,952	20,316	35.9
Profit from financial investments	1,255	6	-99.5
Net exchange differences	-106	-237	-123.6
Other products and operating charges	-1,354	-1,396	-3.1
Gross profit	94,953	110,594	16.5
Operating expenses	87,586	89,726	2.4
Personnel	54,023	56,040	3.7
General expenses	33,563	33,686	0.4
Depreciation, amortisation and other provisions	2,781	2,419	-13.0
Impairment losses on financial assets	-12	25	-
Net operating profit	4,598	18,424	300.7
Other gains/losses	2,370	854	-64.0
Profit (loss) before tax	6,968	19,278	176.7
Corporate income tax	3,386	4,954	46.3
Profit from continuing operations	3,582	14,324	299.9
Profit from discontinued operations	0	0	-
Net profit (loss) for the year	3,582	14,324	299.9

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, not only at year-end.

The aggregate profit before tax of brokers rose by 176.7% to 19.3 million euros thanks to the recovery in commissions received for providing investment services, which are the main source of revenue for brokers. These commissions rose by 20.8% on the previous year. All headings recorded an increase except for commissions for deposit and entry of securities, which suffered a 12.3% fall. The largest increases were recorded in commissions for marketing CIS (9.9 million euros) and the heading "Others" (5.4 million euros), but significant rises were also recorded under the other headings. In particular, commissions for processing and executing orders rose by 5.4% and totalled 40.2 million euros. This figure accounts for 30.7% of gross revenue from commissions. Commissions paid to other entities

rose considerably, but this did not prevent the aggregate gross margin of brokers growing by 16.5%.

Expenses incurred by brokers rose slightly on the previous year (2.0%), although the two main headings of expenses moved in different directions. While the main heading – operating expenses – rose by 2.4%, the heading of depreciation, amortisation and other provisions fell by 13.0%. The changes in ordinary revenue and expenses led to a net operating profit of 18.4 million euros, four times higher than that recorded in 2012. Finally, it is important to point out the positive contribution of the heading “Other gains/losses” to the aggregate profit before tax although it was considerably lower than in the previous year.

Brokers in general saw an improvement in their results. Specifically, 73.7% of brokers which were registered both at the end of 2012 and at the end of 2013 saw their profit before tax increase. The number of loss-making firms fell from 13 to seven. Furthermore, accumulated losses were significantly lower as they fell from 7.5 million euros in 2012 to 1.5 million euros in 2013 (see Table 7.7). Three of the seven loss-making brokers at the end of the year had also suffered losses in the previous year.

**Profit before tax, no. of loss-making brokers
and amount of the losses before tax**

TABLE 7.7

Thousand euros

	Profits before tax ¹	No. of loss-making firms	Amount of the losses before tax
Brokers			
2010	9,476	12	-5,057
2011	8,170	17	-4,513
2012	6,968	13	-7,550
2013	19,276	7	-1,511

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, not only at year-end.

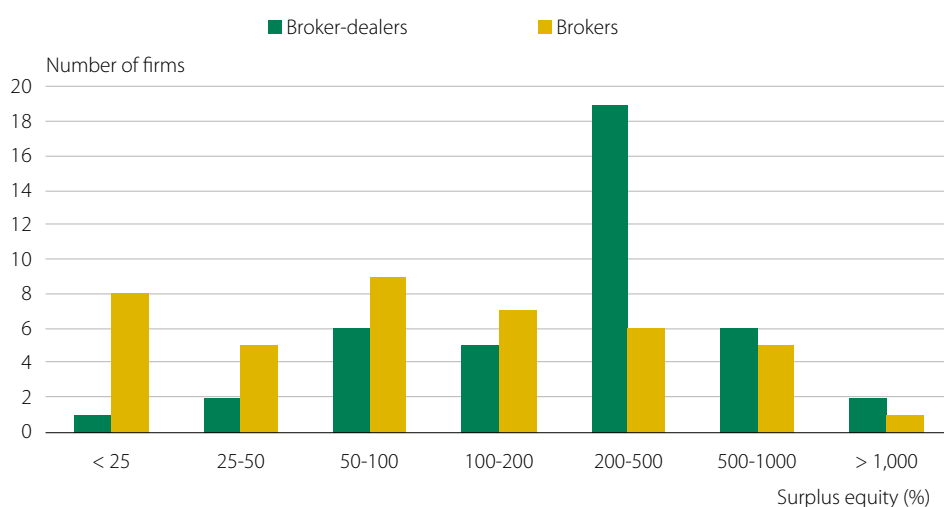
Solvency

The solvency of the sector as a whole remained high in 2013. Specifically, at the end of the year, the equity surplus of the sector was 3.4 times the capital requirements (3.1 times in 2012). This margin was generally greater in broker-dealers than in brokers. While the equity surplus for broker-dealers was around 3.7, for brokers it remained at 1.6. With regard to the distribution of this ratio, Figure 7.2 shows that most broker-dealers at the end of 2013 had surplus equity greater than 200%, while brokers showed a greater spread, with most being below that level.

It is important to highlight the rise in brokers with an equity surplus lower than 25% (from three brokers in 2012 to eight in 2013). In addition, only one broker-dealer, which is currently in liquidation, closed the year with an equity deficit.

Surplus equity over minimum requirements for broker-dealers and brokers

FIGURE 7.2



Source: CNMV.

Financial institutions and investment services
Provision of investment services

7.2.2 Portfolio management companies

At the end of 2013, five portfolio management companies were registered with the CNMV, one less than in 2012. The assets managed by portfolio management companies totalled 4.24 billion euros, 10.1% up on 2012. Profit before tax of portfolio management companies in 2012 amounted to 3.5 million euros, a rise of 152.5% on 2012. This increase reflects a significant rise in net revenue and a fall in expenses.

The increase in net revenue is, in turn, explained by the performance both of the main heading of commissions – those for portfolio management – and by the heading of commission expenses. The former rose by 4.0% thanks to the increase in assets managed and the fees applied, while commission expenses fell by 7.6% (see Table 7.8).

Staff costs fell by 5.3% and general expenses fell by 14.8%. Consequently, the net operating profit rose by 152.8%.

Income statement of portfolio management companies¹

TABLE 7.8

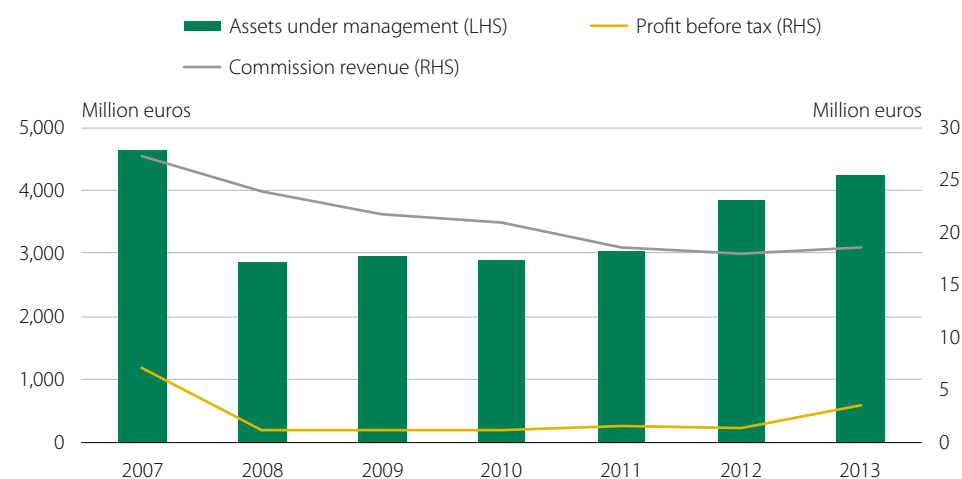
Thousand euros

	2012	2013	% change 13/12
Interest margin	733	667	-9.0
Net commissions	7,879	9,362	18.8
Commission revenue	17,887	18,603	4.0
Marketing CIS	16,307	17,028	4.4
Portfolio management	0	0	-
Investment advisory services	1,579	1,575	-0.3
Other	0	0	-
Commission expenses	10,008	9,241	-7.7
Profit from financial investments	4	9	125.0
Net exchange differences	-30	-24	20.0
Other products and operating charges	29	-8	-
Gross profit	8,615	10,006	16.2
Operating expenses	7,122	6,388	-10.3
Personnel	3,361	3,182	-5.3
General expenses	3,761	3,206	-14.8
Depreciation, amortisation and other provisions	87	64	-26.4
Impairment losses on financial assets	0	0	-
Net operating profit	1,406	3,554	152.8
Other gains/losses	5	9	80.0
Profit (loss) before tax	1,411	3,563	152.5
Corporate income tax	458	1,091	138.2
Profit from continuing operations	953	2,472	159.4
Profit from discontinued operations	0	0	-
Net profit (loss) for the year	953	2,472	159.4

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, not only at year-end.

Assets under management, commission revenue and profit before tax of portfolio management companies

FIGURE 7.3



Source: CNMV.

All portfolio management companies recorded profits at year-end 2013. In addition, the sector continued to amply exceed minimum equity requirements. At the end of the year, the five portfolio management companies registered with the CNMV had an overall equity surplus amounting to 51%, and two of them, both independent companies, had a surplus above 200%.

Financial institutions and
investment services
Provision of investment
services

7.3 Financial advisory firms

Financial advisory firms are a type of investment service firm which began operating in 2009 under the Spanish legislation which transposed the Markets in Financial Instruments Directive (MiFID). These firms offer their clients the advisory services referred to in this Directive.

At the end of 2013, 126 financial advisory firms were registered with the CNMV, 25 more than in 2012. There were 29 new registrations and four de-registrations, all of which were independent firms. Total assets under advisory services amounted to 17.63 billion euros, a rise of 19.3% on the previous year. Although the bulk of the advisory service contracts signed corresponded to retail clients (93.4% of a total of 4,002 contracts), these contracts only accounted for 28.3% of the assets under advisory services. However, the assets under advisory services for retail clients once again rose significantly in 2013 (see Table 7.9). Finally, it is important to point out that the overall profit of these firms rose from 4.2 million euros and 2012 to 6.9 million euros in 2013.

Financial advisory firms: number of contracts and volume of assets under advisory services

TABLE 7.9

Thousand euros

	2012	2013	% change 13/12
Number of contracts			
Retail clients	3,285	3,738	13.8
Non-retail clients	199	264	32.7
Total	3,484	4,002	14.9
Assets under advisory services (thousand euros)			
Retail clients	3,259,987	4,991,653	52.8
Non-retail clients	11,509,065	12,638,428	9.8
Total	14,769,052	17,630,081	19.3

Source: CNMV.

8.1 Venture capital firms registered with the CNMV

Venture capital firms faced another difficult year in 2013. The sector once again saw a fall in the number of firms registered with the CNMV, the funds raised and investments against a backdrop of an economy which remains weak despite the fall in the perception of risk and signs of a budding recovery. The restructuring of the financial sector and the limited availability of credit contributed significantly towards increasing the sector's difficulties. In particular, bank restructuring led to changes in control in venture capital firms, while new European legislation and the Basel III capital requirements with regard to industrial investments triggered divestments by credit institutions in the sector.

Registrations and de-registrations

TABLE 8.1

Type of firm	Firms at 31/12/2012	New registrations	De- registrations	Firms at 31/12/2013
Venture capital management companies	82	1	5	78
Venture capital companies	139	9	18	130
Venture capital funds	119	9	2	126
Total	340	19	25	334

Source: CNMV.

At the end of the year, a total of 256 venture capital companies and funds were registered with the CNMV, two fewer than in the previous year. A total of 78 management companies were registered, four fewer than at year-end 2012. As shown in Table 8.1, the number of venture capital companies fell by nine, while the number of venture capital funds rose by seven. The difference in these figures is due to the greater negative impact of the bank restructuring process on the former, as demonstrated in previous years.

The number of firms in the sector registered with the CNMV fell for the first time since entry into force of Law 25/2005, of 24 November, regulating venture capital firms and their management companies. It should be pointed out, however, that the last quarter was more active than the rest of the year with regard to the number of applications for authorisation. In particular, six venture capital funds and five venture capital companies were authorised and pending registration at the end of year. These firms are not reflected in the totals of Table 8.1.

The new venture capital funds registered include the FOND-ICO Global, promoted by the Official Credit Institute (Spanish acronym: ICO). This is the first fund of public funds, i.e. a fund which does not invest directly in projects but in other venture

capital funds, in this case those established in Spain. It was established with a capital of 1.2 billion euros and with the aim of improving the financing of Spanish SMEs so that they may increase their level of capitalisation and competitiveness, diversify their sources of funding and achieve greater internationalisation. The fund is managed by AXIS, a management company owned by ICO. This company will carry out its task using a system of public tenders which will allow it to select the most appropriate private funds and management companies so that the fund's contribution might attract Spanish and foreign private investors towards the financing of SMEs.

The main characteristics of the new firms registered in 2013 are as follows:

- Most of the new venture capital funds and companies (over 70%) adopted the simplified system.
- The investment policy of the new venture capital companies was mostly focused on technology-based companies, although the health sector also occupied a significant share.
- The investment of the new firms was focused on the initial and growth stages and was generally aimed at small companies through minority holdings.
- It should be noted that over 65% of the venture capital funds were established as funds of funds, and were mostly promoted with the aim of investing in the secondary market by acquiring stakes held by institutional investors with liquidity problems, particularly in the United States and Chile.
- Almost 50% of venture capital companies opted for investments focused on Spain, while the rest limited their geographic scope of investment to a specific Autonomous Region.

8.2 Sector data

The data published by the ASCRI (Association of Spanish venture capital firms) reflect the difficulties faced by the sector in performing its activity in 2013. According to the data, investment in venture capital in Spain stood at 1.7 billion euros, a fall of 31% on the previous year and a level very close to the low of 1.67 billion euros recorded in 2009. Deals of less than five million euros accounted for 90.7% of the investment, and of this percentage 74% corresponded to very small deals of less than one million euros in companies in the start-up and growth stage.

The fall in the investment volume was essentially due to the reduction of international funds¹ as investment by Spanish funds remained at fairly similar levels. However, there was a noteworthy increase in investment over the second half of the year, which exceeded 1.2 billion euros and accounted for over 70% of the total for the year.

With regard to the investment stages, 60% of the total was for investment capital and 36% for the initial stages of development. The main sectors which received

1 Especially in deals exceeding 100 million euros.

investments were the industrial products and services sector (43%), other services (11.6%), health and medicine (11.5%) and IT (11%).

The funds raised by the sector in 2013 amounted to 1.35 billion euros, a fall of 33.5% on 2012.

Divestments totalled 1.45 billion euros (at cost price), an increase of 21.3% on 2012.

8.3 Legislative framework

Venture capital firms are considered alternative investment funds for the purposes of the application of Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on alternative investment fund managers. This Directive is expected to be transposed in 2014 by means of a law which will also provide a new legal framework for the sector with the aim of promoting its development over the coming years. The content of this initiative is included in a Draft Bill regulating venture capital firms and closed-end collective investment undertakings and amends the Law on Collective Investment Schemes, of 4 November 2003, regulating other investment firms, presented by the General Secretariat of the Treasury in 2013.

IV The regulation and supervision of securities markets

9 Issuers' financial and corporate governance disclosures

9.1 Financial disclosures

9.1.1 Audit reports and financial statements¹

Issuers of securities listed on an official secondary market or any other regulated market domiciled in the European Union which have Spain as their home Member State are obliged to file their audit reports with the CNMV, along with their annual financial statements, management report and statements of responsibility for their content, with the exceptions provided for in current legislation.²

Main characteristics of the information presented

The CNMV received 395 audit reports from 234 issuers, excluding securitisation funds, corresponding to individual and consolidated annual financial statements for the year 2012. This was 1.7% fewer than in the previous year, due to the financial sector integration ongoing in 2012 whereby certain entities are no longer bound to file regulated financial information with the CNMV.

The percentage of audit reports issued with an unqualified opinion was essentially unchanged with respect to 2011 accounts (see Table 9.1). It bears mention that for the fifth year running all audit reports of Ibex 35 companies contained an unqualified opinion.

One company notified a denial of opinion on its 2012 accounts on the grounds of major limitations of scope and the uncertainties outlined in its audit report. This company is currently in liquidation and has been suspended from trading since April 2010.

1 Information available at www.cnmv.es, in the section "Registration files", under the headings "Issuers Filings: Information under regulation and other" and "Annual accounts".

2 Article 35 of Securities Markets Law 24/1988. Entities exempt from this obligation are "[...] Member States of the European Union, Autonomous Regions, local authorities and other similar entities [...], international public organizations of which at least one Member State of the European Union is a member, the European Central Bank, and the national central banks of Member States [...]; issuers which only have outstanding issues of debt securities listed on an official secondary market [...] whose denomination unit is at least 100,000 euros [...] and those which only have outstanding issues of debt securities listed on an official secondary market [...] before 31 December 2010, whose denomination unit is at least 50,000 euros [...]".

Regarding the reason for qualifications, ten audit reports included a limitation of scope opinion, compared to twelve in the previous year. Scope limitations are important, since they denote that the auditor was unable to follow the procedures specified in the Technical Auditing Standards or had insufficient information to arrive at an opinion.

Summary of issuer audits received by the CNMV

TABLE 9.1

(excluding securitisation funds)

	2010		2011		2012	
	No.	%	No.	%	No.	%
Audits received by the CNMV	432	100	402	100	395	100
Separate accounts	266	61.6	238	59.2	234	59.2
Consolidated accounts	166	38.4	164	40.8	161	40.8
Special reports under Ministerial Order 30/9/92	8	–	21	–	11	–
Audit opinion						
Unqualified opinion	426	98.6	387	96.3	382	96.7
Qualified opinion	5	1.2	15	3.7	11	2.8
Denial of opinion or adverse opinion	1	0.2	0	0.0	2	0.5
Type of qualification						
Audits with exceptions	5	1.2	3	0.7	6	1.5
Audits with scope limitations	1	0.2	12	3	10	2.5
Effects of exceptions						
Effects on profit						
Audits with positive effects	2	0.5	0	0.0	0	0.0
Audits with negative effects	1	0.2	0	0.0	2	0.5
Effects on equity						
Audits with positive effects	0	0.0	0	0.0	0	0.0
Audits with negative effects	0	0.0	0	0.0	2	0.5
Nature of emphasis of matter paragraphs						
Going concern related	30	6.9	68	16.9	86	21.8
Asset recovery related	11	2.5	18	4.5	32	8.1
Other circumstances	19	4.4	13	3.2	31	7.8

Source: CNMV.

Initially 13 audit reports were received with limitations of scope, corresponding to seven securities issuers. In response to deficiency letters sent by the CNMV, and once the procedures set out in the Technical Auditing Standards were applied, express statements were received from the auditors removing the limitations in two of these reports, corresponding to one entity. In another two reports, the limitations were removed after the entity has reformulated its financial statements. Finally, one entity with an unqualified opinion that had applied going concern standards reformulated its accounts in consonance with its new situation as a company in liquidation. In response, the auditor imposed a scope limitation, given the absence at that time of an appropriate accounting framework for companies being wound up.

Six audit reports specified errors or non-compliances with generally accepted accounting principles (opinion with exceptions) compared to three the previous year.

An auditor is obliged to include an emphasis of matter paragraph on detecting going concern uncertainties, and to at least weigh this possibility in the presence of uncertainties of other origin. 110 audit reports included emphasis of matter paragraphs drawing attention to some uncertainty, compared to 86 in 2011. With the economic situation still troubled, 86 audit reports, corresponding to 50 companies, included emphasis of matter paragraphs questioning the entity's ability to continue as a going concern, compared to 35 companies assessed as such in 2011 reports.

Actions of the CNMV

The Securities Market Act entrusts the CNMV with the task of verifying that the periodic public information included in annual financial statements has been prepared in accordance with applicable standards. In order to perform this duty, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections and, if necessary, reformulations of their published financial information.

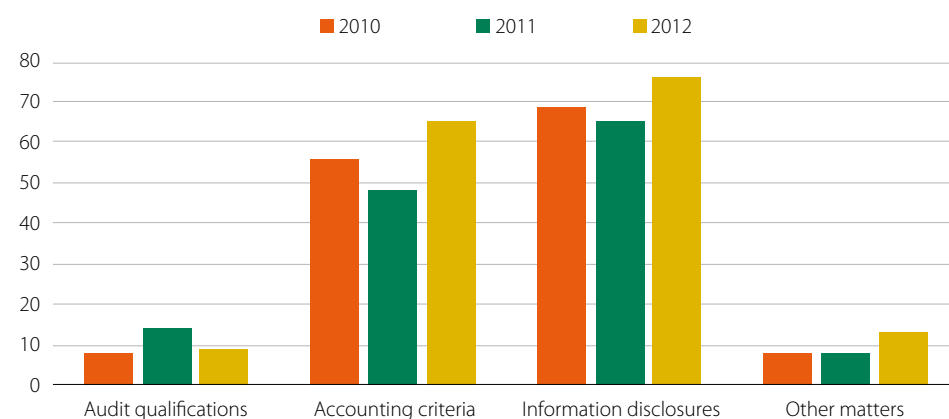
What this means in practice is that the CNMV approaches issuers in writing to require further information on specific points. The information companies provide in response to such letters is filed in its official registers and can be consulted on the CNMV website.

Firstly, all reports received by the CNMV are submitted to review, focusing on their formal correctness and compliance with the applicable rules and standards, as well as other questions relating to specific regulatory changes. In the review of financial statements and management reports for the year 2012, this involved checking at least the following points: i) that the statement of responsibility for the content of the annual financial statements is signed by the directors (Article 8 of Royal Decree 1362/2007, of 19 October); ii) that the Annual Corporate Governance Report forming part of the management report sets forth the main characteristics of the company's internal control and risk management systems in respect of financial reporting (new Article 61 *bis* of the Securities Markets Act, introduced by Sustainable Economy Act 2/2011, of 4 March); iii) that there are no material differences between the annual financial statements and the financial reporting of the second half-year submitted previously; and iv) that, where called for, the auditor has been duly rotated (Article 19 of the consolidated text of the Account Auditing Act). Further, audit report contents are analysed in order to follow up incidents detected in previous reviews.

Secondly, the CNMV performs a substantive review on a certain number of audited annual accounts. Entities are chosen to be the subject of this substantive review on the basis of a mixed selection technique based on risk and random rotation, in conformity with the principles set out in ESMA standard number 1.

This formal and substantive review led to 84 companies excluding securitisation funds being sent deficiency letters in 2013 in respect of qualifications or requesting supplementary information on their 2012 financial statements. Figure 9.1 shows the main reasons deficiency letters were sent to listed companies over the last three years.

Motive of deficiency letters sent to issuers (excluding securitisation funds)¹ FIGURE 9.1



Source: CNMV. (1) Including those sent to issuers subject to formal and substantive review.

For the purpose of facilitating the dissemination of financial information, the CNMV publishes on its website (www.cnmv.es), the full text of annual financial statements, management reports, and the audit reports of issuing companies, both individual and consolidated, accompanied by a summary of audit qualifications, the supplementary information that issuers supply in response to deficiency letters, and special audit reports.

In accordance with ESMA recommendations, it also publishes an annual report on the supervision of the financial statements received each year, which sets out the main incidents detected in the review of annual and interim financial statements. A key function of this report is to identify the areas which will be subject to closer scrutiny in the following year's review process, including both the common review priorities established by ESMA and the specific areas selected by the CNMV with regard to the economic climate, changes in accounting regulations and the experience acquired in prior-year reviews.³

Table 9.2 shows the areas giving rise to the largest number of deficiency letters, divided between those preselected in the "Report on the review of the annual financial reports filed with the CNMV. 2011" and others coming to light in the review process itself.

The reviews undertaken brought to light deficiencies of a material nature which led to one issuer having to reformulate its consolidated annual accounts, to correct its treatment of a business combination. Specifically, on taking over a joint arrangement, the entity had not factored the goodwill attributable to its investee when calculating the prior book value, such that the capital gain recorded in its income statement as the difference between the fair value of the prior holding and its prior book value was in fact overstated.

3 The "Report on the review of the annual financial reports filed with the CNMV. 2012" sets out the main areas for review in annual accounts corresponding to the year 2013. Available at http://www.cnmv.es/DocPortal/Publicaciones/Informes/informe_auditorias_web_2012.pdf

Nature of deficiency letter	No. of companies sent deficiency letters		
	Standard	Accounting policies	Disclosures
1. Priority areas for review			
Impairment of non-financial assets	IAS 36	19	36
Employee benefits	IAS 19	10	11
Provisions and contingences	IAS 37	15	34
Financial instruments Capital requirements	IAS 32, IAS 39, IFRS 7, IFRS 9	29	51
Debt acquittance and refinancing	IAS 39	14	14
Business combinations and consolidations	IFRS 3, IAS 27, IAS 28, IAS 31	20	26
Inventories and investment property	IAS 2, IAS 40	6	25
Corporate income tax	IAS 12	17	25
2. Other deficiency items			
Related-party transactions	IAS 24	2	21
Presentation of financial statements	IAS 1, IAS 7	10	16
Going concern and liquidity	IAS 1, IFRS 7	–	18
Tangible and intangible fixed assets	IAS 16, IAS 38	3	10
Segment reporting	IFRS 8	1	10
Correction of errors and events after the reporting period	IAS 8, IAS 10	4	7
Income recognition	IAS 18	4	6
Share-based payment	IFRS 2	5	6

Source: CNMV.

Breaches detected in the annual accounts of another nine issuers will be corrected at the 2013 close by the firms restating their comparative information. In these cases, the issuers set out the effect of correcting the error made in 2012 financial statements in their deficiency letter responses, and have pledged to change the accounting treatment in the annual financial statements for 2013, as envisaged in IAS 8: Accounting policies, changes in accounting estimates and errors.

As of 2010, the financial disclosures of securitisation funds are also subject to two levels of review: formal and substantive. As a result of the issues identified in the formal review, and incidents observed in the total of 50 funds whose annual reports for 2012 were submitted to substantive review, deficiency letters were sent to seven securitisation fund management companies requesting the following actions: i) provide additional information on presentation, recognition or valuation policies; ii) enlarge on the itemised information published in the notes to the annual accounts; iii) correct errors of accounting, presentation or valuation at future accounting closes which, for their immateriality, do not require the reformulating of the current year's accounts; and, where appropriate, (iv) resubmit the corrected half-yearly statement.

9.1.2 Half-yearly and quarterly reporting

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, when Spain is the Member State of origin, are obliged to send financial information to the CNMV on a quarterly or half-yearly basis.⁴ The review of this information has a narrower scope than that of the annual accounts (interim financial statement forms contain summarised information), and is performed during the month following its receipt by the CNMV. As a result of this review, ten companies were sent letters requiring them to supplement or amend their periodic statements.

40.6% of issuers, against 32.5% in the year-before period, submitted their abridged financial statements for the first half-year of 2013 to some variety of auditor's review. As occurred in the first half-year of 2012, this percentage climbs to 85.3% if we consider only Ibex 35 members.

When full audits are performed (ten companies), the auditor provides reasonable assurance regarding the reliability of interim financial statements, while in limited reviews (68 companies) the assurance is moderate only. The audit reports in question contained no qualifications, although 10 and 15 companies respectively received going concern emphasis of matter paragraphs and emphasis of matter paragraphs referring to other kinds of uncertainties.

9.1.3 Other key issues relative to financial reporting

Listed companies undergoing insolvency proceedings

In the exercise of its competences, the CNMV sent notices in 2013 to 12 entities that had applied for a voluntary creditors' meeting or availed themselves of the provisions of Article 5 *bis* of Insolvency Act 22/2003, of 9 July,⁵ requesting that they clarify their financial and net worth position in view of the significant impact such proceedings might entail for the debtor's financial statements.

Further, the CNMV proposed the appointment of an insolvency administrator at seven listed companies (two in 2012) in accordance with Article 27 of the Insolvency Act.⁶ Natural or legal persons seeking appointment as insolvency administrators must be able to demonstrate their independence with respect to the debtor and the absence of conflicts of interest with respect to its creditors, as stipulated in Article 28 of the Insolvency Act. Even when conflicts of interest are minor only, the candidate must offer details and specify appropriate mitigating measures. It will not suffice for candidates to merely assert compliance with the provisions of Article 28. Instead, their proposal must set out the results of a thoroughgoing analysis on each debtor company, to prove the non-existence of conflicts of interest or incompatibilities with persons closely related to the insolvent party.

4 Article 35 of Securities Markets Act 24/1988.

5 Notification by the debtor to the competent court that it has begun negotiations with creditors in order to secure a refinancing agreement.

6 In the case of companies issuing securities listed on an official secondary market, the insolvency administrator shall be a member of the CNMV's technical staff or some other person it proposes, provided that person is an economist, business graduate or account auditor with five years of professional experience, and proven specialisation in insolvency matters.

Bank asset fund regulations

Royal Decree 1559/2012, of 15 November, on the legal regime of asset management companies stipulates that bank asset funds (BAFs) – as referred to in the tenth additional provision of Law 9/2012, of 14 November – shall apply the accounting standards and principles set forth in the Code of Commerce and General Chart of Accounts in preparing their annual accounts and other mandatory financial statements, with such additions as may subsequently be specified in a CNMV Circular. The same Royal Decree empowers the CNMV to require BAF management companies to include additional information or warnings in the annual reports that they have to draw up for each fund.

The resulting changes are written up in CNMV Circular 6/2013, of 25 September, on the accounting rules, annual accounts, public financial statements and confidential statistical returns of bank asset funds.

The Circular lays down specific accounting policies for the transactions and events that are projected to comprise a large part of BAFs' normal operations, with referral to the General Chart of Accounts for all other matters.

BAFs must follow the instructions of Circular 6/2013 in preparing the annual accounts for 2013 and the periodic statements to be filed with the CNMV in 2014.

The regulation and supervision of securities markets
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Guide for the preparation of listed company management reports

EXHIBIT 9.1

A working group set up in 2012 at the initiative of the CNMV Executive Committee had the remit of putting together recommendations to improve the structure and content of listed companies' management reports. The group's voluntary guidance document was published on the CNMV website in July 2013, and had its formal presentation in Spain's four stock exchanges in the months of September and October. Its recommendations will have their first outing in management reports for the 2013 financial year, filed usually in the first four months of 2014. The guide comprises:

- i) A reference framework revolving around three pillars:
 - a) Objectives of the management report: i) to give a reliable account of the entity's position and business performance; ii) to disclose the entity's risk, uncertainties and opportunities; iii) to supplement the information contained in the financial statements; and iv) to present information that is relevant, reliable, understandable, verifiable, timely, and useful for the target user.
 - b) Minimum content. Companies are urged to include at least the following sections: i) situation of the entity, organisational structure and form of operation; ii) business performance and results, including key financial and non-financial indicators and issues rela-

tive to the environment and workforce; iii) liquidity and capital resources; iv) main risks and uncertainties, along with risk management policies and objectives; v) significant events after the reporting period; vi) an assessment of the company's outlook; vii) R&D and innovation activities; viii) treasury share transactions; and ix) other relevant information such as share performance, dividend policy or the management of the company's credit rating.

- c) Principles and rules of preparation (comparability, verifiability, understandability, etc.).
- ii) A set of general recommendations on the minimum contents specified in the reference framework, supplemented by illustrative examples and proposals drawing on real-life cases and a selection of general and industry-specific performance indicators.
- iii) A specific recommendation guide including supplementary guidance for the banking industry, in view of its specific profile.
- iv) A specific recommendation guide for the management reports of listed small and medium-sized enterprises,¹ which simplifies the general recommendations in order to facilitate their application.
- v) A set of regulatory proposals concerning the management report.
- vi) A glossary of terms and abbreviations that ensures comparability while improving the guide's usefulness to investors and analysts.

¹ A non-credit entity that has not exceeded two of the following three limits over two consecutive years: i) net turnover of over 35 million euros; ii) total assets exceeding 17.5 million euros; and iii) average headcount in the year of more than 250 employees.

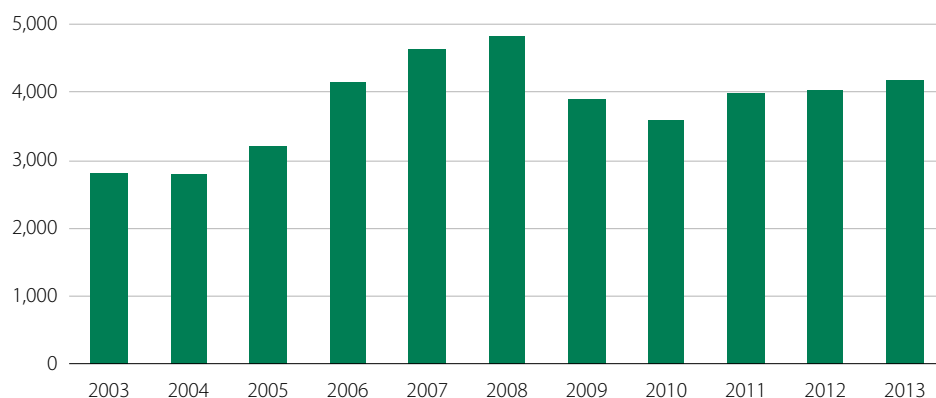
9.2 Information relating to significant shareholders, directors, senior officers and treasury shares

The reporting of significant shareholdings and director and senior officer transactions, and the disclosure of listed company own share transactions (hereinafter notifications) are governed by Royal Decree 1362/2007, of 19 October, implementing Securities Market Act 24/1988, of 28 July, with regard to the transparency requirements of issuers whose securities are listed on an official secondary market or on another regulated market of the European Union (Royal Decree on Transparency), and by Royal Decree 1333/2005, of 11 November, implementing Securities Market Act 24/1988, of 28 July, with regard to matters of market abuse (Royal Decree on Market Abuse).

A total of 4,179 notifications were validated in 2013, 3.24% more than in 2012. By subject, 61% corresponded to directors (64% in 2012), 19% to non-director significant shareholders (14% in 2012), 15% to senior officers (17% in 2012), and the remaining 5% to treasury share transactions (the same percentage as in 2012).

No. of notifications registered

FIGURE 9.2



Source: CNMV.

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Notifications cancelled and rectified

Validated notifications amounted to 89% of all those received (4,687), with the remainder either cancelled or replaced by new notifications. The number of notifications cancelled due to error was 7.97% lower than in 2012.

Most cancelled notifications are cancelled at the request of the CNMV when it detects errors, omissions or inconsistencies in the course of its supervisory work. As in previous years, the most common reasons for cancellation or rectification were: i) errors in the date, price or volume of reported transactions; ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by failure to identify the chain of control of the companies through which the obligated party exercises control of the declared voting rights; iii) inconsistency between the initial position declared by the obligated party in its new notification with the final position declared in the last notification registered. Another frequent error is that, after increases or reductions in the listed company's capital, obligated parties make erroneous disclosures of the total number of the issuer's voting rights and/or their own percentage holding.

Fifty-eight percent of cancelled notifications were filed by directors and 24% by significant shareholders, 10% corresponded to company declarations of treasury share transactions and the remaining 8% to members of the listed company's senior management.

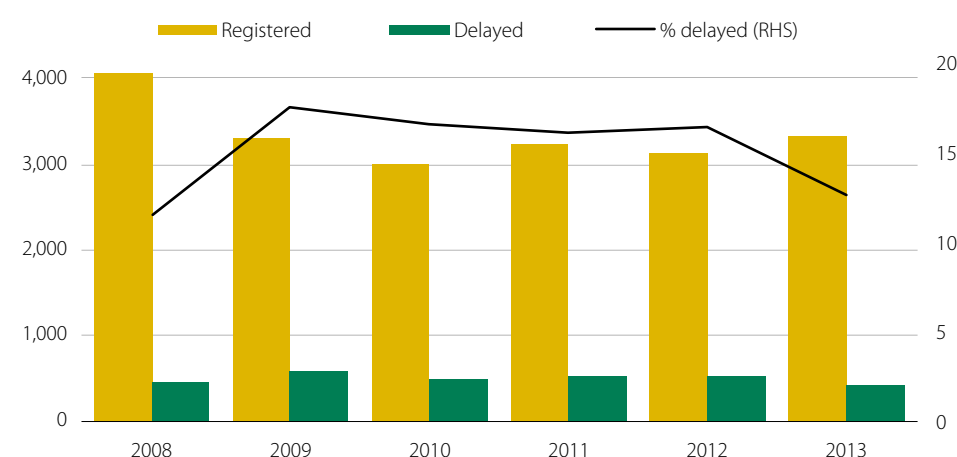
Notifications submitted late

A total of 517 notifications (600 in 2012) were received outside the maximum time frame permitted by the regulations, equating to 12% of the total compared to 15% in 2012. 81% of late notifications were submitted by directors and significant shareholders (86% in 2012).

The proportion of notifications filed with a delay of fewer than seven days was 43.9% (40.3% in 2012). Delays exceeding 90 days summed 24.1% of the total (down from 27.9% in 2012).

Director and significant shareholder notifications submitted late

FIGURE 9.3



Source: CNMV.

Last year, the CNMV sent a total of 31 notices (74 in 2012 and 88 in 2011) regarding the late submission of 49 notifications (147 in 2012). In their replies, 77% of the companies addressed (81% in 2012) alleged misinterpretation of the rules or administrative or internal control errors.⁷

Notifications relating to non-director significant shareholders

Under the Royal Decree on Transparency, the first notification threshold for significant shareholder voting rights is set at 3% of share capital. If the shareholder is resident in a tax haven, this notification threshold drops to 1% and its respective multiples. The annual average number of notifications per significant shareholder was unchanged at three. The 800 notifications received in 2013 (566 in 2012) concerned significant shareholdings at 111 listed companies (101 in 2012) and were submitted by 238 separate shareholders (187 in 2012). Table 9.3 gives a breakdown of notifications received, grouped by intervals of voting rights and the market capitalisation of the companies involved.

Shareholders must also notify the CNMV of the purchase or transfer of financial instruments which entitle the holder to acquire a significant shareholding in terms of voting rights. 14 notifications of this kind were received in 2013 (three in 2012).

⁷ The Royal Decrees on Transparency and Market Abuse cut the notification period for significant shareholders and directors to four and five stock market trading days respectively from the seven business days allowed by earlier regulations.

No. of notifications regarding significant shareholder voting rights

TABLE 9.3

	Under 5%	5% to 30%	30% to 50%	Over 50%
Ibex 35	244	41	6	9
Over 1 billion euros	45	26	–	9
Under 1 billion euros	216	93	10	8
Delisted in 2013	87	1	2	3
Total	592	161	18	29
% total	74	20	2	4

Source: CNMV.

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Notifications relating to directors

The Royal Decree on Market Abuse obliges directors of listed companies to disclose all transactions involving shares or financial instruments whose underlying instrument is shares of the listed company on whose board they sit. Such transactions are notifiable whether the director makes them directly or indirectly through third parties or persons with whom they are closely linked. Also, the Royal Decree on Transparency obliges directors to disclose their final position in voting rights or financial instruments. As we can see from Table 9.4, in 2013 a total of 644 directors submitted 2,305 notifications affecting 122 companies, 0.5% less than the number submitted in 2012.

No. of notifications regarding director voting rights

TABLE 9.4

	Issuers			Notifications			Directors		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Ibex 35	35	34	32	927	1,203	1,230	315	327	265
Over 1 billion euros	9	9	14	165	110	341	61	41	88
Under 1 billion euros	85	80	74	1,258	993	707	408	372	294
Delisted/Other	3	1	4	27	10	27	24	9	22
Total	132	124	122	2,377	2,316	2,305	808	749	669

Source: CNMV.

A total of 225 notifications received in 2013 referred to transactions in financial instruments (251 in 2012) with a bearing on 25 listed companies (29 in 2012), 17 of them Ibex 35 members. The Royal Decree on Transparency also makes it mandatory to disclose delegations of voting rights received or granted for general meetings. In 2013, the CNMV received 13 notifications relative to proxy voting rights for the general meetings of seven companies (17 notifications affecting seven companies in 2012).

Notifications relating to senior officers

The Royal Decree on Market Abuse obliges the senior officers of listed companies to disclose all acquisitions or transfers, whether direct or indirect (through closely related third parties), of financial instruments whose underlying instrument is shares

in the listed company where they work. They are, however, exempt from disclosing the final position resulting. A total of 627 senior officer notifications were received in 2013 (686 in 2012), a decrease of 8.6%. This set of notifications affected the shares of 43 companies (42 in 2012).

Disclosure of treasury share transactions

According to the Royal Decree on Transparency, issuers of securities listed on an official secondary market or any other regulated market domiciled in the European Union which have Spain as their home Member State are obliged to notify the CNMV of the share of voting rights in their possession when they make acquisitions amounting to or exceeding 1% of the company's total voting rights. Since April 2009, the ceiling for treasury share holdings under the Corporate Enterprises Act⁸ stands at 10% versus 5% previously. In 2013, the CNMV validated 208 notifications of own share transactions (216 in 2012), affecting 55 issuers (52 in 2012). Table 9.5 shows the breakdown of notifications received last year, grouped by market capitalisation and percentage of final holdings.

No. of treasury share notifications according to final position

TABLE 9.5

	Total notifications	Under 1%	1% to 2%	2% to 3%	3% to 4%	4% to 5%	Over 5%
Ibex 35	128	77	34	6	2	–	9
Over 1 billion euros	18	5	–	1	4	–	8
Under 1 billion euros	59	26	6	12	8	3	4
Delisted	3	3	–	–	–	–	–
Total	208	111	40	19	14	3	21

Source: CNMV.

Shareholder agreements and acting in concert

The Corporate Enterprises Act requires disclosure of any shareholder agreements affecting listed companies or their controlling shareholders. Such notifications are registered as significant events. An agreement may regulate the exercise of voting rights or restrict the free transferability of shares. In the first case, the CNMV analyses its effect on significant shareholding notifications. The CNMV received 14 notifications of shareholder agreements in 2013 (20 in 2012), affecting nine listed companies (15 in 2012).

The Royal Decree on Transparency stipulates that any agreement entered into with a third party whereby the parties use their voting rights to impose a common policy in connection with the company's management or to significantly influence the course of the same must be notified as a concerted action. Ten concerted action notifications were registered in 2013 (17 in 2012) involving shareholders at five listed companies (ten in 2012).

8 Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act.

9.3 Corporate governance

In 2013, 148 public listed companies, three savings banks and 36 other issuers of fixed-income securities submitted their annual corporate governance reports (ACGRs) for 2012, as provided in Article 61 *bis* of the Securities Market Act, Article 31 *bis* of Royal Decree-Law 11/2010, of 9 July, on the governing bodies and other aspects of the legal regime of savings banks (LORCA),⁹ and the third additional provision of Transparency Act 26/2003, of 17 July. In general, there were no incidents of note with the electronic transmission and reception of ACGRs, though notices were sent to eight companies (ten in 2012) for filing after deadline or failing to include the ACGR in their management report.

On the basis of companies' ACGRs, the CNMV prepares and publishes an annual report in which it analyses, in aggregate terms, issuers' main corporate governance practices and disseminates a wide range of statistical data for each individual entity.¹⁰

Ministerial Order ECC/461/2013, of 20 March 2013,¹¹ implementing the Sustainable Economy Act 2/2011, of 4 March, empowered the CNMV to draw up standard models for these disclosures as applying to each class of entity within a period of three months. The results are set out in CNMV Circular 5/2013, of 12 June, defining the standard models for public limited companies, savings banks and the issuers of securities other than shares admitted to trading on official secondary markets. This Circular was published on 24 June 2013, and its contents are applicable to ACGRs filed as of 1 January 2014.

9.3.1 Most significant aspects of listed companies' governance practices

The main features and tendencies in listed companies' corporate governance practices as reported in their 2012 ACGRs are as set out in the following sections:

Application of "comply or explain"

Listed companies are compliant on average with 82.4% of the Code's recommendations (81.3% in 2011) and comply partially with a further 7.1% (7.6% in 2011). They are therefore failing to comply at aggregate level with 10.5% of recommendations (11.1% in 2011).

As in previous years, Ibex 35 companies present a degree of non-compliance (4.3% on average) considerably below that of remaining firms. 53.4% of companies (62.1% in 2011) report Unified Code compliance improving on the prior year.

9 Law setting out the basic regulatory framework for savings bank governing bodies.

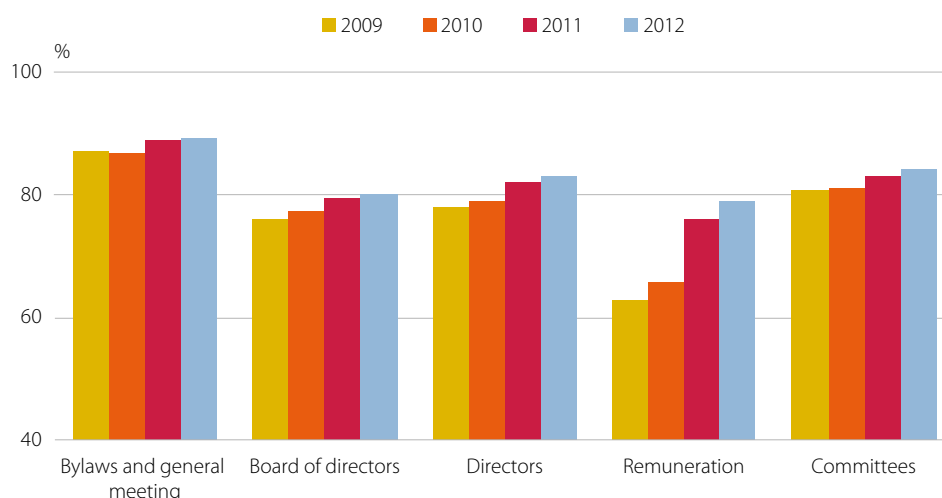
10 These CNMV reports are available at <http://www.cnmv.es/Portal/Publicaciones/PublicacionesGN.aspx?id=21>

11 Ministerial Order ECC/461/2013, of 20 March, defining the content and structure of the annual corporate governance report, the annual report on remuneration and other reporting instruments of public listed companies, savings banks and other issuers of securities admitted to trading on official secondary markets.

Figure 9.4 charts average compliance with Unified Code recommendations with a breakdown by category.

Degree of compliance with Unified Code recommendations

FIGURE 9.4



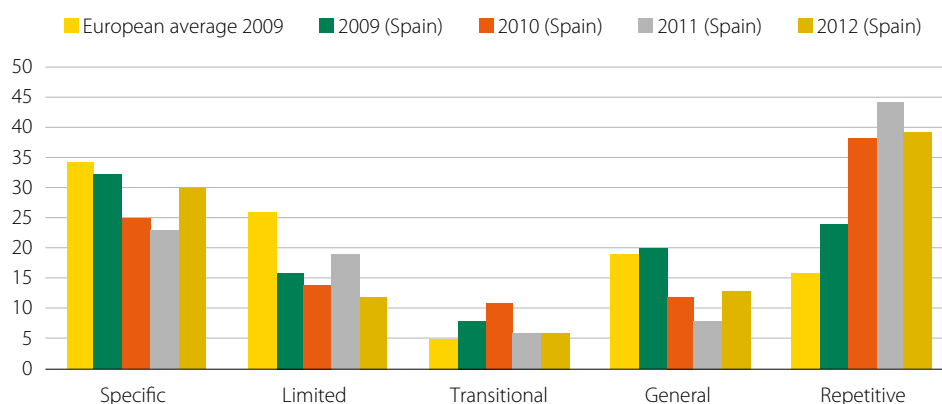
Source: Companies' ACGRs and CNMV.

The CNMV has analysed a sample of 503 explanations given in 2012 ACGRs (37% of the total) concerning the ten least followed Unified Code recommendations. Except among the Ibex 35 group, this analysis found no clear advance in the quality of companies' explanations for departing from the Code.

Much of the information studied was considered excessively vague or repetitive, and a number of companies have been sent guidelines on how to improve the quality of their ACGR disclosures. Figure 9.5 tracks the results of this statistical study of ACGR explanations over the past four years, set alongside the European average for 2009.

Classification of explanations 2009-2012

FIGURE 9.5



Source: Companies' ACGRs and CNMV.

The CNMV's review of the criteria used by listed companies in disclosing their compliance with or departure from Unified Code recommendations in ACGRs led to notices being sent to 19 companies (21 in 2012 and 15 in 2011), including five Ibex 35 members, requesting additional information, more detailed explanations or

corrective action with regard to 43 of the Code's 58 recommendations. Most of the letters sent include guidelines on how to improve the quality of the explanations given for not following recommendations.

In other cases, they drew the company's attention to discrepancies or inconsistencies found between ACGR disclosures and other publicly available information on the company, its shareholders or its directors.

Compliance with binding definitions

ACGRs should be prepared in accordance with the definitions contained in Order ECC 461/2013, of 20 March.¹² In particular, reports must abide strictly by the legal definition when classing a director as independent, in view of the importance attached to this figure in both the Unified Code and international practice. The Code states that a director may not be classed as independent when they may be influenced in the discharge of their duties by relations with the company, its shareholders or its senior officers.

The CNMV's annual review of compliance with the Code's binding definitions has uncovered some situations where doubts may be cast on the adequacy of board member classifications (nine directors at eight companies). As always, letters were sent to the firms in question requiring additional information, clarification, the publication of a supplementary note or, where appropriate, the director's reclassification to some other category.

As in previous years, cases were found of directors having direct or indirect business dealings with the company or a significant shareholder that, were they more substantial, could have barred them from being classed as independent. In other cases, the director had family ties with another board member or with an executive in another group company. One director held an executive post at another firm where one of the listed company's senior officers was a member of the board.

In most of the incidents detected, the company in question published a supplementary note with the pertinent clarifications, which has been posted alongside its ACGR on the CNMV website. In two cases, the company opted to reclassify the director to another category.

General meetings

The average percentage of capital taking part in general meetings decreased slightly in the year (from 73% in 2011 to 71.1% in 2012). The participation rate was again inversely proportional to companies' free float, such that the highest attendance rates tended to go along with the lowest percentages of free-floating equity.

Although physical attendance remained the most popular option (favoured by 42.3% of shareholders in 2011 and 38.2% in 2012), we can see a steady progression in the

12 Remember in this respect that Article 61 *bis* of the Securities Market Act, as implemented by Sustainable Economy Act 2/2011, of 4 March, gives legal force to the binding definitions of the Unified Code.

percentage of firms whose shareholders use a remote voting system; from 12.3% in 2008 to 29.5% in 2012.

Board of directors and director categories

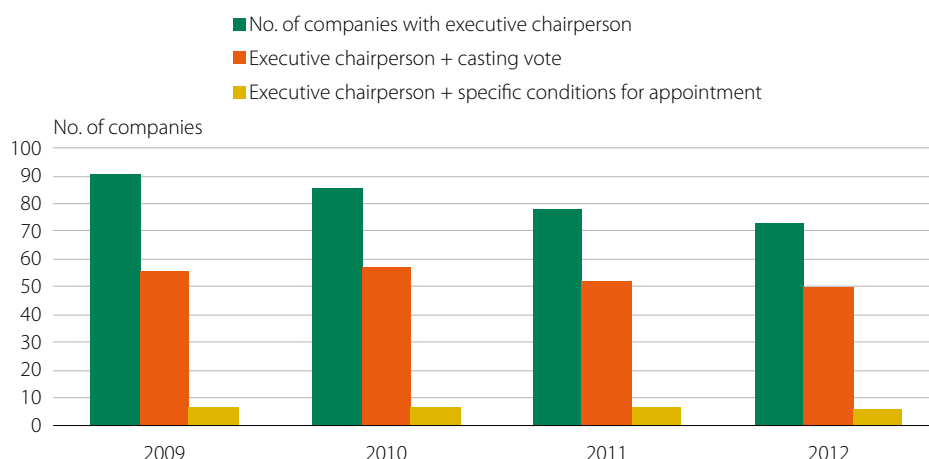
The number of directors on listed company boards totalled 1,487, 4.8% fewer than in 2011. This decrease was steeper than the fall in the number of companies in the sample (2%). 33% of directors served on the boards of Ibex 35 companies (32.3% in 2011).

Average board size shrank a little to 10.2 members (14 in the Ibex 35 group). In 87.7% of companies (85.2% in 2011), board size lay within the range of 5 to 15 members recommended in the Unified Code. Boards of over 15 members were mainly within the Ibex 35 group.

As Figure 9.6 shows, executive directors continued to predominate among the chairpersons of listed company boards (61.6% in 2012). Only 5.5% of directors occupying the chair belonged to the independent category (4% in 2011).

Chairperson/Chief executive

FIGURE 9.6



Source: Company ACGRs and CNMV.

However, 94.5% of companies (94% in 2011) had a majority of non-executive members on their boards. Director length of service was on a par with previous years. Executive directors were again the longest serving (10.8 years), followed by proprietary directors (7.5 years).

Independent directors were those serving least time on average (6.6 years), while the number who had held directorships for over 12 years decreased in 2012. Specifically, 79 independents (15.6% in this director category) had accumulated over 12 years' service to the annual close, against 16.3% the previous year. Assuming the same director universe in 2013, 17.2% of independents would by then exceed the maximum tenure urged by the Unified Code.

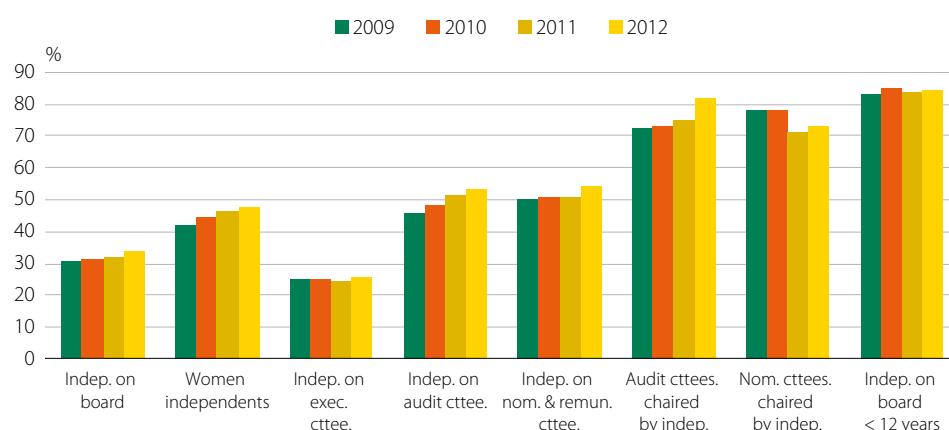
Independents' average share of board places has been progressing steadily, 2012 being the first year in the last four when their overall proportion exceeded the

1/3 threshold recommended in the Unified Code (33.9%). Further, the number of companies with not one independent on the board fell by 53.3%.

Figure 9.7 tracks the progress of the main variables indicating the relative weight of independent directors on the governing bodies of listed companies.

Presence of independent directors on governing bodies

FIGURE 9.7



Source: Companies' ACGRs and CNMV.

Board committees

In 2012, 89% of companies ran a nomination and remuneration committee (89.3% in 2011), while 39.7% (40.3% in 2011) reported having an executive committee in place. All listed companies are required to operate an audit committee.

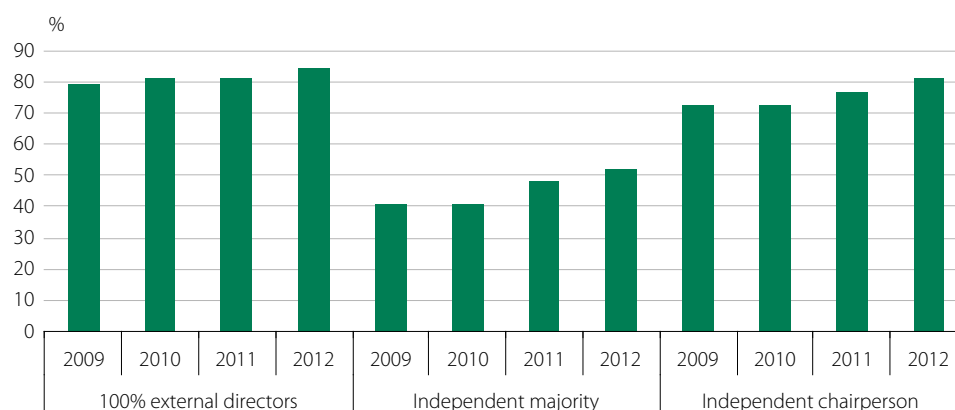
The eighteenth additional provision of the Securities Market Act establishes a series of requisites for audit committee membership. The CNMV's review of a sample of companies' audit committee arrangements gave rise to the following observations:

- Three companies (25 in 2012) had incidents pending closure at the end of 2013. As in previous years, they were sent written notices requesting timetabled corrective measures, which will be subject to special monitoring in 2014.
- The three incidents turned on the company's failure to appoint an independent director to their audit committee.

In line with the trend prevailing in past years, external directors enlarged their share of audit committee places as far as 95.1% (94.1% in 2009). The percentage of external directors on the nomination committee also moved up slightly (95% in 2012 against 94.5% in 2011). Independents continued to be better represented on these two committees than on company boards. A majority of both audit and nomination and remuneration committee chairs were again occupied by independent directors.

Audit committee membership

FIGURE 9.8

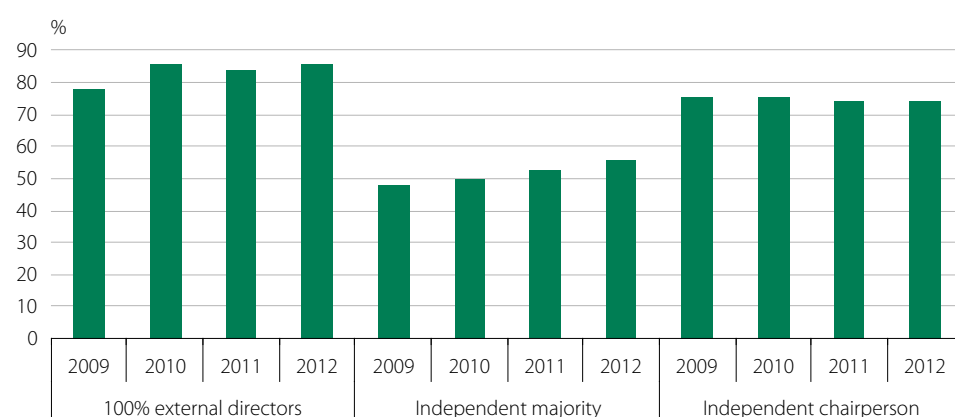


Source: Companies' ACGRs and CNMV.

The executive committee representation of executive directors dropped to 28.4% from 28.7% in 2011, while that of proprietary and independent directors rose to 41.3% and 25% respectively (40.9% and 24.1% in 2011).

Nomination and remuneration committee membership

FIGURE 9.9



Source: Company ACGRs and CNMV.

Mandatory financial reporting and account auditing

Listed companies are required to state in ACGRs whether their individual and consolidated financial statements are signed off before their submission to the board, and, if so, which officers are responsible for such verification.

Sixty-two companies (42% of the total), two fewer than in 2011, had their 2012 annual financial statements signed off by the responsible officers before their drafting or approval by the board, including 26 Ibex 35 members (74%).

Risk management

Listed companies should describe their risk management policy and control systems in their ACGRs, identifying the potential risks they face, the risks materialising

in the year and the body in charge of establishing and supervising control mechanisms.

As in previous years, a large majority of firms confirmed the existence of risk management systems in their ACGRs, though not all offered details on the system's actual contents.

The main potential risks that companies identified were: in the financial sector, non-performing loans and the effects of the sovereign debt crisis; in the energy sector, regulatory changes, credit risk and volatile commodity prices; and in the construction sector, adjustments in the housing market, financing constraints and the cutting back of public investment.

Among the most frequent risks reported as materialising in the year 2012 were: tight liquidity, credit market contraction, increased bad debt, rising commodity prices, depreciation of real estate assets and domestic demand weakness.

79.5% of companies named the audit committee as the body in charge of establishing and supervising the relevant control systems. Other bodies tasked with this function are the board itself, the internal audit function or some unspecified other.

Disclosure of related-party transactions and conflicts of interest

The volume of related-party transactions reported by listed issuers in the first half-year of 2013 summed 201.09 billion euros, 9% less than in the year-before period. 50.5% of these transactions were concluded with significant shareholders; 38.9% with persons, companies or entities in the same group; 0.6% with directors and senior officers; and the remainder with other related parties. The equivalent percentages in the first half of 2012 were 54.4%, 40.6% and 0.6% respectively. Table 9.6 shows the types of transactions reported by listed companies in the first half of 2013, with a breakdown by item and the nature of the related party. The most significant changes with respect to the first half of 2012 refer to the redemption of securities issued by vehicles of one financial institution.

As regards transaction counterparties in the first half-year of 2013, 102 companies reported 400 transactions with significant shareholders, 65 companies reported 150 transactions with directors and senior officers, 72 declared 311 transactions with persons or companies in their group, and 69 referred to 251 transactions with other related parties.

According to the CNMV's Corporate Governance Report for 2012, a total of 30 companies reported conflict of interest situations in the year, involving 125 directors. By subject, the most common conflicts referred to the approval of directors' contractual and/or pay conditions, the appointment of directors onto board committees, and the approval of major transactions involving the transfer of funds or the recognition of obligations between the company and director related parties.

Listed companies claim in their ACGRs to have written procedures into their internal rules to help directors disclose this type of conflict. Preventive measures taken in 2012 were along the same lines as those reported in previous years. In particular: i) any director transactions with the company must be approved by the board subject to a report from the audit or nomination committee; ii) directors are obliged to

notify any significant changes affecting their professional situation, whenever a conflict of interest could potentially arise; iii) directors are obliged to disclose any holdings in companies engaging in an identical or complementary activity; and iv) prohibition on directors holding posts at competitor firms.

Related-party transactions. First half-year of 2013

TABLE 9.6

Million euros

	Significant shareholders		Directors and senior officers		Persons, companies or entities in the group		Other related parties	
	Amount	% 1HY 13/12	Amount	% 1HY 13/12	Amount	% 1HY 13/12	Amount	% 1HY 13/12
Financial expenses	532	-17.6	5	-32.8	96	-46.4	157	1.1
Leases	34	-15.3	0	n.a.	22	71.7	17	-1.7
Services received	264	-14.5	37	19.6	392	-43.0	176	84.8
Purchases of goods (finished or in progress)	2,691	10.6	8	-0.6	3,995	22.8	15	-48.8
Other expenses ¹	365	-7.5	32	49.9	136	-84.4	87	31.9
Total expenses	3,886	2	81	21	4,641	-7	451	25
Financial income	754	-21.2	1	-69.6	894	34.8	195	4.7
Dividends received	15	-77.8	0	-100.0	159	-49.5	126	4.5
Services rendered	1,036	-7.1	2	-25.7	584	10.5	198	-4.0
Sale of goods (finished or in progress)	672	-7.4	1	22.1	839	-25.0	110	-55.3
Other income ²	195	-75.2	0	-81.9	339	7.1	225	254.9
Total income	2,673	-27	4	-80	2,813	-4	854	4
Credits and capital contributions	25,181	-39.9	88	-51.4	18,447	-24.9	6,516	44.1
Loans and capital contributions	21,648	-37.5	328	-13.1	7,502	-41.8	6,978	196.3
Guarantees and sureties granted	326	-82.7	0	-86.4	1,968	18.9	140	-80.3
Guarantees and sureties received	22,628	78.2	695	6.1	8,527	-16.1	18	198.1
Commitments acquired	1,489	-51.0	4	-80.6	21,560	13.6	2,440	12,099.7
Dividends and other profit distributions	1,065	-51.0	28	18.4	0	n.a.	60	-37.0
Other transactions ³	22,722	39.1	30	-16.7	12,794	-4.8	2,502	203.7
Total other transactions	95,058	-16	1,173	-10	70,798	-13	18,654	119
Total	101,618	-15.4	1,259	-9.1	78,252	-12.7	19,959	105.3
% total	50.5	-	0.6	-	38.9	-	9.9	-

Source: PPI of listed companies (1st half-year). (1) Comprising management contracts, R&D transfers, value correction for uncollectable debts, losses on derecognition, and other expenses. (2) Comprising management contracts, R&D transfers, leases, gains on derecognition or disposal of assets, and other income. (3) Comprising the purchase of assets, leases, repayment of credits, sale of tangible assets, depreciation, commitments or guarantees, and other transactions.

n.a.: not applicable.

9.3.2 Annual report on directors' remuneration

Sustainable Economy Act 2/2011, of 4 March, writes a new article 61 *ter* into the Spanish Securities Market Act requiring public limited companies to prepare an annual report on the remuneration of directors. This report must set out full, clear and comprehensible information on the company's remuneration policy, as approved by the board for the current year, and, where applicable, remuneration policy for future years plus a global summary of how the policy has been applied in the year just ended, with a breakdown of the individual remuneration accruing to each director.

The annual report on directors' remuneration must be circulated and put to the advisory vote of the company's general meeting as a separate point on the agenda.

Ministerial Order ECC/461/2013, of 20 March, implementing the Sustainable Economy Act 2/2011, of 4 March, rounds off the regulatory definition of the content and structure of the annual report on directors' remuneration, while assigning the CNMV a series of powers in this respect. In the matter of annual remuneration, the CNMV is authorised to specify, pursuant to the Order's provisions, "the content and structure of remuneration reports, to which end it will establish the models or forms each kind of entity must use to publish its reports".

The CNMV Board accordingly approved CNMV Circular 4/2013, of 12 June, establishing the forms to be used for the annual remuneration report of the directors of public listed companies and members of the boards and control committees of savings banks with securities admitted to trading on regulated markets.

The forms approved by Circular 4/2013 will be mandatory for the remuneration reports to be submitted as a separate point on the agenda to the advisory vote of general meeting or general assemblies held after 1 January 2014.

The current model of annual board remuneration report consists of the following sections:

- A. Company's remuneration policy for the current year.
- B. Remuneration policy envisaged for coming years.
- C. Summary of remuneration policy implementation in the year just ended.
- D. Itemised remuneration accruing to each director.

In order to facilitate significant event disclosure, the remuneration report should be filed in the CNMV's Online Register as a standard electronic document using the IRC function of CIFRADO/CNMV. The online form for the annual report on board remuneration has been available since January 2014 in the supervisor's virtual office, allowing companies to complete, sign and publish it as a significant event.

Pending the introduction of this standard form, companies have prepared their remuneration reports with the minimum content set by law but without following a homogeneous format. The analysis that follows accordingly draws on the aggregate data provided by companies in their ACGRs.

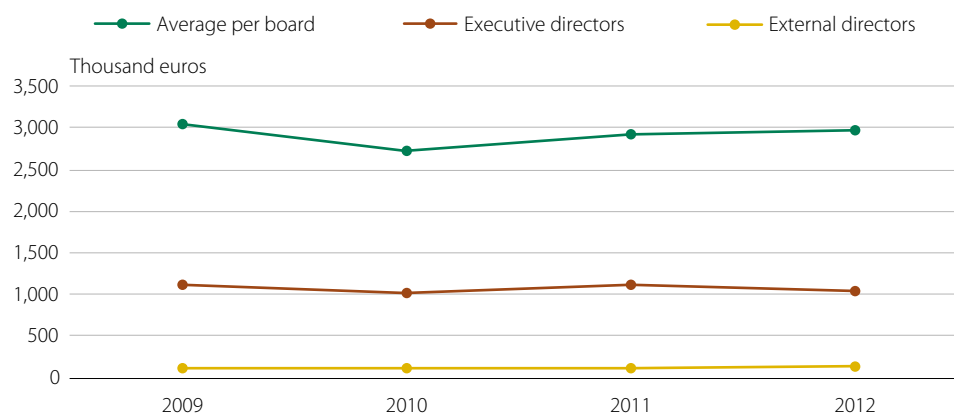
Changes in board remuneration

Board remuneration in 2012 was an annual 2.9 million euros on average. Stripping out an exceptional increase of 24.7 million euros – paid to a director relieved of his executive responsibilities – average board remuneration falls by 5.5%. Director remuneration averaged 288,500 euros. Disregarding the above exceptional payment, the average amount per director was 2.6% lower than in 2011.

Figure 9.10 tracks the average remuneration of listed company boards, executive directors and external directors over the 2009-2012 period.

Board member remuneration

FIGURE 9.10



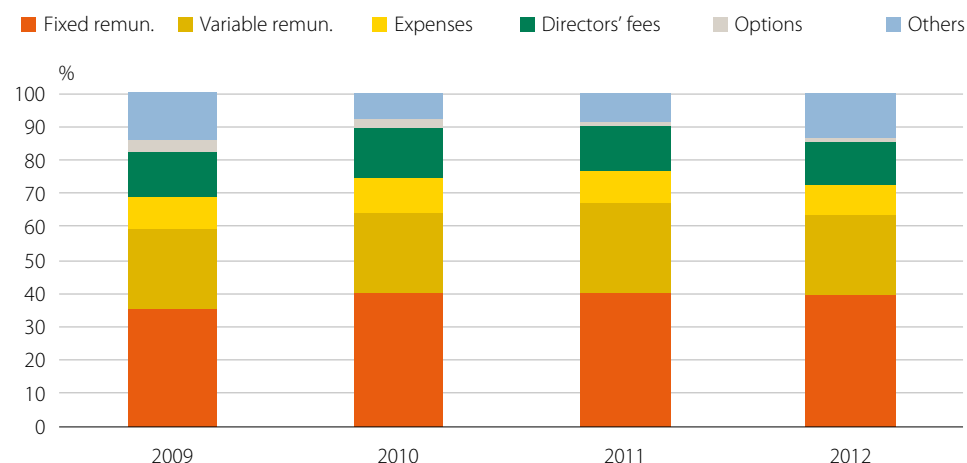
Source: Companies' ACGRs and CNMV.

As in 2011, one hallmark was the wide dispersal of average remuneration. In 49.7% of companies (44.1% in 2011), remuneration per board was lower than in 2011, with 21.4% reporting decreases in excess of 20%. Increases of over 20% and between 20% and 10% were reported at 16.6% and 6.9% of companies respectively, while a further 19.3% reported increases below the 10% mark.

Board remuneration had approximately the same breakdown as in previous years, with non-variable pay again the largest single component. In every case, the sum accruing per item was lower than in 2011. Figure 9.11 below offers a breakdown of total board remuneration.

Board remuneration by item

FIGURE 9.11



Source: Companies' ACGRs and CNMV.

54.8% of companies reported having variable remuneration schemes in place. The average accruing per board in this respect was 1.3 million euros in 2012, compared to 1.4 million in 2011. The sum of variable pay components was down 10.1% with respect to 2011, in line with firms' lower earnings.

9.4 Significant event notices received by the CNMV

The 9,921 disclosures of material information registered in 2013 represent a 25% decrease with respect to the prior year. Table 9.7 below provides a breakdown of significant event disclosures classified by type. The headings in this table have been changed in the interest of greater clarity, with the 2012 column modified accordingly to permit inter-year comparison.

Disclosures relating to “financial instruments” were again the most numerous, accounting for 59% of significant events registered. The heading “business and financial position” accounted for 22%, “corporate governance and official notices” a further 13%, and “corporate transactions” 6%. Numbers were down across all main headings with respect to 2012, with falls ranging from the 34% of “financial instruments” to the 5.8% of “corporate transactions”.

Significant event notices received by the CNMV

TABLE 9.7

Type	2012	2013	% change 13/12
Financial instruments			
Capital increases and reductions	164	202	23.2
Public offer for sale or subscription	63	70	11.1
Dividend information	186	169	-9.1
Block trades	34	60	76.5
Trading halts and resumptions	57	35	-38.6
Credit ratings	293	110	-62.5
Securitisation funds	7,109	4,319	-39.3
Other	983	912	-7.2
Business and financial situation			
Earnings information	1,519	1,453	-4.3
Insolvency proceedings	36	100	177.8
Other business and financial situation	821	652	-20.6
Corporate transactions			
Transformations, mergers, spin-offs and liquidations	72	46	-36.1
Strategic agreements with third parties	28	28	0.0
Transfers and acquisitions of shareholdings	190	211	11.1
Other corporate transactions	332	301	-9.3
Corporate governance and official notices			
Notices and resolutions of general meetings and assemblies	583	502	-13.9
Board of director composition	399	380	-4.8
Annual corporate governance report	190	187	-1.6
Other corporate governance	239	184	-23.0
Total	13,298	9,921	-25.4

Source: CNMV.

The main developments under the “financial instruments” head were a 39% reduction versus 2012 in notifications involving securitisation funds (2,790 fewer). This decrease accounted for 82.6% of the overall fall in the number of notices registered in 2013. Notices regarding credit ratings and trading halts and resumptions also fell off sharply, by 62% and 39% respectively. The sole increases in the year referred to block trades (76%) and capital reductions (23%).

The “business and financial situation” heading includes a hefty 177.7% increase in insolvency proceeding notifications, though note that the comparative baseline is in this case relatively low. Under “corporate transactions”, main movements were a 9.3% decline in other notifications and a 11% jump in disclosures dealing with the transfer and acquisitions of shareholdings. Finally, the main change under “corporate governance and official notices” was a 13.9% drop in the number of notifications referring to general meeting and general assembly notices and agreements.

One of the noteworthy supervisory activities carried out last year in the area of secondary markets was the effort made to ensure correct application of Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps. This Regulation has led to the CNMV taking on numerous complex supervision tasks.

In addition, the CNMV continued paying special attention to compliance with the transaction reporting obligations of intermediaries, both those provided for in Section 59 *bis* of the Securities Market Act (general obligation to report transactions executed in financial instruments) and those referred to in Section 83 *quáter* of the Securities Market Act (reporting of suspicious transactions). Correct compliance with this obligation is essential for combating market abuse and money laundering.

10.1 Significant actions by the CNMV in the various markets

The CNMV is responsible for supervising trading, clearing and settlement activities. Supervision of trading involves both activities channelled through official secondary markets and multilateral trading facilities and transactions directly executed by investment firms and credit institutions. The CNMV ensures transparency and correct price discovery with the aim of guaranteeing orderly functioning of the market. Similarly, the supervision aims to prevent and, as the case may be, detect and sanction market abuse practices.

In 2013, the number of market transactions in the field of settlement rose by 6.5% on the previous year. The bulk of these transactions took place in the equity market, where the number of transactions rose by 19.7%. Supervised transactions in derivatives recorded a smaller rise of 8.5%, while supervised transactions in fixed income fell by 26% on the previous year.

There was a sharp rise in the number of deficiency letters sent by the CNMV in the exercise of its supervisory duties, specifically of 65%. The equity market accounted for the bulk of these letters mainly due to the supervisory activities performed within the framework of Regulation 236/2012 on short selling. A high number of these deficiency letters (around 100) were related to sales of securities from the capital increase of Bankia in May, in the days prior to its admission to trading. As indicated in Section 10.1.1 hereof, overseeing compliance with the Regulation on short selling accounted for a significant part of the CNMV's supervisory tasks. The controls particularly focused on the following aspects: i) the transparency regime, which includes notification and publication of net short positions; ii) compliance with the conditions for performing short sales; iii) the regime for exemptions for market makers and operators in the primary debt market; and iv) compliance with the re-

strictions resulting from the ban on short selling during the time said ban was in force.

Summary of market supervision activities

TABLE 10.1

Markets	No. of transactions (in thousands)	Deficiency letters	Reports		
			Supervision	to other bodies and agencies	Periodic
Equity					
2012	40,609	161	84	27	25
2013	48,607	267	38	60	26
Fixed income					
2012	1,326	18		137	12
2013	977	15	9	111	12
Derivatives					
2012	4,170	11	1	12	42
2013	4,524	10	5	7	44
Settlement					
2012	39,135	15	–	–	24
2013	36,642	3	–	–	24
Other					
2012	–	58	–	–	62
2013	–	42	–	–	52
Total ¹					
2012	85,240	263	84	176	165
2013	90,750	337	52	178	158

Source: CNMV. (1) In the case of deficiency letters and reports, the calculation includes one single action even though it simultaneously affects different areas. Therefore, it may not match the sum of the corresponding breakdowns by area shown in the table.

The CNMV once again paid special attention to compliance with the obligations of financial intermediaries relating to transaction reporting. The CNMV increased the number of individualised analyses by entity relating to the obligation provided for in Section 59 *bis* of the Securities Market Act: the obligation to report transactions executed in financial instruments. The aim of this reporting is to facilitate the detection of market abuse practices and it is therefore essential that financial institutions complete the information appropriately. Analysis of the reporting allows the CNMV to detect errors and require institutions to correct them.

The CNMV also intensified its supervisory tasks with regard to the mandatory reporting of suspicious transactions provided for in Section 83 *quáter* of the Securities Market Act. The number of reported transactions rose on the previous year.

10.1.1 Equity

Trading halts due to disclosure of information

Both the number of issuers affected by trading halts and the number of halts fell significantly in 2013. The fall was of around 50% in both cases. The need to disclose material information accounted for 79% of the agreed halts.

Temporary trading halts

TABLE 10.2

	2012	2013
Number of issuers suspended	32	15
Number of halts	37	19
Due to disclosure of material information	31	15
Due to expiry of acceptance period for delisting bids	1	3
Other	5	1

Source: CNMV.

The main reasons behind the trading halts agreed in 2013 were, as in the previous year, those relating to sales of significant holdings, bankruptcy situations, takeover bids, accelerated book building for large packages of shares and restructuring processes of the financial system.

Trading halts affected five of the 18 sectors during 2013, compared with nine in 2012. These sectors were as follows: other processing industries, banking, real estate, transport and communications, and retail and other services.

Accelerated book building for large packages of shares

A total of 21 accelerated book builds for large packages of shares took place in 2013, compared with nine in 2012. These book builds corresponded to the shares of 18 issuers. Three issuers (Airbus Group, Bankinter and Sacyr) were affected by two book builds. The percentages of capital affected by the book builds ranged between 1.15% and 18.34%. Discounts on the previous closing price ranged between 1.21% and 7.53%, except in one operation in which the percentage of capital of the placement was not significant, to which a premium of 0.02% was applied.

The increase in the number of book builds is explained, *inter alia*, by the following factors: increase in the share prices of issuing companies over 2013, the needs for cash and to reduce the financial debts of companies which performed the placements and the sales of significant holdings carried out by credit institutions affected by the bank restructuring process or the need to improve their capital ratios.

The placements carried out met the criteria on accelerated book building for large packages of shares published by the CNMV in 2007. The significant event in which the placement was announced took place with the official secondary market closed so as to avoid distortions in the trading conditions in the open market. The significant event reported on the number of shares to be placed and the proportion of capital which they represented.

Practically all the placements concluded prior to opening of the market. Only on two occasions was it necessary to halt trading of the affected securities prior to the start

of the session until the placement was completed, with the duration of the trading halts being 60 minutes. Completion of the placements was subject to a significant event, in which companies disclosed the number of shares placed, the percentage of capital which they represented and the price applied.

Treasury stock trading

In accordance with the provisions of Circular 3/2007, of 19 December, on liquidity agreements, use of these agreements for managing treasury shares is considered an acceptable market practice for the purposes of assessing whether market manipulation exists, providing the practice is carried out for legitimate reasons. In this regard, the CNMV has been promoting their use by issuers as a mechanism for providing liquidity to the market.

In 2013, the CNMV continued analysing the impact of these agreements on price discovery. A total of 19 issuers currently maintain liquidity agreements subject to Circular 3/2007. Of this total, there are two issuers which are suspended from trading and their liquidity agreement is not an operation.

The CNMV also monitored share buy-back programmes arranged by issuers under Commission Regulation No. 2273/2003/EC, of 22 December, implementing Directive 2003/6/EC of the European Parliament and of the Council, as regards exemptions for buy-back programmes and the stabilisation of financial instruments. The CNMV verifies effective compliance with the programme and, as the case may be, any impact it may have on prices.

Issuers and financial intermediaries have generally observed the obligations and limits contained in Circular 3/2007 and Regulation (EC) No. 2273/2003.

As part of its supervisory tasks, the CNMV has also analysed the trading in treasury shares carried out by different issuers who did not have agreements subject to Circular 3/2007 or buy-back programmes arranged under Regulation (EC) No. 2273/2003 in 2013. In this case, the criteria recommended by the CNMV to securities issuers and financial intermediaries in their discretionary treasury stock trading, published in July 2013, are taken into account. As indicated in said criteria, over recent years there has been an increase in treasury stock activity in the Spanish market performed by issuers to buy or sell their own shares on the market, channelling the operations in an anonymous and discretionary manner through an intermediary. This trading may generate risks and conflicts of interest which may range from possible distortion of the supply and demand of shares to the generation of misleading signals in terms of volume or price.

Taking into account the potential risks for market integrity of improper use of discretionary treasury stock trading, the CNMV took the decision to publish the aforementioned criteria. These criteria established recommendations on the manner in which discretionary treasury stock trading should be conducted in terms of volume, price and time, on the internal organisation and control of the activity and on the information to be disclosed to the supervisor and to the market. The objective is ultimately to promote market transparency and contribute towards correct price discovery.

Study of additions and deletions in the Ibex 35 index

As in previous years, the CNMV conducted an analysis of the changes in the securities agreed by the Technical Advisory Committee in each one of the reviews of the composition of the Ibex 35 carried out over the year.

The addition of a share in the index has a favourable impact for that security. The analysis aims to determine whether the additions or deletions in the securities which make up the index are conducted in line with the technical standard governing its composition and calculation. In particular, special attention is paid to possible distortions in trading aimed at ensuring that the share remains in or enters the index.

In its extraordinary meeting in April, the Technical Advisory Committee added Jazztel to the Ibex 35 and therefore the Spanish index once again comprised 35 securities, following the removal of Bankia in December 2012. Subsequently, in the first of the ordinary reviews carried out in 2013, Abengoa was removed from the index and replaced by Ebro Foods. Finally, in the ordinary review of December 2013, the Technical Advisory Committee of the Ibex 35 agreed the removal of Endesa and of Acerinox, which were replaced by Bankia and Gamesa.

The CNMV verified that the additions and removals took place in accordance with the technical standards regulating the index in all the cases.

Supervision of the obligations resulting from Regulation 236/2012 on short selling

Regulation (EU) No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps has been in force since 1 November 2012.

This Regulation was adopted with the aim of guaranteeing the correct functioning of the internal market and improving its conditions by establishing a common framework with regard to the requirements relating to short selling and the powers of the competent authorities.

Application of the Regulation has involved adding new and important supervisory tasks for the CNMV. An extraordinary effort was made in 2013, both in terms of resources and of time, to oversee compliance with the obligations for market participants resulting from the Regulation. In particular, the CNMV focused its attention on the following areas:

i) Transparency regime.

The Regulation establishes a transparency regime which includes not only notification of short positions in shares, but also in public debt and credit default swaps (CDS), when these are allowed.

In this regard, the Regulation establishes the obligation to notify those net short positions in shares which reach or fall below 0.2% of the capital, as well as each additional 0.1% in excess of that percentage. The regulation also establishes the obligation to notify those net short positions in shares which reach

or fall below 0.5% of the capital, as well as each additional 0.1% in excess of that percentage.

In 2013, the CNMV continued assisting the financial industry in interpreting the regulation, as well as in compliance with the resulting obligations, which has led to numerous enquiries, which in some cases are extremely complex. The CNMV has also performed supervisory actions aimed at checking correct compliance with transparency obligations.

The CNMV received a total of 1,971 notifications of short positions in shares in 2013, a daily average of 7.7 notifications. However, no notification of short positions in sovereign debt was received.

There was therefore a slight increase compared with the number of notifications received in 2012 (1,838 in total). It is important to bear in mind that the ban on short selling was in force in 2012 over a longer period of time – specifically between 23 July and 31 December – than in 2013, when it was only in force in January.

A total of 143 entities reported short positions in 2013, mostly US and UK hedge funds. As in previous years, the proportion of Spanish entities was extremely low, with only one entity sending notifications in 2013.

As at 31 December, 47 issuers held net short positions, while a total of 63 were affected by short positions at some time during the year (55 issuers in 2012). The average of all the aggregate net positions weighted by market capitalisation stood at 0.365% of the capital at year-end 2013, compared with 0.475% on the date the new regime entered into force (1 November 2012) and 0.376% at the end of 2012.

ii) Compliance with the conditions to perform short sales.

Article 12 of the Regulation establishes the conditions which must be met in order to make short sales. Failure to comply with these conditions, unless the sale is made by the owner in its capacity as market maker, leads to an uncovered short sale and, therefore, a breach of the Regulation.

The CNMV made numerous interventions over 2013 with the aim of analysing compliance with the conditions established in the aforementioned Article 12 by investors who carried out short sales of shares admitted to trading on Spanish markets. In these interventions, the CNMV requested and analysed, among other actions, the supporting documentation for compliance with the conditions required by the Regulation, including the documentation corresponding to the loan agreements entered into, the enforceable claims and the arrangements with third parties which guarantee that, where appropriate, settlement of the sale can be made on the due date.

iii) Exemption for market making activities and primary market operations.

Article 17 of the Regulation exempts market makers and operators in the primary debt market from certain obligations. These exceptions refer to the transparency regime (notification and publication of net short positions) and the restrictions on uncovered short sales of shares and sovereign debt.

Article 17 of the Regulation regulates, among other issues, the notification to be made by the person that intends to make use of the exemption and the notification which the corresponding competent authority has to make to ESMA informing it of the market makers and authorised primary dealers who are making use of the exemption. In addition, the ESMA guidelines on market makers and authorised primary dealers are applicable as from 2 June 2013. These guidelines aim to clarify and unify the notification process for the use of the exemption and to establish a harmonised evaluation system of the conditions for requesting the exemption.

The CNMV's work in this area has focused on overseeing that the requesting entities comply with the conditions established in the Regulation and in the guidelines for granting the exemption.

iv) Compliance with the restrictions resulting from the ban on short sales.

On 31 January 2013, the CNMV decided not to extend the ban on short sales which expired on that date as the facts and circumstances behind its adoption had subsided.

The ban had initially been agreed on 23 July 2012 as a result of the extreme volatility prevailing in the securities markets together with the possibility that this might disturb the orderly functioning of these markets. The ban was adopted for a period of three months, up to 23 October 2012. However, taking into account the restructuring process being undertaken by the Spanish financial system in order to cover capital needs for banks as a whole, the CNMV decided to extend the ban until 31 October 2012. Subsequently, on 1 November 2012, once Regulation (EU) No. 236/2012 on short selling entered into force, the CNMV adopted a new temporary three-month ban until 31 January 2013.

During the time that the ban was in force, the CNMV's work focused on verifying and supervising observance of the ban by market participants.

10.1.2 Fixed income

2013 also saw an increase in supervisory work in secondary fixed-income markets even though trading fell significantly in secondary private debt markets, as indicated in Chapter 3. The increase in the supervisory work was mainly due to the following factors:

- Incorporation on 8 April of all the outstanding issues of Spanish sovereign debt (bills, bonds, debentures and strips) in the Electronic Debt Trading System (Spanish acronym: SEND), with the aim of facilitating their trading among retail investors. The traded volume of public debt on that platform amounted to 154.23 million euros, a rise of 5.6% in nominal terms.
- The start-up of a new multilateral trading facility (MTF), the Alternative Fixed-Income Market (Spanish acronym: MARF), the governing company of which is AIAF Mercado de Renta Fija. At the end of the year, MARF had nine members and ten registered advisors. As indicated in Chapter 3, before the end of the year one issue of 50 million euros was registered.

In 2013, the CNMV continued to closely monitor incidents in the settlement of transactions on AIAF and the Public Debt Book-Entry Market, where entities' failures to deliver fell by 52.21% on 2012.

As competent authority in Spain for the purposes of Regulation (EU) No. 236/2012, of the European Parliament and of the Council, on short selling and certain aspects of credit default swaps, the CNMV verified compliance with the requirements established for making use of the exemptions provided for in Articles 17.1 and 17.3 of the aforementioned Regulation by financial institutions which had notified the CNMV of their intention to make use of these exemptions.

The Fund for Orderly Banking Restructuring (Spanish acronym: FROB) established mandatory buy-backs of the hybrid instruments issued by financial institutions in order to restructure them, at prices which included write-downs for their holders (between 11% and 61% depending on the type of debt and maturity), within the framework of the process of recapitalising and restructuring the Spanish financial system. It also established a liquidity mechanism for the shares of unlisted financial institutions received in the buy-back by the Deposit Guarantee Fund, as well as an arbitration process for the hybrid instruments of nationalised institutions. In 2013, financial institutions amortised around 6 billion euros in preferred shares, which accounts for 92% of the balance existing at the start of the year, and close to 8.8 billion euros in subordinated debt.

Reduction of processing times for fixed-income issues aimed at institutional investors

EXHIBIT 10.1

On 30 October 2013, the CNMV's Executive Committee decided to amend the procedures and timescales for reviewing and verifying operations aimed at the institutional market.

This action by the CNMV aims to respond to the demands for effectiveness and efficiency made by the markets and issuers in line with the 2013 Plan of Activities, which included the CNMV's commitment to speed up and simplify procedures in different areas of activity provided this does not reduce the protection of retail investors.

These new measures will be applied to the proceedings for issues and admissions to trading of fixed-income securities and derivatives submitted to the CNMV for their verification by issuers who have securities admitted to trading on a regulated market providing one of the following conditions is met: i) the nominal unit value of the securities referred to in the issue amounts to at least 100,000 euros; ii) the minimum payment per subscriber in these operations is of at least 100,000 euros (even if the nominal unit value is lower); iii) the securities are aimed exclusively at professional investors.

One of the many new aspects relates to determining the timescales for passing on to issuers the comments on the draft prospectuses and final terms provided during the processing period:

- i) The supervisor undertakes to provide comments on the drafts of the final terms sent by issuers, as part of the procedure for admission to trading of fixed-income securities or derivatives, in a maximum period of five business days from the day following their date of entry in the CNMV.
- ii) That same period – five business days – is established for providing comments on the drafts of registration documents which follow both the standard forms of Annex IX and of Annex XI of Commission Regulation (EC) No. 211/2007 sent by financial institutions or by non-financial institutions.
- iii) Similarly, a period of five business days is set as the maximum period to provide comments on the drafts of the base prospectuses providing the issuer submits a draft with track changes with regard to the last base prospectus approved by the CNMV.

The period for verifying any of the aforementioned proceedings is reduced from ten to five business days as from the date on which the CNMV receives the request for verification of the issue and the full documentation corresponding to the issue, including the prospectus.

Finally, for the registration of securities represented by book entries – which the issuers must perform prior to their sale and payment – the CNMV will not perform any prior supervision and the document provided will be directly included in the appropriate registers. Subsequently, when the request for admission to trading of the securities takes place, the CNMV will review the pertinent documentation, applying the time periods presented in the above paragraphs.

10.1.3 Derivative products

MEFF

In the area of financial derivative products traded on MEFF, the CNMV paid special attention to volume trading relating to spot transactions. It also closely monitored trading of share contracts on dates prior to the disclosure of significant information by companies whose shares are used as underlying assets, including the significant events relating to the payment of dividends.

Among its reviews of daily trading, the CNMV paid special attention to trading in less liquid contracts and the development of open positions, especially in the weeks the contracts mature, with a specific analysis of the roll-over of positions of the accounts with the largest open positions. On the Fridays when maturity takes place,

the CNMV closely monitored the closing of open positions and the performance of the Ibex 35 over the period for calculating the settlement price at maturity of the future.

The CNMV also monitored incidents in trading resulting from technical reasons.

Olive Oil Futures Market (MFAO)

In response to the increase in open positions, which reached historic highs at the start of the year, the supervisory effort in this market was focused on overseeing the concentration of said positions, especially in the sessions prior to the maturity of the contracts.

In addition, as a consequence of this increase in activity and the volatility in prices since the end of 2012, the CNMV stepped up its monitoring of the risks managed by the governing company in order to determine whether they match the established margin parameters.

Furthermore, in the last part of the year, the CNMV reviewed the activity of non-resident clients, whose share in the traded volume was increasing. These clients accounted for 2.7% of the total market volume in 2013, although in some months this figure exceeded 10%.

Warrants, certificates and other products

The supervisory activity in the warrants segment focused on intraday trading preceded by transactions on the spot market, as well as trading prior to publication of significant information. The CNMV also continued to closely monitor compliance with the obligations of specialists in the segment.

Key new aspects of MiFID II in the area of markets

EXHIBIT 10.2

On 14 January 2014, the European Parliament and the Council reached an agreement on updated rules for markets in financial instruments currently established in the MiFID. The amendment to this Directive will be substantial and will be carried out through two legal texts – one new directive and one regulation – both based on two legislative proposals made by the European Commission in 2011.¹

The new legislation, known as MiFID II, is based on the same principles which previously inspired Directive 2004/39/EC, which include investor protection, transparency, increased competition, a level playing field and the integration of European markets. It aims to correct insufficiencies detected since entry into force of the current Directive and, above all, to meet the challenges set by the financial crisis.

The main new aspects in the field of markets provided for in the agreement between the European Parliament and the Council are as follows:

- The regime for trading infrastructures is amended and the trading of shares and derivatives through recognised trading venues is promoted.

MiFID II introduces a new market structure framework to ensure that trading, wherever appropriate, takes place on regulated platforms. With this aim, two key reforms are introduced: i) it ensures that investment firms operating an internal matching system for equity products (shares, ETFs, certificates, etc.) on a multilateral basis have to be authorised to operate as multilateral trading facilities; and ii) it introduces a new multilateral trading venue – the Organised Trading Facility (OTF) – which is added to systematic internalisers, regulated markets and multilateral trading facilities (MTFs). Non-equity instruments will be traded on OTFs.

The new legislation will ensure the neutrality of the operators of the three types of trading venue with regard to the transactions executed on their platform. Trading on regulated markets and MTFs is executed in accordance with predetermined rules. Given that these two types of platform may compete with each other to attract participants, the reform ensures that there is a level playing field for both. The neutrality of OTF operators is ensured through restrictions on the use of own capital through matched principal trading and discretion in their execution policy, among other measures.

This new framework establishes a trading obligation for shares on recognised trading venues, as well as for those derivatives which are eligible for clearing under the EMIR and which are sufficiently liquid.

- It promotes competition between trading and clearing infrastructures.

MiFID II establishes a harmonised framework for non-discriminatory access to trading venues and central counterparties. The former will have to send the necessary trading data to all the central counterparties which request it and the latter will in turn have to give access to their services to any platform which requests it. In addition, owners of benchmarks or indices will allow access to their data and calculation methodology.

- Equity market transparency is increased and transparency requirements are introduced in bonds and derivative products.

Equity platforms were already subject under Directive 2004/39/EC to pre- and post-trade transparency. These requirements are now strengthened by several measures including a review of the criteria for determining waivers.

What may be a more significant new aspect is the extension of the transparency requirements to platforms on which non-equity instruments,

such as bonds and derivatives, are traded. In this case, waivers are available for large orders, for request for both quote and voice trading. The post-trade transparency requirements are applicable in trading of any financial instrument, with the possibility of deferral as appropriate.

Similarly, trading venues are required to make pre- and post-trade data available to the public on a reasonable commercial basis, thus enhancing effective consolidation and disclosure of trading data. In addition, the new legislation establishes an approved reporting mechanism and authorised publication arrangements to ensure effective supervision.

- It strengthens supervisory powers over commodity derivative markets.

In line with G-20 commitments, MiFID II introduces a harmonised position-limits regime for commodity derivatives to improve transparency, support orderly pricing and prevent market abuse. ESMA will set the methodology for calculation for imposing limits applicable to individual positions. Similarly, it also establishes a position-reporting obligation by category of trader so that supervisors and market participants may have better information on the functioning of these markets.

- It introduces controls on algorithmic trading.

Given that this type of trading has dramatically increased the speed of trading, thus posing risks for orderly functioning of the market which may be considered systemic, MiFID II requires all algorithmic traders to be properly regulated and to provide liquidity when pursuing a market-making strategy. In addition, investment firms which provide direct electronic access to a trading venue will be required to have systems and risk controls in place to prevent trading that may contribute to a disorderly market or involve market abuse.

1 Proposal for a Directive of the European Parliament and of the Council on markets in financial instruments repealing Directive 2004/39/EC, of the European Parliament and of the Council, and Proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EMIR) on OTC derivatives, central counterparties and trade repositories.

Iberclear

The CNMV is responsible for supervising the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, known commercially as Iberclear, while the respective Regional Governments are responsible for supervising the central securities depositories of Barcelona, Bilbao and Valencia.

As part of the daily supervision of settlement processes, the CNMV carries out individual monitoring of Iberclear participants to analyse their settlement efficiency. As part of its control duties, the CNMV analyses delays, buy-ins, levels of lending and failed settlements by monitoring each one of the settlement cycles and the level of use of multilateral accounts by each participant.

As indicated in Chapter 5, the number of transactions settled by Iberclear only varied slightly on the previous year, with a fall of 2.1% in terms of the nominal amount and a rise of 0.8% in terms of the effective amount. Efficiency levels in the system, measured by the delays in settlement of transactions, fell slightly, both in terms of the number of transactions and the settled amount. However, failed settlements remained at very low levels and therefore the system's efficiency remains very high compared with other major markets.

Following the lifting of the ban on establishing or increasing short positions on financial sector securities, whether covered or uncovered, which was in force until 31 January 2013, the CNMV conducted a thorough analysis of the evolution of the positions in affected securities, taking into account Regulation (EU) No. 236/2012, which entered into force in November 2012. The bulk of the registered incidents were technical, and not considered significant. The CNMV continued to pay attention to detecting naked short selling, both that resulting from the delivery of securities from loans registered on the same, or a later, date to that of the sale, and those generated in the context of intraday trading.

In this context, the CNMV paid special attention to the settlement of stock market trading with Bankia shares between 16 and 27 May, the days prior to admission to trading of the capital increase performed that month. Review of this trading led to the opening of several disciplinary proceedings for possible breaches of the Regulation on short selling.

Project for reform of the securities clearing and settlement system

Work on the process of reforming the securities clearing, settlement and registry system continued in 2013. The start of the Project for Reform of the Securities Clearing and Settlement System dates back to February 2010, with publication of a document submitted to public consultation. The general response from what may be considered a very significant sample of the European financial industry was clear backing and support for this initiative of the CNMV and the Bank of Spain, highlighting the aim of convergence as soon as possible with the practices followed in similar countries.

There were two extremely important milestones in this process for the CNMV over 2013. The first was the publication of the document entitled *Reform of the Registry, Clearing and Settlement System*, which provided information on the main progress made in developing the new securities clearing, settlement and registry system in the Spanish market. The document contains the main elements of consensus achieved in the reform process, which have made it possible to close the design stage of the new system and start the subsequent development stage.¹

The document was structured into three sections: The first section summarises the main changes introduced by the reform and lists some of the resulting operational modifications; the second section, entitled “Central counterparty (CCP) for equities”, describes the functional features and main characteristics of the services which the future CCP will operate as well as how it will fit operationally into the post-trade functionalities of the Spanish market; finally, the third section, entitled “New Registry and Settlement System”, describes the scope, content and functioning of the new registry and settlement system, the procedures for notification on matching transactions and the functioning of the new settlement system based on balances.

The second of the two milestones in 2013 was the holding by the CNMV of the 1st Conference on the Reform of the Securities Registry, Clearing and Settlement System, with the aim of reporting on the status of the work in progress, as well as to discuss the future outlook for post-trading systems in the Spanish market. The discussions were organised in thematic tables which addressed, among other issues, the practical aspects relating to the opportunities that the reform will bring, the functionalities of the CCP, the new security settlement system by balances in the context of TARGET2-Securities (T2S) and significant aspects of maintaining the new securities registry system.

Finally, it is important to highlight that, although the work performed in 2013 has made it possible to make significant progress and cover important stages, a great deal of work remains to be done and the deadline is very tight. The first stage – migration of the equity settlement platform to the new system – will take place between 7 and 9 October 2015. The second stage – reduction of the current settlement period of three days to the two days established in the Central Securities Depositories Regulation – will take place in November 2015. The final stage – migration of the CADE platform to the new system and Iberclear joining T2S – will take place in February 2017.

A significant area in which progress will need to be made in 2014 is modification of the regulations of the Spanish market and post-trading infrastructures. In this regard, the CNMV plans to collaborate with the governing bodies of the markets and with the Ministry of Economic Affairs and Competition in order to drive approval of a new Regulation of the Sociedad de Sistemas and a new Stock Exchange Regulation (the current Regulation has been in force since 1967).

1 The document was drawn up under the control of the Coordination Committee, which was created to lead the tasks to be performed in the reform process, provide guiding criteria and ensure completion of the work by the established deadlines. This committee is chaired by the CNMV's Vice-Chairperson and includes representatives of the Bank of Spain, Bolsas y Mercados Españoles, the Spanish Banking Association, the Spanish Confederation of Savings Banks, the General Investment Guarantee Fund and the main participants in settlement activities.

In August 2013, the Ministry of Economic Affairs and Competition authorised the split of the former MEFF Productos Derivados into two companies: the market governing company, which operates under the commercial name of MEFF Exchange, and BME Clearing, which provides clearing and counterparty services on its own account. The authorisation process required a significant effort by the CNMV to verify adaptation of the CCPs to the requirements of the new European legislation (EMIR).

The CNMV closely monitored the transactions of MEFFRepo and MEFFPower registered in BME Clearing, which are segments in which activity continued to increase in 2013. In the case of the former, special attention was paid to the terms of the transactions and the concentration of debit and credit positions opened by the different entities. The CNMV also analysed the trading based on registering identical sell-buybacks and buy-sellbacks but of opposite signs between two entities, i.e. with the same trading date, the same initial value date and the same term on the same financial instruments for identical nominal and effective amounts.

As a consequence of some company reorganisations, the CNMV also monitored the process of reordering accounts and transferring positions.

The CNMV also analysed the evolution of open positions and the margins requested with the aim of verifying that they suitably cover the registered risk.

10.1.5 Reporting transactions executed in financial instruments (Section 59 *bis* of the Securities Market Act)

Section 59 *bis* of the Securities Market Act establishes that investment firms and credit institutions and the branches in Spain of the former which execute transactions in financial instruments are required to report them to the CNMV, at the latest on the business day following their execution. As indicated, the aim of transaction reporting is to facilitate the investigation of market abuse. The reporting may also help to supervise possible breaches of conduct of business rules, as well as to facilitate the study of certain market behaviour. In the case of transactions with financial instruments whose main market is a regulated market located in another country of the European Union, the information is passed onto the corresponding competent authority. The same happens in the case of transactions executed by branches of entities subject to the supervision of authorities in another country.

In 2013, the CNMV once again stepped up controls on compliance with this obligation and the quality of the reporting. As part of its supervisory tasks, in addition to issuing several general notifications to entities, the CNMV has individually analysed the transaction reporting of certain entities. The CNMV sent a total of 42 individual information requests in 2013, relating both to failures to comply with the obligation and the detection of faults in the content of the reporting.

The CNMV received over 121 million transaction registrations in 2013, an increase of 44% on 2012, from 145 entities subject to the rules. At least a significant part of the sharp increase in notifications is a result of supervisory efforts. In fact, 15% of the registrations received were channelled through the supplementary reporting files, which are used to cancel and rectify previous registrations, as well as to report

transactions which were previously omitted. A total of 167 files of this type were received with correctly completed information, a rise of 31.5% on 2012.

There was also a considerable increase in the sharing of information with other competent authorities in the European Union. The CNMV received over 128 million registrations sent by other regulators, 42.6% up on the previous year and, in turn, it forwarded approximately 27 million registrations, 19.4% up on the previous year.

It should be noted that in November 2013, the CNMV updated the Transaction Reporting Guide (*Guía de comunicación de operaciones a la CNMV*), which was published the previous year, in which it establishes recommendations aimed at facilitating application of the rules. The guide was updated in order to incorporate certain clarifications requested by the sector with regard to reporting OTC derivatives. It is also important to highlight that the reform of the MiFID will lead to a substantial revision of EU legislation on this matter, as indicated in Exhibit 10.3.

The obligation to report transactions executed in financial instruments in the reform of the MiFID

EXHIBIT 10.3

The obligation to report transactions executed in financial instruments was introduced into EU legislation by the MiFID in 2004 and subsequently implemented by Regulation 1287/2006.¹ In these pieces of legislation, the obligation affects financial instruments admitted to trading on a regulated market. The main aim is to provide competent authorities with information on the transactions performed with these instruments, which helps to fight market abuse. The obligation has been in force in Spain since 2007, the year in which the MiFID was transposed by means of Law 47/2007, of 19 December, which amends the Securities Market Act 24/1988, of 28 July. As indicated above, this rule is provided for in Section 59 *bis* of the Securities Market Act.

It is important to highlight that Spanish legislation incorporates certain elements that go beyond the minimum requirements provided for in EU legislation in this matter. In Spain, mandatory reporting affects transactions executed in financial instruments admitted to trading both on official secondary markets (regulated markets) and on multilateral trading facilities. The transactions must be reported irrespective of whether the instruments have been traded inside or outside these trading venues. Since 2009, the CNMV also requires contracts in OTC derivatives to be reported when the underlying assets are financial instruments admitted to trading on regulated markets or MTFs. In addition, unlike other jurisdictions where this data is not mandatory, in Spain the identity of the client on whose behalf the transaction has been executed must be provided.

In May 2007, the Committee of European Securities Regulators – the predecessor of the current European Securities and Markets Authority (ESMA) – considered it necessary to give recommendations to facilitate more harmonised application of the legislation in view of the operating differences in different financial markets relating to the scope of application of the obliga-

tion and the types of instruments included and other particular features of the different legislations of the Member States.² Similarly, both Spain and other countries have drawn up criteria or recommendations aimed at facilitating compliance with the obligation. These guides provide clarifications about technical and operating aspects of reporting which need to be updated periodically so as to take into account the evolution of the financial industry. In the case of Spain, the CNMV published its first guide in September 2008. The current Transaction Reporting Guide (*Guía de comunicación de operaciones a la CNMV*) dates from October 2012, having been subject to an update in November last year.

Accumulated experience has demonstrated that the information provided to supervisors through this reporting is insufficient as regards the current regulation. The deficiencies in reporting relate both to the instruments subject to the reporting and the types of trading included. During the financial crisis, the lack of information was particularly noticeable with regard to transactions executed outside trading facilities, in particular those corresponding to OTC derivatives.

The reform of the MiFID, which is expected to be finally approved very soon, will introduce significant modifications in the regime for mandatory reporting, which will be regulated in the future Markets in Financial Instruments Regulation. This legislation will considerably extend the instruments subject to reporting and the information to be included about the details of the transactions. The aim is for the future legislation to establish a harmonised reporting framework so that reporting obligations are common throughout the European Economic Area.

The future legislation establishes new reporting obligations, which include the following: identification of the final customer; indication of short sales, as well as transactions benefiting from pre- and post-trade transparency waivers; and identification of algorithms used by operators of financial institutions which have participated in the transaction. It also grants a mandate to ESMA to draw up the necessary technical requirements for transaction reporting. The standards must determine which categories of financial instruments will be reported, what transactions and executions are subject to reporting for these purposes and how this obligation will be applied to the branches of investment firms, among other issues.

The substantial increase in reporting provided for in the reform of the MiFID demonstrates the importance given to the reporting of transactions in financial instruments as a tool for ensuring market integrity. The aim is for supervisors to have full and coherent information, reported in a timely manner by the entities subject to the rules, which will reflect how the transaction was actually executed, in a harmonised manner throughout the European Union.

1 Commission Regulation (EC) No. 1287/2006, of 10 August, implementing Directive 2004/39/EC, of the European Parliament and of the Council, as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive.

2 CESR (2007). *CESR Level 3 Guidelines on MiFID Transaction Reporting*, May Ref.: CESR/ 07-301.

10.1.6 Reporting suspicious transactions

The number of suspicious transactions reported to the CNMV in compliance with Section 83 *quáter* of the Securities Market Act rose by 17.1% on 2012, up to a level close to that seen in 2011. This increase is significant if we take into account the fact that the number of financial institutions has been falling as a consequence of the bank restructuring process.

65.3% of the reports received related to possible use of insider information. In over half these cases, the transactions were linked to the publication of significant events associated with major corporate operations. However, as in 2012, there was an increase in the number of reports indicating price manipulation.

With regard to the financial instruments affected, 18.5% of the reports corresponded to spot instruments issued in Spain. There was also a considerable increase in reports relating to derivatives, which were extremely low in previous years.

The reports of suspicious transactions in Spanish instruments received from other regulators accounted for 11.5% of the total, while those sent by the CNMV to other authorities accounted for 4.6%.

As in previous years, the CNMV informed the reporting entities about the quality of their reports with the aim of improving the information and the grounds for the reports. The reports are reviewed by considering the CNMV Criteria on Detection and Reporting of Suspicious Transactions, as well as on the criteria presented in the conferences on reporting suspicious transactions held in previous years.

The reporting of suspicious transactions will receive an important boost with the new Market Abuse Regulation (MAR) which will replace the current Directive on criminal sanctions for insider dealing and market manipulation (MAD). Exhibit 10.4 presents the main new developments introduced in the MAR.

The Market Abuse Regulation

EXHIBIT 10.4

On 10 September 2013, the European Commission announced that it had reached a political agreement for approval of the new Market Abuse Regulation (MAR) which will replace the current Directive on criminal sanctions for insider dealing and market manipulation (MAD). Its aim is to establish a common harmonised legal framework which facilitates the prevention, detection and sanction of market abuse conduct. This legislative initiative is accompanied by a proposal for a MAD.

The MAR aims to adapt Market Abuse Regulation to an environment characterised by the existence of new trading platforms, new financial instruments and new ways of trading. Similarly it aims to complement other legislation which has already been drawn up, such as Regulation 648/2012, of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories, which entered into force on 16 August 2012 (EMIR), or which are in the final stage of being drawn up, such as the new

Markets in Financial Instruments Directive (MiFID II) and the Markets in Financial Instruments Regulation (MiFIR).

The key aspects provided for in the new Regulation are as follows:

- The scope of application is extended (markets, products and indices).

In line with the MiFID II, the Regulation extends the rules on market abuse to the new types of markets and trading platforms. In this regard, organised trading facilities (OTFs) and OTC transactions fall within its scope of application.

In addition, coverage of the Regulation is extended to commodity derivatives, as well as the related spot commodity contracts and emission allowances. It also includes manipulation of benchmarks as subject to sanction.

Finally, it is important to highlight that the Regulation makes explicit reference to conduct and orders, not only to transactions, as being subject to sanctions.

- Conduct which is subject to sanction, irrespective of the result, includes both the attempt to manipulate and the attempt to use insider information.
- The text includes accepted market practices as a type of “safe harbour”.

The accepted market practices will be established by each competent authority. The competent local authority must take into account, among other issues, whether they have an adequate level of transparency, whether they have a positive impact on market liquidity and whether they ensure a high degree of safeguards to the operation of market forces.

- Obtaining the “safe harbour” depends on the purpose of the buy-back programmes.

Specifically, the buy-back programmes must be linked either to the acquisition of shares for their amortisation or to conversion of debt instruments or to share option programmes granted to employees or the members of the administrative management and supervisory bodies of the issuer.

- It establishes that the competent authority may authorise an issuer to delay disclosure of relevant information in the event of systemic risk or if the delay is in the public interest.

This possibility would apply to financial institutions with the aim of preserving financial stability.

- It slightly reduces the requirements for issuers whose securities are listed on a multilateral trading facility classified as an SME growth market.

The MAR establishes that companies on this type of MTF will not be required to draw up insider lists, however such issuers should provide an insider list to the competent authorities upon request.

- It establishes a minimal framework of standardised powers for competent authorities.

It establishes a set of harmonised minimum supervisory and investigation powers for all the members of the European Union, which include access to records of telephone conversations, data traffic records, electronic communications and any other type of data of investment firms.

It also includes the power to request, in accordance with national legislation, data traffic records from telephone operators where a “reasonable suspicion” exists that such records may be relevant for a market abuse investigation.

- It introduces greater harmonisation of administrative sanctions.

The Regulation introduces greater and stricter harmonisation of administrative sanctions with the aim of discouraging so-called regulatory arbitrage.

- It obliges competent authorities to establish whistleblowing channels.

The text introduces the obligation for competent authorities to establish appropriate channels to receive information on possible breaches of the Regulation provided by persons who are not legally obliged to notify.

- In addition, the Regulation establishes the possibility that competent authorities may offer financial incentives to whoever provides this information. It regulates the activity known as market sounding.

With the aim of avoiding possible market abuse, the MAR establishes a set of rules which must be followed in the communications between the seller of a financial instrument and potential investors, when the former tries to gauge the possible interest of the latter in a possible operation which might involve providing insider information.

Requirements to apply a waiver to the delisting bid in the case of a prior takeover bid

Issuers which request delisting of their shares from the stock market must promote a takeover bid aimed at all the securities affected by the delisting at a price set in accordance with regulatory conditions except under situations for waivers provided for in Royal Decree 1066/2007, of 27 July, on rules applicable to takeover bids for securities

One of these situations requires that a bid must previously have been made for all the capital which shows the intention to delist the shares and in which the price is justified by means of a valuation report which uses rules equal to those applicable to a delisting bid. In this case, sale of all the shares must be facilitated by means of a purchase order at the prior bid price for at least one month in the half year subsequent to the end of the preceding bid.

In the voluntary bid for Vueling presented last year, the bidder intended to promote the delisting of the share under the aforementioned waiver and for this purpose it provided a valuation report. Following processing of the bid and examination of the valuation, it was concluded that the price initially offered could not be considered a fair price in accordance with applicable valuation rules and the bidder decided not to include the company's valuation report in the prospectus.

The bidder subsequently raised the price by presenting the corresponding modification to its bid. However, the waiver of the delisting bid was no longer applicable because the bid no longer included the mandatory valuation report.

Once the voluntary bid was finalised and in view of the result, the IAG Group decided to promote the delisting of Vueling, for which it made a new bid, this time adjusted to the regulatory requirements of a delisting bid. The company's valuation report made it possible to establish that the bid price, like the improved voluntary bid price, complied with the regulations established in the case of delisting.

Mandatory takeover bid of companies in financial difficulties

When a shareholder attains a controlling stake in a listed company which is in financial difficulties, it is not generally exempted from the obligation to make a takeover bid. Furthermore, in these cases, the bid price must be determined by applying the valuation methods provided for in the regulations for delisting bids.

Only if the acquisition of the controlling stake comes from the capitalisation of loans into shares and if the operation is designed to guarantee the company's long-term financial viability is it possible to request a waiver from the CNMV from the obligation to make a takeover bid.

In 2013, the CNMV studied the alternatives put forward by various companies in financial difficulties aimed at facilitating their recovery through the entry of an investor. It analysed the implications with regard to the obligation to make a takeover bid in order to take control of the company. One of these cases was Dogi, which

announced the offer of an investor to provide funds to the company providing there was no obligation to launch a takeover bid for the company. Finally, as already published in 2014, the investor plans to make a mandatory bid after providing the funds with which it will obtain a controlling stake.

10.3 The Market Monitoring Unit

The Market Monitoring Unit (Spanish acronym: UVM) is the investigation unit of the Directorate-General of Markets responsible for detecting market abuse practices. With this aim, the UVM performs in-depth investigations of situations which are considered to involve a significant risk of improper use of insider information or market manipulation practices. The UVM also checks other significant aspects in these investigations. In particular, it checks compliance with the obligations for safeguarding insider information by securities issuers, investment services firms, investment advisory firms and, in general, anyone who holds this type of information. It is also important to highlight that the UVM checks that entities which act as intermediaries in transactions with financial instruments report the suspicious transactions included under Section 83 *quáter* of the Securities Market Act to the CNMV.

Since its creation, the UVM regularly requests the collaboration of supervisors and regulators of other jurisdictions under the multilateral and bilateral agreements signed by the CNMV for enquiries, cooperation and sharing information. As in previous years, the regulator and supervisor of the United Kingdom was the main recipient of requests for international collaboration made by the UVM in 2013. There was also a noteworthy number of requests for cooperation made to supervisors in Switzerland and Malta, among other countries.

On completion of the UVM's investigations, the CNMV's Executive Committee decides whether to apply disciplinary measures. It decided to initiate two disciplinary proceedings resulting from these investigations in 2013. The proceedings were against five legal persons and were the result of actions relating to market manipulation.

In one of these cases, the manipulative practice consisted of the issuer making massive purchases, increasing trading on the demand side and taking a dominant position during periods in which the auction at the close of the session took place. Dominance of demand by a non-independent investor, such as the issuer itself, meant that the prices set in the closing auctions were not formed by the sum of orders from a wide range of investors. In addition, it was observed that the prices set by the issuer itself with its purchases during the auction period raised the trend of the open session.

In another case, a significant shareholder had made numerous purchases of shares of its investee. These purchases created a quasi-monopolistic situation in certain sessions, which led to an artificial increase in the price. The concentration of purchase orders in certain sessions led necessarily to an artificially high level of prices and an immediate fall in prices when this trading stopped, which cannot be justified on legitimate grounds. In addition, the manner in which these orders were entered into the market, following a progression of growing prices which constantly generated upward movements in the sales price, cannot be considered an accepted market practice.

In the two aforementioned cases, the investment firms which received the orders and executed the transactions did not report these transactions as suspicious in terms of market manipulation despite the intensity of the purchases and the movements which they caused in the price discovery of the shares. Consequently, in the disciplinary proceedings initiated the intermediaries have been accused of a failure to comply with the obligation to immediately report the transactions of their clients when there are reasonable indications to suspect market abuse to the CNMV.

The Executive Committee also decided to send a warning letter to two persons. One of these was sent to an issuer requesting that it modify its Internal Code of Conduct. In particular, the CNMV requested that the code should include rules which regulate the management of treasury shares, as well as measures and procedures to guarantee appropriate compliance and avoid conflicts of interest with regard to the persons responsible for management and control. The other warning letter was sent to a natural person so as to adopt the measures necessary to guarantee compliance with current market abuse legislation so that his/her trading did not present indications of practices aimed at distorting free price discovery.

Last year, the CNMV gave priority to preventive supervisory activities both relating to investment services and to collective investment schemes. In the first case, the CNMV paid particular attention to the marketing of investment products to retail customers, especially in relation to compliance with the obligations to evaluate the client and to provide information on the product.

In the second case, the supervisory activity focused on preventing conflicts of interest and providing investors with information. In particular, the CNMV carried out initiatives relating to mutual funds with a non-guaranteed specific target return, which saw a sharp growth both in number and in assets in 2013 (see Chapter 6 and Exhibit 11.1). The aim of these initiatives was to ensure that investors did not confuse these CIS with guaranteed funds.

11.1 Investment services firms

The CNMV supervises compliance with the prudential requirements and conduct of business rules of investment services firms referred to in Section 64 of the Securities Market Act, i.e. broker-dealers, brokers, portfolio management companies and financial advisory firms. It also supervises credit and savings institutions with regard to compliance with conduct of business rules in their activities as investment service providers (Section 65.1 of the Securities Market Act), as well as CIS management companies, which may also provide some services of this nature if they have the correct authorisation (Section 65.2).¹

As indicated, in 2013 the CNMV made an effort to strengthen preventive supervisory actions in the field of investment service providers so as to detect and control problems for investors as soon as possible. In this context, the marketing of complex products to retail clients once again accounted for a substantial part of the CNMV's supervisory activities.

The CNMV sent out a total of 1,170 deficiency letters to supervised entities, 15% up on 2012. 71% of these letters originated from off-site supervision, while the rest originated from on-site inspections. Table 11.1 presents a breakdown of the deficiency letters by subject. As shown, almost half of the letters fall under the heading "Other notifications", which includes informative letters addressed to the sector (which includes those relating to the procedure for sending electronic deficiency letters), notifications to other bodies and other documents.

1 Specifically, CIS management companies may provide discretionary and individualised management of investment portfolios, advice as regards investment and custody and administration of the units of mutual funds and, as the case may be, the shares of investment companies.

Supervision of investment firms and credit and savings institutions: deficiency letters sent by the CNMV in 2013

TABLE 11. 1

Type of deficiency letter	Off-site	On-site	Total
For late filing of information	137	22	159
Requests for information	171	204	375
Corrective measures or recommendations	36	47	83
Other notifications	492	61	553
Total	836	334	1,170

Source: CNMV.

11.1.1 Conduct of business rules and organisational requirements

Principal activities relating to the marketing of complex products to retail clients

As indicated, the CNMV focused a large part of its supervisory activities on the marketing of complex products to retail clients. In particular, it paid special attention to the procedures for assessing whether the products offered matched the clients (appropriateness and suitability tests depending on the service provided). The CNMV also focused on reviewing compliance with obligations on information provided on the financial instruments marketed both before and after the provision of investment services.

Within the framework of the preventive actions established in the 2013 Plan of Activities, the CNMV reviewed the placement processes of issues of complex products to retail investors, the strengthening of information obligations relating to mutual funds with a specific target return and a review of the advertising of various entities regarding contracts for differences (CFDs). Similarly, in the second half of 2013, the CNMV began a horizontal review of compliance with the new mandatory reporting obligations contained in Section 79 *bis* of the Securities Market Act and implemented by means of Circular 3/2013.² The conclusions of this review will be passed onto the entities in the first few months of 2014.

The CNMV requested a representative sample of entities in the sector to send monthly data on the operations of retail clients, grouped by product type, together with the complaints received. The aim is to assess whether it would be advisable for the CNMV to collect information more than once per year and, where appropriate, to determine how the information should be broken down. Over 2014, the CNMV will assess the usefulness of the information received, together with the 2013 annual confidential statements. Should the CNMV consider it necessary, it will put forward an amendment to Circular 1/2010 on confidential reporting of entities which provide investment services.

In 2013, the CNMV also continued analysing the procedure for matching transactions in hybrid instruments between clients of credit institutions. This analysis began in 2011. Practically all the planned reports on this matter have been completed.

² CNMV Circular 3/2013, of 12 June, on implementation of certain information obligations relating to the financial instrument appropriateness and suitability test for clients of investment services.

Similarly, the CNMV continued with its work to determine the criteria applicable to the information to be provided on the management of conflicts of interest when the clients of a financial institution contract structured products or OTC derivatives issued by the financial institution itself. As part of this supervisory work, the CNMV carried out a consultation with financial institutions.

It should be pointed out that in 2013 ESMA approved a decision on complex products which includes some of the good practices which the CNMV had already been recommending.³ As a result of its involvement in the activities of the firms which provide investment services, we can highlight the following: i) firms must abstain from recommending the purchase or, even, the marketing of products if they believe that, based on their analysis, they might breach the principle of acting in the best interest of their client; ii) firms must evaluate whether complex instruments are sold on an advised or non-advised basis, bearing in mind that it is good practice for structured products and OTC derivatives to be sold on an advised basis; iii) firms must ensure that their staff have the knowledge necessary to understand the features of the marketed products and that these products are appropriate for the client's characteristics and circumstances; and iv) authorities should encourage firms to disclose information on the total amount of costs and charges applicable in terms of cash value and include an indication of the relative impact of charges on future investment performance. With regard to this last point, ESMA indicates that clients could be provided with an indication of the disinvestment value immediately after the transaction, assuming that market conditions remain unchanged. It also indicates that it is recommendable for retail clients to be informed of possible difficulties in obtaining liquidity and the potential consequences of seeking to sell or exit early, in particular, the impact that commissions or exit charges may have on the amount that the client receives.

One issue that is not covered in the ESMA opinion but which is relevant for achieving adequate investor protection is including the cash value (market value or, failing that, an estimate of the instrument's fair value) in the periodic information sent to the client. When this is done, the estimate of the theoretical value should be in line with generally accepted methodologies and should be consistent with those used to assess the entity's own position in similar instruments.

Other supervisory actions relating to conduct

With regard to the routine analyses performed in 2013, the reviews largely focused on order receipt, transmission and execution services, and financial advice and portfolio management services.

From the inspections carried out, the CNMV was able to identify several incidents, some of which were of particular importance as they affected complex instruments. Noteworthy among the incidents detected were the following: i) recommendations

3 The opinion according to Article 29 of Regulation 1095/2010, of the European Parliament and of the Council, of 24 November 2010, establishing a European Supervisory Authority (European Securities and Markets Authority), where it is established that this organisation should play an active role in ensuring uniform procedures and consistent approaches in supervisory matters. The opinion includes minimum expectations with regard to the conduct of firms when selling complex financial instruments both on an advised and a non-advised basis. In the opinion of ESMA, these minimum expectations should be taken into account by national authorities in their supervisory work.

for inclusion in managed portfolios of classes of shares of foreign CIS with less beneficial economic conditions than others which the client could have accessed; ii) deficient design in the appropriateness and suitability test, as well as insufficient rigour in evaluating the results; iii) lack of analysis of appropriateness in certain complex products as a result of errors in product classification; iv) inaccurate information provided to the clients about the result of the appropriateness test performed or lack of supporting documentation of the warnings as regards inappropriate or unassessed transactions; v) processing of transactions in non-complex instruments without an appropriateness test, generally assuming that the transactions were performed at the initiative of the client; vi) deficiency in the provision of advisory services and discretionary portfolio management (for example, the absence of the suitability analysis or mismatching of the client's risk profile and the risk of the products or portfolio under advice), as well as in the recording of recommendations (including, in some cases, a failure to record the recommendations); and vii) absence of information on the market value or fair value of some of the clients' investments, mainly hybrid instruments, structured products and OTC derivatives. It is also important to point out that various entities were requested to make additional efforts to identify and appropriately manage conflicts of interest in providing investment services.

Similarly, the inspections revealed weaknesses which could affect compliance, such as entities failing to establish adequate procedures and controls to ensure that their staff comply with their duties and entities failing to adopt the necessary measures to address the detected deficiencies in time.

Noteworthy among the aforementioned incidents was that relating to the classes of shares of foreign CIS, which have been detected in several of the inspected entities. This has led to the start of disciplinary proceedings as the CNMV had already made a public notification about this type of incident in 2009. As indicated, the entities recommended share classes – or they were included in the client portfolios which they managed – which involved higher distribution or management fees than in the case of other share classes in the same compartment of the CIS which the client could have accessed. However, the entities did not apply a subscription fee or they did so by setting it irrespective of the subscribed share class, i.e. applying the same subscription fee to all share classes. Furthermore, the entities received from the corresponding management companies incentives in the form of a percentage of the management and distribution fee.⁴

The entities which acted in this manner received incentives which are not allowed according to Article 59.b), section ii) of Royal Decree 217/2008,⁵ and thus failed to comply with the obligation to act with diligence in the interests of their clients as established in Section 79 of the Securities Market Act.

With regard to the reviews which affected financial advisory firms in 2013, it should be highlighted that in one of these firms the CNMV detected differences in the recommendations made to clients with the same profile which were not sufficiently justified.

⁴ These incentives are known as "rebates" in the jargon of the sector.

⁵ Royal Decree 217/2008, of 15 February, on the legal regime for investment firms and other entities that provide investment services, which partly amends the Regulation of Law 35/2003, of 4 November, on collective investment schemes, approved by Royal Decree 1309/2005, of 4 November.

Verification of organisational requirements

As in previous years, the main incidents detected under this heading related to weaknesses in the performance of control functions, basically as a result of entities not exercising the internal audit function independently from the other functions. Similarly, new deficiencies were observed in the maintenance of order registries.

Reports on client asset protection

In 2013, the CNMV reviewed the reports on client asset protection (hereinafter, IPACs) for 2012. IPACs are regulated by CNMV Circular 5/2009⁶ and are prepared by the external auditors of investment firms and other entities which provide custody services, client asset administration services, or discretionary and individualised portfolio management services. A total of 270 IPACs were received, as shown in Table 11.2. The review did not reveal any serious incidents which might indicate the existence of imbalances in assets belonging to clients.

Reports on client asset protection (IPACs)

TABLE 11.2

	2012		2011	
	No. of registered entities	No. of exempt entities ¹	No. of IPACs	No. of IPAC
Spanish credit institutions	155	32	123	134
Broker-dealers and brokers	87	28	59	61
Non-EU branches of credit institutions	7	5	2	2
Portfolio management companies	6	1	5	5
CIS management companies	105	79	26	19
Total	360	175	270	221

Source: CNMV. (1) Entities which do not undertake activities subject to the review of organisational requirements.

11.1.2 Prudential requirements

Supervision of the solvency of investment firms focuses on two main areas: on the one hand, the analysis of the economic-financial situation and the viability of the entity and, on the other, the risks associated with their activity. The bulk of this supervision is based on the information sent periodically to the CNMV, which is complemented by on-site inspections.

The CNMV continued to closely monitor the entities in which there have been incidents liable to affect their solvency. In general, the sector has ample own funds and only a few institutions have needed to strengthen them.

⁶ CNMV Circular 5/2009, of 25 November, which regulates the Annual Auditor's Report on Client Asset Protection.

In addition to the monthly controls on compliance with ratios, prudential supervision involves reviewing the capital and solvency self-assessment reports. Four years after this obligation entered into force, the reports contain a lower number of incidents, both in form and in content.

11.1.3 Regulatory changes

Partial transposition of European legislation on supervision and solvency of financial institutions

On 27 June 2013, the Official Journal of the European Union published Directive 2013/36/EU, of the European Parliament and of the Council, of 26 June, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. It also published Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, on prudential requirements for credit institutions and investment firms. This legislation adapts EU law to the prudential framework proposed by Basel III.

In Spain, Directive 2013/36/EU has been partially transposed to the Securities Market Act through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions. The transposition has focused on the issues which were considered essential and most urgent for application of European legislation as from 1 January 2014. It is likely that other legislative initiatives will be added to the aforementioned Royal Decree-Law in 2014. For its part, the CNMV plans to approve a circular in 2014 which implements, in the area of investment firms, the aspects which Regulation (EU) No. 575/2013 leaves to the discretion of the competent national authorities.

The main implications for investment firms are shown below:

- Scope of application: in general, all investment firms will be included in the new solvency legislation and will therefore be subject to compliance with the three pillars of Basel (minimum capital requirements, a supervisory review process and market discipline). However, an exemption will be provided for those entities which are only authorised to provide investment services of order receipt and transmission or investment advice, those which do not hold client funds or securities and those which are not authorised to provide the ancillary service of custody of securities.

Furthermore, those investment firms included in the above exception which, in addition, are authorised to provide the investment services of order execution or discretionary portfolio management will not be subject to compliance with pillars II and III. These entities will have the obligation to maintain minimum capital requirements (pillar I).

- Own funds, risk exposure and capital ratios: the own funds of investment companies will be made up of common equity Tier 1 capital (the highest quality), additional Tier 1 capital and Tier 2 capital. Investment firms must comply at all times with capital ratios, defined as a percentage of risk-weighted assets, set as follows: i) 4.5% for common equity Tier 1 capital; ii) 6% for Tier 1 capital (common equity plus additional); and iii) 8% for total capital (Tier 1 and

Tier 2 capital). Similarly, the own funds of investment firms may not be lower than the initial amount of capital required at the time of their authorisation.

The risks which need to be taken into account in order to calculate the risk-weighted assets are as follows: credit and dilution risk, counterparty risk, trading portfolio position risk, exchange rate risk, settlement risk, commodities risk, operating risk and credit valuation adjustment risk. This last one only affects OTC derivative instruments and is a new aspect compared with the previous legislation.

As from 1 January 2014, the indicator of five per thousand for managed portfolios is not used for the purposes of calculating own fund requirements.

- Capital buffers: in addition to the above ratios, investment firms which are not considered small or medium-sized enterprises and which are authorised to trade on their own account or to provide services of underwriting or placement of financial instruments on the basis of a firm commitment will have to maintain a capital conservation buffer of 2.5% of risk-weighted assets. They must also maintain a discretionary counter-cyclical buffer which will be specific for each entity. In addition, specific reserves are established for global systemically important institutions (G-SII) and for other systemically important institutions (O-SII), as well as a buffer against systemic risk.
- Liquidity requirements: Regulation (EU) No. 575/2013 establishes new obligations with regard to liquidity; specifically, compliance with a liquidity coverage ratio and a net stable funding ratio. Nevertheless, making use of discretionary powers which the regulation grants competent authorities, the CNMV intends to exempt Spanish investment firms from complying with these liquidity obligations until the European Commission establishes that they should be applied by means of the corresponding legislative proposal. Spanish investment firms must continue to comply with the liquidity requirements established in CNMV Circular 7/2008.
- Remuneration policies and practices: noteworthy among the new obligations is the setting of limits in the variable remuneration of employees whose activity has a significant impact on the institution's risk profile (variable remuneration is limited to 100% of the fixed remuneration or to 200% in the event that it was approved by the institution's shareholders).
- Leverage ratio: investment firms must calculate their leverage ratio every quarter, which is determined by dividing Tier 1 capital by the institution's total risk exposure. The latter is calculated as the sum of the exposure values of all assets and off-balance sheet items not deducted from the calculation of Tier 1 capital.
- Sending of information to the CNMV: The new solvency statements and the quarterly, half-yearly and annual statements must be sent by means of an XBRL file in accordance with the formats and technical specifications developed by the European Banking Authority (EBA).

Other new developments in the regulation of investment service providers

CNMV Circular 3/2013 on the implementation of certain information obligations relating to the appropriateness and suitability test for clients of investment services was published in June 2013. This circular implements some of the new developments introduced in Section 79 *bis* of the Securities Market Act in November 2012. Specifically, the circular establishes, as a manner of providing evidence of compliance with the obligation to provide information on the recommendations and evaluations performed, that entities should keep a copy of the submitted documentation signed by the client. In addition, it defines the content of the warnings which the investor must sign in each case and the specific text which the investor must write in his/her own handwriting together with their signature on each sheet if complex products are contracted.

The CNMV conducts close monitoring of the amendments introduced into the drafts of the two legal texts through which the MiFID reform will be implemented, i.e. the new Markets in Financial Instruments Directive (MiFID II) and the Markets in Financial Instruments Regulation (MiFIR). As indicated in Chapter 10, the European Parliament and Council reached an agreement at the start of 2014 on the content of this level I legislation. It should also be pointed out that the start of the preliminary work on drawing up the level 2 and 3 legislation has been started. Exhibit 11.1 provides a summary of the main new developments in the reform of investment service provision (the new developments in the field of markets are summarised in Exhibit 10.2).

In 2013, ESMA published guidelines on the remuneration of people involved in providing investment services. The CNMV informed ESMA of its intention to comply with the recommendations contained in the guidelines and disclosed its commitment through its website and by sending a notification to the main sector associations. Exhibit 11.2 describes the content of these guidelines in detail.

Finally, it should be pointed out that in 2013 the Proposal for a Regulation on a new key information document for investment products, presented by the European Commission in July 2012, was still being processed. The new regulation, which is framed within a wider initiative of the European Commission on investment products aimed at retail investors in which the return offered to the investor depends on the evolution of one or several benchmark assets or securities other than an interest rate, is expected to be approved in 2014.

Main new developments of MiFID II in the area of investment services

EXHIBIT 11.1

The proposals for a directive and a regulation amending the MiFID also introduce significant changes in the area of the provision of investment services aimed at enhancing investor protection and reducing the discretionary rules among Member States. The main new aspects are as follows:

- Various measures are introduced to strengthen investor protection.

To this end, the new legislation establishes various improvements in organisational requirements, specifically in the regime for client asset protection, in the requirements for marketing products and in the review of the role of management or administration bodies. With regard to the last point, it should be pointed out that the criteria of good repute and professional competence are extended to all the members of these bodies, and the proposals introduce new criteria, based on diversity, when selecting directors.

The conduct of business rules are strengthened by extending the scope of the suitability and appropriateness tests and including new obligations as regards information which must be provided to clients, such as in the case of cross-selling, in which clients must be informed whether it is possible to buy the different components separately and informed of the costs and charges of each component.

New rules are also introduced to distinguish independent advisory services from non-independent advisory services and limits are established to the incentives received from third parties with regard to advisory activities.

Similarly, ESMA is granted new powers to ban or restrict, under certain circumstances, the marketing and distribution of specific financial instruments (the EBA is granted similar powers in the case of structured deposits). The competent national authorities will also have this power although the conditions to be met and the procedure will differ.

- Some of the rules of the MiFID will also be applied to bank investment products and insurance.

The proposal calls for an amendment of the Insurance Mediation Directive with the aim that some rules of the legislation of markets in financial instruments (such as those for preventing conflicts of interest, information to clients or incentives) may be applicable to insurance-based investment products. It also extends the scope of investor protection provided by the MiFID for typical bank products.

- It establishes a new regime for administrative sanctions.

In parallel with the reform of the disciplinary regime for banking and insurance mediation, a new harmonised regime of administrative sanctions is introduced in order to make the sanctions more effective. In particular, the new legislation establishes requirements to publish sanctions and indicates criteria to bear in mind when deciding on the type and the amount. Similarly, cooperation between national authorities is strengthened in order to detect possible breaches.

- The regime for authorising the provision of investment services by third country companies is harmonised.

A harmonised regime is introduced for granting authorisations for third-country investment firms to participate in European markets subject to the third country receiving a positive equivalence assessment from the European Commission. It establishes a transitional period of three years in which national equivalence regimes will remain in force. The provision of services for the first time in any Member State must be conducted through a branch for individual clients and under the free provision of services regime for professional clients and eligible counterparties.

ESMA guidelines on remuneration policies and practices (MiFID)

EXHIBIT 11.2

In 2013, ESMA published the *Guidelines on remuneration policies and practices (MiFID)* which began to be applied on 1 February 2014. The aim of these guidelines is to ensure that the remuneration policies and practices of entities which provide investment services contribute towards compliance with the MiFID as regards the management of conflicts of interest and conduct of business rules. In particular, ESMA provides guidelines which should be taken into account in designing, implementing and controlling the staff remuneration systems of companies which provide these services. The guidelines are aimed both at providers and competent national authorities and are expected to contribute towards greater convergence in interpreting the requirements of the MiFID in this area, as well as in supervising its compliance.

The guidelines have been prepared under Article 16 of Regulation (EU) No. 1095/2010 of the European Parliament and of the Council, of 24 November 2010, establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC. This Regulation indicates that competent authorities and participants in financial markets shall do everything possible to follow the guidelines issued by ESMA. In addition, it states that competent authorities should indicate whether or not they intend to comply with them. The CNMV informed ESMA in November 2013 of its intention to do so and it will therefore bear in mind the guidelines when performing its supervisory activities. As indicated, the commitment was published through the CNMV's website and a notification in this regard was sent to the main sector associations.

Incorporation of the criteria established in the guidelines to the CNMV's supervisory procedures means that the CNMV will pay special attention to the potential risk of conflicts of interest and failures to comply with the obligation of acting in the client's best interest, both if these problems are the result of a lack of suitable controls and if they are the result of the design of the remuneration schemes and sales targets. The CNMV will also check whether senior management and the compliance function of entities are adequately involved in compliance with the legislation.

In the notification sent to sector associations, the CNMV urged the entities to review and, as the case may be, modify the remuneration systems and the

established controls and procedures. The aim is to prevent conflicts of interest by preventing incentives which may encourage those who receive them to favour their own interest to the detriment of the client's interests.

These guidelines are issued in the context of the agenda of reforms of financial regulation driven by the G-20, which previously identified inappropriate incentive systems as one of the causes of the financial crisis which was triggered in 2008. ESMA believed it was recommendable to develop this initiative, which already has precedents in the area of the European Union,¹ even though determining staff remuneration as a source of this type of conflict of interest is an aspect which will be implemented in MiFID II.

The guidelines apply to the remuneration systems² of all those persons involved in providing investment services (salespeople, advisers, managers, etc.), including their line managers, as well as related agents and whoever provides the services by delegation. The guidelines are essentially focused on the provision of investment services to retail clients, although they should be taken into account in the services aimed at other clients to the extent that they are relevant.

The ESMA guidelines transmit, above all, two basic messages. The first, which refers to the design of remuneration systems – in particular, determining the variable remuneration of people involved in providing investment services – is as follows: conflicts of interest must be managed so that the incentives do not favour the interests of said persons (including their superiors) to the detriment of the client's interests. The second message relates to the need for companies to establish adequate controls to comply with the requirements described and for them to review and, as the case may be, modify remuneration systems when they detect a potential or real harm for clients as a consequence of the system.

The practical aspects resulting from the ESMA guidelines which entities must review so that the remuneration systems and sales targets comply with the aforementioned criteria are highlighted below:

- When the total or partial remuneration is set based on sales volume, the parameters for determining remuneration must also be based on qualitative criteria which allow the interests of the firm and the employee to be in line with those of the client, without providing incentives to short-term criteria which favour the former to the detriment of the latter. The criteria to be considered include, of course, compliance with conduct of business rules (for example, application of correct procedures for the suitability and appropriateness test or providing adequate information to the investor, both in writing and orally), but also include the level of client satisfaction, the number of complaints, etc.

Firms must check that the margin obtained in the branches or any other element used to determine the variable remuneration of the staff in the sales network is not directly linked to the sale of a specific product or of a specific category of financial products. This is because it is unlikely that the entity will be able to demonstrate in this situation that it has

complied with the MiFID requirements on conduct and conflicts of interest. Firms must also pay special attention to complex remuneration systems or other factors which increase the risk of conflicts of interest, such as establishing minimum requirements for sales or other thresholds which might increase or reduce variable payments. Finally, firms must take into account the distribution method, the type of products offered, and self-placement or promoting the sale of products that are more lucrative for the firm.

- Remuneration policies and practices should be approved by senior management after receiving advice from the compliance function. Relevant persons should be informed of these policies in writing in a clear and transparent manner which is recorded and accessible.

The compliance function should be involved both in designing the remuneration policies and practices and in their subsequent supervision, verifying that the policies comply with the MiFID requirements. It is essential to establish internal mechanisms to report any breaches which are detected and to take the necessary measures to mitigate them.

- In general, when launching new products, firms should take into account their remuneration policies and practices and, in particular, whether these generate risks associated with conduct of business rules and conflicts of interest with regard to the product. Firms should appropriately document this assessment.

- 1 In December 2010, the Committee of European Banking Supervisors, predecessor of the current EBA, published its *Guidelines on Remuneration Policies* relating to the banking sector. Similarly, in 2013 ESMA published its *Guidelines on sound remuneration policies under the AIFM*.
- 2 Remuneration systems: all the amounts and benefits paid directly or indirectly by firms to persons involved in providing investment services. The remuneration may be financial (cash, financial instruments or loans) or non-financial (professional promotion, insurance, mobile telephones, etc.).

11.2 Supervision of collective investment schemes (CIS)

The CNMV's supervisory activity in 2013 with regard to CIS was also characterised by the special attention paid to preventive analysis. The main purpose of these analyses was to check whether CIS management companies are able to adequately comply with their obligations, correctly resolve conflicts of interest and provide sufficient information on investments to the unit-holders of mutual funds and the shareholders of investment companies (SICAVs).

The CNMV continued combining off-site supervision and on-site inspections. Off-site supervision is mainly focused on analysing the financial statements of the CIS and CIS management companies sent to the CNMV on a monthly and quarterly basis, respectively. This information includes a list of individual positions of the portfolio assets and the derivatives of the registered CIS. On-site inspections are basically focused on the more specific aspects of the CIS which cannot be reflected in standardised reporting models.

As a result of the supervisory actions conducted in 2013, the CNMV sent 1,596 deficiency letters to the supervised entities. As indicated in Table 11.3, a total of 537 deficiency letters corresponded to late filing of information – mostly CIS auditor’s reports – while another 135 related to requests for information necessary for supervision of the entities different from that which is generally available.

In addition, 630 letters were sent requesting the adoption of improvements to resolve the incidents detected during supervision. A further 294 other notifications were sent for different issues, but particularly in response to enquiries and, above all, those aimed at collecting the contact details of the entities.

Supervision of CIS: deficiency letters sent by the CNMV in 2013

TABLE 11.3

	Actions		Total
	Off-site	On-site	
For late filing of information	537	0	537
Requests for information	83	52	135
Corrective measures or recommendations	570	60	630
Other notifications	250	44	294
Total	1,440	156	1,596

Source: CNMV.

11.2.1 Supervision of prudential requirements and conduct of business rules

Supervision of CIS is basically conducted on two levels. One of these consists of performing general periodic analyses to ensure ongoing control over such aspects as the adequacy of resources and the internal controls of CIS management companies, the prevention of conflicts of interest, and compliance with legal and investment suitability ratios. The other level reviews consist of non-recurring analyses, whether general or specific, of issues which arise or are detected during the supervision process.

Periodic controls

The most important of these are the legal controls. CIS legislation establishes minimum requirements for portfolio diversification, it limits the types of assets in which the schemes may invest and it establishes minimum liquidity ratios so as to meet redemptions. In addition, the legislation requires that CIS maintain minimum assets and a minimum number of unit-holders and shareholders so as to ensure the collective nature of the CIS.

Bearing in mind the above, in 2013 the CNMV continued performing reviews aimed at ensuring compliance with the different limits and ratios established in the legislation. The most numerous incidents were the results of sudden failures to comply with diversification limits, i.e. those which are the result of circumstances beyond the control of the management companies, such as a reduction in assets as a result of redemptions or fluctuations in the value of assets due to market developments. The most numerous incidents also include failures to comply with minimum levels of assets, capital and unit-holders.

Controls over legal requirements were supplemented by analyses of the exposure held by CIS to fixed-income assets affected by the banking restructuring processes led by the Fund for Orderly Banking Restructuring (Spanish acronym: FROB). In particular, the CNMV analysed in each case the impacts on the net asset value of the swaps performed in the framework of these processes, as well as compliance with transparency obligations in these operations by the management companies (notification of significant events). It also verified the absence of significant exposures in the case of swaps in deposits or unlisted shares.

In addition to the above, the CNMV reviewed compliance with operational limits in derivatives trading. Given the many special cases and special obligations for reporting to the CNMV established in legislation, derivative trading was subject to specific analysis, based on the evolution of management companies with the aim of detecting weaknesses in their control systems.

In addition, the periodic analyses included controls based on detecting atypical or abnormal returns. The procedure followed for detecting these atypical returns consists of constructing a daily tracker index for each CIS. This index is used to calculate the theoretical return for each scheme which is then compared with the actual return. If the difference is statistically significant, the reasonableness or reliability of the net asset values attained is analysed. In the analyses performed in 2013 (over a universe of 1.4 million net asset values) 1,144 significant differences were detected, which were analysed individually by requesting clarifications from the CIS management companies when considered necessary.

The analysis of the net asset values in 2013 made it possible to detect weaknesses in the internal control and valuation procedures of some management companies, mainly relating to the valuation of currencies, as well as in the case of investments in other CIS and in OTC derivatives.

Special controls

Noteworthy among these controls were those relating to passively managed funds with a specific target return. As indicated in Exhibit 11.3, there was a sharp increase in the number of funds of this type in 2013, which in many cases replaced the former guaranteed funds by means of a modification of the scheme's investment policy. In its supervisory actions, the CNMV reviewed the structures of these funds both in the launch stage and then subsequently, as well as the evolution of the target return included in the prospectus. In addition, in July 2013 the CNMV issued a notification in which it announced a series of measures to strengthen transparency in the marketing of these products so that unit-holders would be fully aware that under this new investment policy the announced target return is not guaranteed. Similarly, it requested entities to avoid, as far as possible, amending the policies of guaranteed funds on maturity so as to transform them into funds with a non-guaranteed specific target return.

The CNMV continued performing analyses on the valuation and liquidity management of fixed-income investments held by CIS, which mainly focused on instruments which have shown a greater level of illiquidity during the financial crisis. In this case, the CNMV monitored the management companies in which weaknesses were detected in the valuation procedures for these instruments in previous analyses. The main aim of these controls is to avoid problems of equity between unit-

holders resulting from the net asset values applied in redemptions. The controls conducted in previous years, as well as the lower weighting of the assets with liquidity problems in the total assets of mutual funds, have led to a fall in the number of entities with deficiencies of this type.

The CNMV continued performing controls focused on the exposure of CIS to the sovereign risk of the countries most affected by the crisis in public debt markets in the euro area, even though tensions in these markets have fallen significantly, as indicated in Chapter 1. The analyses mainly focused on detecting non-compliance with the investment policy, deficiencies in the information provided to investors and possible conflicts of interest. As from the second half of the year, the number of incidents fell considerably.

Other noteworthy specific controls were as follows: i) analysis of the placement of public offerings of banking groups in the portfolios of CIS with the aim of verifying that the management companies have acted in the interests of the investors; ii) compliance with the requirements established in the UCITS Directive by the CIS which opt to operate under this Directive, as the deadline for adaptation was 1 July 2013; and iii) the numerous analyses performed on a specific entity (investment in unsuitable assets, calculation of commissions, allocation of expenses to funds, portfolio valuation, conflicts of interest, etc.).

Controls aimed at management companies

The off-site supervision of CIS management companies includes analysing: i) annual reports on compliance with the rules on the separation of the management company and depository, ii) audit reports and annual accounts, and iii) reports issued by the internal audit department of the CIS management companies on the level of compliance with internal control rules in said entities.

The CNMV also performs periodic controls on compliance with the level of own funds in CIS management companies. The increasing flexibility as regards own funds introduced by the new CIS Regulation, approved in the central months of 2012, led to an increase in the surplus of own funds in the sector, which continued in 2013.

In the on-site inspections conducted in 2013 special attention was paid to the treatment of securities purchase/sales orders on the account of the CIS. The procedures established by management companies should ensure that each transaction can be reconstructed so that it is possible to identify its origin, who the participants were, the nature of the transaction, as well as the date and place that it took place. Similarly, the on-site inspections also focus their attention on the organisational structure of the entities, especially to verify whether the units responsible for discharging internal control functions were able to exercise their activity with the necessary independence.

Trends in the mutual fund industry and their implications for supervision

EXHIBIT 11.3

As indicated in Chapter 6, the assets of mutual funds rose significantly in 2013 both as a result of the increase in value of the assets held in the portfolios and as a result of new contributions from investors. Net subscriptions were significant over the year and were concentrated above all in short-term fixed-income funds, especially funds which invest a high proportion of their portfolio in bank deposits (funds known as “*fondepósitos*”), and in passively managed funds. This last category is almost fully made up of funds with a specific target return. This target is set in terms of AER and at a specific term (generally between three and five years), but it is not guaranteed.

In the first half of the year, estimated net subscriptions totalled 9.46 billion euros, the equivalent of 7% of mutual fund assets at the end of the period. Net subscriptions corresponding to fixed-income funds accounted for 63% of the above amount, while 27.4% corresponded to passively managed funds.¹ The sharp growth of funds with a specific target return coincided with the significant redemptions in guaranteed mutual funds (this fund category suffered a net outflow of 1.22 billion euros in the first half of the year).

In view of the possibility that part of the net inflows recorded by funds with a specific target return came from the guaranteed mutual funds, the CNMV issued a notification on 12 July 2013 in which it announced a series of measures to strengthen transparency in the marketing of funds with a specific target return. The aim was to ensure, on an early basis and as a means of prevention, that unit-holders were fully aware that the indicated target return in these funds did not have the guarantee of a third party separate from the mutual fund.

In this notification, the CNMV urged entities to avoid, as far as possible, modifying the investment policies of guaranteed funds on maturity and replacing them by investment policies based on a non-guaranteed specific target return. This recommendation has so far been generally complied with across-the-board. In addition, the notification included mandatory measures to strengthen transparency in prospectuses, in the Key Investor Information Document (KIID) and in the notifications to unit-holders.

Similarly, the CNMV reminded entities that, when they accept subscriptions and/or redemptions after the end of the period for marketing funds with a specific target return, they should carry out the following actions: i) adopt measures to avoid possible conflicts of interest between unit-holders that opt to subscribe or redeem, and the rest; and ii) adequately inform potential subscribers about the expected return of their investment at the time of the application.

There was a similar trend in subscriptions and redemptions in the second half of 2013. Net subscriptions amounted to an estimated 14.67 billion euros for mutual funds as a whole, 9.4% of total assets in the sector at the end of the year. The net inflow of funds was also concentrated in short-term fixed-

income mutual funds, with an amount equivalent to 53.3% of the total, and in passively managed mutual funds, which accounted for 47.3%.¹

The sharp fall in interest rates over recent months may have led investors towards greater diversification. In fact, over the period inflows had already been detected towards other categories with higher returns but also with higher risk, specifically long-term fixed-income mutual funds, mutual funds with mixed policies and mutual funds with guaranteed and non-guaranteed target returns with exposure to equity. Against a backdrop of very low interest rates, it cannot be ruled out that this budding trend will be consolidated in 2014.

¹ The sum of the shares of fixed income funds and passively managed funds in the net subscriptions for the year exceeds 100% as some fund categories recorded net redemptions.

11.2.2 Disclosure to investors

The audit report and annual accounts of the CIS must be sent to investors as part of the annual report. The regulation also establishes that these documents must be sent to the CNMV. Given the importance of this information, the CNMV pays special attention to compliance with the presentation deadlines, the formal requirements and, above all, any possible qualifications and emphasis of matter paragraphs included in the auditor's opinion. In 2013, as the effects of the financial crisis diminished, there was a fall in the number of qualifications and emphasis of matter paragraphs compared with previous years. It should also be pointed out that, for the first time, the CNMV received this information electronically, which meant that it could be made available to investors through our website much more quickly.

The supervision also paid special attention to the Key Investor Information Document (KIID) and the periodic public reporting. With regard to the former, it should be pointed out that an analysis was conducted on the calculation of the synthetic risk indicator included in this document. This data transmits (by means of a harmonised methodology throughout the European Union) the fund's level of risk on a scale from 1 to 7. The KIID will become an essential tool in marketing CIS and therefore accuracy in calculating the aforementioned indicator is of the greatest importance.

With regard to periodic public reporting, it is important to highlight the preventive controls to identify deficiencies in the information sent to unit-holders of guaranteed funds and funds with a non-guaranteed target return. In a notification sent to the sector in April 2012, the CNMV had already recommended, among other issues, that the periodic public reporting of guaranteed funds should include precise information on the evolution of the guaranteed target and on its implications on the net asset value, bearing in mind the evolution of the underlying asset and its relation to compliance with the guarantee. The notification was completed with the need to adequately inform investors about the existence of liquidity windows and possible losses with respect to the guaranteed target in the event that redemption takes place prior to maturity of the guarantee.

11.2.3 Supervision of management companies of hedge funds and funds of hedge funds

In 2013, the CNMV continued supervising the management companies of hedge funds and funds of hedge funds, as well as the funds which they manage. In the analysis of hedge funds, the controls were essentially focused on analysing the levels of risk of the hedge funds and compliance with structural requirements (minimum requirements with regard to assets and number of unit-holders or shareholders).

The financial crisis has led to a sharp reduction in the number of funds of hedge funds. The CNMV's supervision focused on monitoring the liquidation processes to verify whether the actions of the management companies were diligent and whether adequate information on these processes was provided to investors.

11.2.4 Supervision of CIS depositories

In 2013, supervisory actions were conducted, both on- and off-site, relating to the work of CIS depositories. In the first case, an analysis was conducted of the half-yearly reports on the supervision and oversight function of depositories, which the latter must send to the CNMV. CNMV Circular 3/2009, of 25 March, on the content of the half-yearly report on compliance with the supervision and oversight function of the depositories of collective investment schemes, indicates that depositories must include all the non-compliances with legislation or anomalies which have been detected in the management or administration of both financial and real estate CIS, together with any observations which the management company or, as the case may be, the SICAV may have made as a consequence of the depository reporting the anomaly. In reviewing these reports, the CNMV paid special attention to incidents involving valuations reported by the depositories, non-compliance with investment policy, transactions not made on a regulated market, and reconciliation differences of cash and securities balances. The CNMV also analyses whether the depositories are performing their functions correctly.

Off-site controls were also used in 2013 to assess compliance with the depository function in some credit institutions, focusing both on the function of custody of CIS assets and the supervision and oversight function with regard to the activity entrusted to the management companies. The CNMV also analysed the structure, resources and independence of this function within the organisation.

On-site inspections were conducted in depositories in order to primarily verify whether they had adequate resources to exercise the supervision and control function with regard to the activity of the CIS management companies. Similarly, the CNMV indirectly assessed compliance by the depository with its custody function, as well as the other functions imposed by legislation.

Specifically, in 2013 special emphasis was placed on verifying that the depository exercised adequate control over the availability of CIS assets which, for technical reasons, were not directly under their custody (for example, when the depository was not an entity attached to a specific clearing and settlement system). In general terms, the result of these verifications was satisfactory.

11.2.5 Supervision of real estate CIS

In the field of supervision of real estate CIS, the CNMV once again closely monitored the processes of the real estate funds which had agreed their dissolution. In particular, the CNMV analysed compliance with the legislation applicable to the process and verified that unit-holders were provided with proper information.

Significant importance was given to the Institute of Accounting and Account Auditing (Spanish acronym: ICAC) Resolution on accounting and measurement standards in the case of companies in liquidation (published in October 2013), due to its effects on the net asset value of the funds in liquidation.

With regard to other real estate funds, the CNMV monitored their liquidity, especially in the months prior to the liquidity windows, with the aim of anticipating problems when conducting redemptions. Due to the support received from the financial groups of real estate fund managers with regard to meeting the redemptions during the liquidity windows, only a small part of the assets of these funds was in the hands of investors outside the group.

11.3 Supervision of venture capital firms

The supervision of venture capital firms (funds and companies) as well as their management companies, focused on analysing compliance with mandatory ratios, specifically the investment ratio and the diversification ratio. The CNMV also performs controls to verify that the company maintains an adequate asset balance.

On an individual basis, the CNMV also analysed the information provided in 2013 in the reports with regard to the valuation methods used for different portfolio investments.

11.4 Supervision of securitisation fund management companies

Securitisation activity once again fell significantly in 2013, as indicated in Chapter 3. Consequently, and as it received no alarm with regard to these products, the CNMV did not carry out any on-site inspections of securitisation fund management companies, as was the case in 2012.

11.5 Collaboration in the prevention of money laundering

The CNMV continued sending to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Spanish acronym: SEPBLAC) in 2013 its reports on the level of compliance by intermediaries with money laundering prevention obligations. The reports related to entities which had been selected for review in collaboration with SEPBLAC in the previous year.

It is important to indicate that in 2013 both bodies agreed to modify the manner in which they conduct these inspections. Instead of assigning a supervision module for money laundering to a team of inspectors from the CNMV and that the latter should pass on its conclusions to SEPBLAC, it was decided that both bodies should conduct

inspections at the same time. This modification has made it possible to share knowledge and experience about the sector and the respective areas of supervision.

The CNMV also continued to report to SEPBLAC suspicious transactions relating to money laundering detected within its scope of supervision.

The number of complaints filed with the CNMV was once again high in 2013, although significantly lower than in 2012, when the number of complaints filed was five times higher than in 2011. The CNMV made a considerable effort to accelerate processing the complaints, which led to the number of complaints processed rising by 87% on 2012 and the number of outstanding proceedings at the end of the year consequently fell by 43%. As in previous years, most of the complaints processed were principally related to the information received by investors prior to contracting preferred shares and subordinated debt admitted to trading on Spanish markets.

The CNMV continued paying priority attention to financial education. In particular, this involved renewing the Financial Education Plan, promoted together with the Bank of Spain, up to 2017. In this new stage, both bodies will double their efforts to achieve the plan's objectives, which include the introduction of financial education in the school curriculum.

12.1 Claims management

Investors can file complaints with the CNMV for delays, failures to address their problems or other inadequate actions by entities or, claims for specific actions or omissions by entities which harm their interests and rights. Nevertheless, they must prove that they previously filed these complaints or claims with the customer care service and/or customer ombudsman of the entity in question with one of the following three results: i) the entity did not accept the claim or complaint for processing, ii) the petition was rejected or iii) the claim or complaint is not resolved within two months of it being filed.

In 2013, investors filed a total of 7,308 claims and complaints. Even though they fell by 33% on 2012, the claims or complaints filed remained at very high levels compared with 2011 and prior years. As indicated, the CNMV gave priority to dealing with claims and dedicated significant resources to this activity. As shown in Table 12.1, this effort led to a significant fall in the number of outstanding claims at the end of the year, which dropped from 6,377 in 2012 to 3,615 in 2013.

Claims and complaints submitted are not accepted if they do not comply with the acceptance requirements and these failures cannot be rectified or cannot be rectified in time. For this reason, a total of 1,685 claims and complaints were not accepted in 2013.

Even when they are accepted, the claim or complaint may be terminated early in certain cases without the CNMV issuing a final reasoned report. Of the total number of complaints and claims processed, 6.2% required no final reasoned report as they were accepted by the institution, 1.4% because the complaint was withdrawn and 19.1% as they fell outside the competence of the CNMV's Claims Service.

In the other cases, processing of the complaint or claim ended with the issue of a reasoned report which determined the existence, as the case may be, of a breach of legislation on transparency and investor protection, or that the entity's conduct referred to in the complaint was in line with good financial practice and customs. In 2013, the CNMV issued reasoned reports on 6,143 complaints and claims, 73.3% of those processed, an increase of 112.4% on the previous year. The claimants received a favourable report in 68.4% of the cases, while the remaining 31.6% received an unfavourable report.

Complaints processed broken down by type of resolution

TABLE 12.1

Number of claims and complaints

	2011		2012		2013		% change 12/13
	No.	%	No.	%	No.	%	
Filed	2,005	–	10,900	–	7,308	–	-33.0
Not accepted for processing	232	–	1,259	–	1,685	–	33.8
Processed without final reasoned report	372	17.1	1,587	35.4	2,242	26.7	41.3
Acceptance by the entity	187	8.6	372	8.3	519	6.2	39.5
Complaint withdrawn	16	0.7	80	1.8	120	1.4	50.0
Competence of other authorities	169	7.8	1,135	25.3	1,603	19.1	41.2
Processed with final reasoned report	1,806	82.9	2,892	64.6	6,143	73.3	112.4
Report favourable to claimant	1,218	55.9	2,214	49.4	4,199	50.1	89.7
Report unfavourable to claimant	588	27.0	678	15.1	1,944	23.2	186.7
Total complaints handled	2,178	100.0	4,479	100.0	8,385	100.0	87.2
Being processed at the end of the year	1,215	–	6,377	–	3,615	–	-43.3

Source: CNMV.

The bulk of the claims resulting in a final report in 2013 related to the information received by investors prior to contracting preferred shares and subordinated debt admitted to trading on Spanish markets (75.5% of total) and convertible products (11.9%). As shown in Table 12.2, the number of claims of this type resolved in 2013 was three times higher than in the previous year. In general, investors stated in these claims their objection to the fact that these products did not meet the client's investor profile and the lack or deficiency of the information provided about these products.

Incidents in the execution of securities purchase, sale or transfer orders fell by 39.3% on the previous year, although it should be indicated that this heading does not include the incidents on sales orders of preferred shares and subordinated debt in Spanish markets which are also mentioned in some of the claims referred to in the above paragraph. For their part, claims relating to orders of subscription, redemption and transfer of collective investment schemes (CIS) rose by 29.7% on the previous year.

Claims relating to commissions applied by intermediaries fell by 19.2% on 2012. As shown in Table 12.2, the fall affected both commissions for securities transactions (execution of stock market transactions, administration and deposit, transfer, change of ownership, etc.) and those relating to CIS (subscription, redemption, transfers, etc.).

The claims relating to information which entities should send about the financial instruments administered or kept in custody on behalf of their clients also fell. This information aims to enable clients to accurately monitor their positions in investment products, as well as the options and rights resulting thereof, with investors often claiming that they have not received the notifications or that they have received them past the deadline or only a short time before having to place the corresponding instructions. The fall seen in 2013 was concentrated in collective investment products, where this type of claim fell by 55.3% on the previous year. The most noteworthy claims under this heading were those relating to the notification of the mutual fund guarantee. Claims relating to securities in general rose by 4.3%, especially those related to notifications on flexible dividends.

Reasons for the processed claims and complaints resulting in the issue of a final reasoned report

TABLE 12.2

Number of claims and complaints

	2011		2012		2013		% change 12/13
	No.	%	No.	%	No.	%	
Prior information on the product and/or matching of the product to the client	1,311	72.6	2,444	84.5	5,790	94.3	136.9
Spanish preferred shares and subordinated debt	224	12.4	1,338	46.3	4,636	75.5	246.5
Convertible products	18	1.0	211	7.3	729	11.9	245.5
Financial swaps	671	37.2	383	13.2	45	0.7	-88.3
CIS	98	5.4	46	1.6	42	0.7	-8.7
Other	300	16.6	466	16.1	338	5.5	-27.5
Incidents in order execution	150	8.3	93	3.2	82	1.3	-11.8
Securities ¹	51	2.8	56	1.9	34	0.6	-39.3
CIS	99	5.5	37	1.3	48	0.8	29.7
Commissions	96	5.3	120	4.1	97	1.6	-19.2
Securities ²	59	3.3	98	3.4	81	1.3	-17.3
CIS ³	37	2.0	22	0.8	16	0.3	-27.3
Subsequent information on the product	96	5.3	94	3.3	70	1.1	-25.5
Securities	31	1.7	47	1.6	49	0.8	4.3
CIS	65	3.6	47	1.6	21	0.3	-55.3
Other reasons	153	8.5	141	4.9	104	1.7	-26.2
Total processed with final reasoned report	1,806	100.0	2,892	100.0	6,143	100.0	112.4

Source: CNMV. (1) Does not include incidents in the execution of sales orders for Spanish preferred shares and subordinated debt contained in some claims classified under the heading "Spanish preferred shares and subordinated debt". (2) Commissions for administration and custody, transactions, transfer and other securities commissions. (3) Commissions for subscription, redemption, transfer and other commissions relating to CIS.

Finally, the resolution of claims for other reasons fell by 26.2% on 2012. This section includes a wide variety of incidents, which include those relating to ownership of the contracts, handling probates, contracts for deposits and administration of securities, settlement and early cancellation of atypical financial contracts, portfolio management and exercising of pre-emption rights. The claims resolved for this last reason fell in 2013.

Monitoring of rectifications by entities

The reasoned report which the CNMV issues is not binding. However, if the report is favourable to the claimant, the CNMV requires that entities notify whether or not they accept the CNMV's criteria and, as the case may be, that they provide documentation demonstrating that the situation referred to by the claimant has been rectified. These notifications must be made in a period of one month following receipt of the report by the parties. If the entity fails to comply within this deadline, it will be deemed to have not accepted the criteria contained in the report.

The CNMV monitors the notifications to evaluate the entity's adaptation to conduct of business rules and good financial practices and customs, as well as the functioning of the customer care service and/or the customer ombudsman.

Of the 4,199 claims closed in 2013 with a favourable report to the claimant, in 12% of the cases the entities notified that they accepted the criteria and rectified the situation referred to in the report, while in 27% of the claims, the entities reported their disagreement with the report or informed about issues from which it cannot be deduced that they accepted the criteria or rectified the situation.

Especially significant claims

As indicated above, most of the claims resolved in 2013 referred to the information which entities provide to investors prior to contracting a financial product, mainly preferred shares, subordinated debt with certain characteristics and convertible products. As these are complex products, entities should collect information from the client on his/her knowledge and experience relating to these products and their risks (questionnaires to evaluate the appropriateness of the investment). In addition, if the entity is to provide portfolio management or investment advice services, it must also collect information on the client's financial situation and investment objectives (questionnaires to evaluate the suitability of the investment).

In the claims processed in 2013 it can be seen that entities did not always provide supporting documentation demonstrating that they had obtained information from the client prior to providing the investment service relating to such products. The CNMV has also detected cases in which the assessment questionnaires were not signed by the client or contain questions with responses which did not make it possible to deduce the appropriateness and suitability of the investment product or service provided.

The cases in which deficiencies were detected in the prior information provided on these products are based on the failure of entities to demonstrate that they gave the informative leaflet to the client or an equivalent document which includes a sufficiently detailed explanation of the features and risks of the product or service. In some cases, entities provided information which was not complete or did not fully match the product's characteristics and risks.

The processing of complaints, claims and enquiries was modified by entry into force, on 22 May 2013, of Order ECC/2502/2012, of 16 November.¹ This legislation has been implemented by means of CNMV Circular 7/2013,² of 25 September, which adapts it to the organisation and functioning of its Claims Service, as well as to the regulatory framework of the securities market.

This Circular specifies the requirements for making the complaint or claim, establishing that the claimants in their capacity as users of financial services must be retail clients or act in defence of the particular interests of retail clients.

Similarly, the Circular establishes measures to speed up the procedure for processing complaints and claims. It also establishes that certain procedures must be performed electronically, that in certain cases the entities against which the claim is brought should respond directly to the claimant and that the CNMV should make standard forms available to the public in order to file claims and complaints.

The sharing of documentation between the entity against which the claim is brought and the CNMV, as well as the filing of collective complaints and claims will be conducted through the CIFRADO/CNMV system. Both the statement and the rest of the documentation submitted to the CNMV by the entity against which the claim is brought must be sent simultaneously to the claimant, informing him/her of the deadline for exercising their rights to respond, about which the CNMV must also be informed for calculation purposes. The claim and complaint forms – which will match the standard models provided in the annexes to Circular 7/2013 – will be made available to the public at the premises of the CNMV, but the entity against which the claim is brought will also be required to make them available to the claimant when filing the prior complaint or claim.

The Circular specifies that the complaint or claim should clearly indicate the date on which the facts referred to in the claim took place. It also establishes various procedures, which include those relating to: i) the accumulation of collective proceedings, claims and complaints; ii) inadmissibility, suspension or extension of the resolution deadline; and iii) the processing of claims relating to facts in which several entities have participated.

With regard to enquiries, the Circular includes a standard form in its annex and determines the start of the period for addressing the enquiry.

Circular 7/2013 entered into force on 1 December 2013, except for the part relating to the electronic filing of claims, complaints and enquiries, which will enter into force as from 1 June 2014.

1 Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the claims services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds.

2 CNMV Circular 7/2013, of 25 September, regulating the resolution procedure for claims and complaints against companies which provide investment services and for addressing enquiries in the field of the securities market.

European consumer legislation

The alternative resolution of consumer disputes has been subject to regulation in the European Union as a result of approval of Directive 2013/11/EU, of the European Parliament and of the Council, of 21 May,³ and Regulation (EU) No. 524/2013, of 21 May.⁴

The Directive aims to ensure that consumers are able to file a complaint against traders with an alternative dispute resolution (ADR) entity providing the entity is independent and transparent and uses quick and fair procedures. The ADR entity may propose or impose a solution or bring together the parties with the aim of facilitating a friendly solution. By way of example, the directive mentions the FIN-NET alternative dispute resolution network in the field of financial services, indicating that this type of network should be strengthened in the European Union and the Member States should encourage ADR entities to become part of such networks.

The Regulation translates similar objectives to the field of online transactions, by establishing the creation of a European out-of-court online dispute resolution platform. The platform will consist of an interactive website offering a single point of entry available in all the official languages of the European Union which is easy-to-use and free of charge.

12.2 Enquiries

The CNMV responds to enquiries from investors on matters of general interest relating to the rights of the users of financial services and the legal routes for exercising such rights. These requests for advice and information are provided for in Article 2.3 of Order ECC/2502/2012, of 16 November. Investors are also given help in searching for the information contained in the official public registries of the CNMV and in other public documents which it publishes. The CNMV also responds to enquiries about issuers or doubts not referred to in the points above.

Investors can make their enquiries by post, email or by telephone. The CNMV dealt with 13,351 enquiries in 2013. Most of the enquiries were made by telephone (71.4%) and were dealt with by the operators of a call centre when the enquiry related to information contained on the CNMV's website (90.3%) or by CNMV technicians in the cases which required greater specialisation (the remaining 9.7%). The second most used method was the website form (20.7%) followed by ordinary post (8%).

As shown in Table 12.3, there was a significant fall in the number of enquiries in 2013. It should be taken into account that in 2012 there had been a sharp increase as a result of investors' doubts on the marketing of preferred shares and subordinated debt and the legal routes for exercising their rights.

3 Directive 2013/11/EU, of the European Parliament and of the Council, of 21 May 2013, on alternative dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC.

4 Regulation (EU) No. 524/2013, of the European Parliament and of the Council, of 21 May 2013, on online dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC.

Enquiries by mode of receipt

TABLE 12.3

The regulation and
supervision of
securities markets
Investor assistance

Number of enquiries

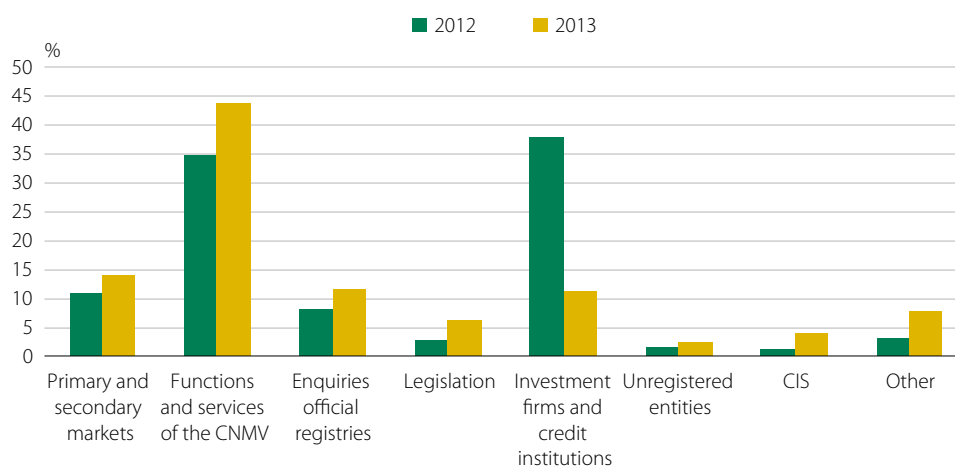
	2011		2012		2013		% change 13/12
	No.	% / total	No.	% / total	No.	% / total	
Telephone	8,417	71.6	14,126	67.3	9,532	71.4	-32.52
Postal mail	174	1.5	2,095	10.0	1,062	8.0	-49.31
Form	3,164	26.9	4,781	22.8	2,757	20.7	-42.33
Total	11,755	100.0	21,002	100.0	13,351	100.0	-36.43

Source: CNMV.

The enquiries in 2013 once again related to investors requesting information about registry information on entities, fees for investment services and significant events, among other information which is freely available to the public. They also requested information relating to the functions and services of the CNMV, as well as the status of the claims in progress, investor guides and factsheets, CNMV communications, statistics and publications.

Enquiries by topic

FIGURE 12.1



Source: CNMV.

Together with these recurring topics, investors made other enquiries on issues relating to the market situation or specific events, which include the following:

- The marketing of preferred shares and subordinated debt, often as a result of a lack of information during placement of the products contracted by retail investors. Many of these documents were submitted using a single format, which denotes the collective nature of the arguments presented.
- Doubts about holding new securities as a consequence of the swap and/or buy-back processes of certain hybrid instruments (mostly preferred shares) and subordinated debt under the plans adopted by the entities in compliance with Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions.

- The arbitration processes of hybrid instruments and subordinated debt of entities owned by the Fund for Orderly Banking Restructuring (Spanish acronym: FROB). Doubts about criteria, procedures, deadlines and alternatives.
- Subordinated financial contributions of Eroski Sociedad Cooperativa and of Fagor, Sociedad Cooperativa de Crédito, with regard to their current situation (receipt of the remuneration in view of the bankruptcy situations of the issuers or sale of the securities in the market) and possibility of the buy-back and/or swap of such securities.
- *Cuotas participativas CAM* [CAM participation shares], with regard to the current situation of illiquidity in view of the lack of market trading in the security.
- Implications and alternatives existing for shareholders of companies which are delisted or suspended from trading. Investors showed their discontent with holding these securities, which mostly involved them paying commissions for securities administration and custody.
- Trading of Bankia shares. The interested parties expressed that they were concerned and unhappy about the situation of the trading of the company's shares in the days prior to admission to trading of the securities resulting from the capital increase performed in May 2013.
- The merger by acquisition of Banco de Valencia, S.A. by Caixabank, S.A. Enquiries about the situation of the investors as shareholders of Banco de Valencia, S.A. and their new status following the merger with Caixabank, S.A.
- Delisting takeover bid. Investors generally rejected the prices offered for delisting takeover bids and, in some cases, requested information or clarifications about the valuation supplied by the independent experts in the delisting process.
- Dividend policy of listed companies. The increasingly common policy among listed companies of paying the dividend by means of a capital increase and giving shares has on occasion generated discontent among some shareholders and doubts focused on the actions followed by depositories when they did not receive express instructions from the investors.
- Pescanova, S.A. Enquiries were made about the company's situation and the future of its shares (suspended from trading) due to the bankruptcy procedure in which it is immersed and also in view of the reiterated demands by the CNMV for information on the balance sheet situation and for financial reporting due to the existence of possible indications of market abuse by the company, its directors or third persons. (CNMV Communications March/April 2013).

12.3 Investment Guarantee Fund (FOGAIN)

The Investment Guarantee Fund (FOGAIN) compensates customers who are unable to recover the money or securities entrusted to investment firms, except financial advisory firms, in the event of bankruptcy proceedings or declaration of insolvency by the CNMV. The fund's coverage also extends to the customers of discretionary

portfolio management services of CIS management companies. The maximum amount of the compensation following verification of the investor's net position stands at 100,000 euros. As indicated, the customers of financial advisory firms are not covered by the fund. Neither are the customers of foreign entities operating in Spain covered by the FOGAIN. These entities are attached to the guarantee funds of their home State, whose coverage may not be the same as that offered in Spain.

At year-end 2013, the FOGAIN had a total of 133 member entities, seven down on the previous year. Table 12.4 shows the breakdown by type of entity. As was the case in 2012, the largest drop in the number of member entities took place among broker-dealers and brokers.

Trend in number of member entities

TABLE 12.4

Type of firm	2010	2011	2012	2013
Broker-dealers/dealers	95	94	87	82
Portfolio management companies	6	6	6	5
CIS management companies	44	47	47	46
Branches of foreign entities	1	0	0	0
Total	146	147	140	133

Source: CNMV.

FOGAIN's assets totalled 70.8 million euros at year end, a rise of 11% on 2012. This increase, which took place as a consequence of the contributions of member entities during the year and the return on investments, was favoured by the absence of new claims, as in most of the previous years. In fact, since creation of the fund in 2001, independently from the claims which arose prior to that date and which were covered in application of EU legislation, FOGAIN has only had to intervene as a result of the initiation of bankruptcy proceedings of Sebroker Agencia de Valores, S.A. in 2010. Following the security and liquidity criteria set out in its regulations, the fund continued to invest its assets in public debt with different maturities, as well as repos contracted through various financial institutions.

The ordinary activity of the operator of FOGAIN was focused on the payment of compensation as well as the recovery of the amounts paid out. The compensation paid over the year affected customers of AVA Asesores de Valores, A.V., S.A.; Bolsa 8, A.V.B., S.A.; and Sebroker Bolsa, A.V., S.A. These payments were at a very low level as most of the customers of these entities had already been compensated in previous years. The bulk of compensation payments were aimed at customers with special situations relating to probate or the previous unavailability of the required documentation.

With regard to managing the recovery of the amounts paid out, FOGAIN is currently party to the voluntary insolvency proceedings of Sebroker, which are being conducted in Commercial Court No. 8 of Barcelona. This Court handed down a ruling in 2012 in which it ordered the directors of that entity to jointly and severally pay the asset deficit not covered with the resulting liquidation to the aggregate assets in the insolvency proceedings.

Following several years of legal proceedings, in 2013 FOGAIN managed to recover part of the money paid out as compensation to customers of Gescartera Dinero, A.V.,

S.A. Consequently, the Central Criminal Court No. 3 of the National High Court released in 2013 the amounts consigned in that Court as a result of the case documents for civil liability existing in said proceeding, which led to FOGAIN recovering 5.7 million euros.

FOGAIN set up a new website in 2013 (www.fogain.es) aimed both at investors in general and member entities. This new website has extended the contents of the previous website so as to provide a better service to those persons who wish to know more about the features of this fund. The website also now has more information in the area reserved for entities.

12.4 Investor education

12.4.1 Financial Education Plan

On 4 June 2013, the CNMV and the Bank of Spain signed the renewal of the Financial Education Plan, which both bodies started up in 2008. The renewal extends to the period 2013-2017.

With renewal of the agreement, the financial supervisors of markets and banks ratify their support for the first initiative launched in Spain to improve the financial culture of the general public. The Financial Education Plan also enjoys the collaboration of the General Secretariat of the Treasury and Financial Policy and of the Directorate-General of Insurance and Pension Funds.

The main objectives of the plan in this new stage, for which work in some areas started in 2013, are as follows:

- Introduction of financial education content in the education system.
- Improvement in financial culture relating to retirement and insurance.
- Promoting and encouraging the network of collaborators of the Financial Education Plan with these three objectives: i) reaching a greater number of citizens, ii) avoiding duplication of efforts, and iii) encouraging the sharing of resources.
- Public awareness of the existence and objectives of the Financial Education Plan. In this regard, the aim is to consolidate the *Finanzasparatodos* (finance for everybody) brand as the public image of the plan.
- Promoting evaluation and research on financial education. Work has already begun on drawing up a national survey based on the methodology recommended by the OECD to measure the level of financial culture of the Spanish population. The aim is for it to serve as an additional tool to those which already exist in order to help towards identifying the areas of knowledge which need to be strengthened and to establish the foundations by which the effectiveness of some of the financial education programmes will be measured.

Implementation and development of the Financial Education Programme took up a substantial part of the CNMV's activity in the area of education and training in 2013. The CNMV carried out intensive work in institutional coordination in the area of

education due to the fact that powers in this matter are decentralised. It should be indicated that all the Regional Governments have voluntarily become involved in the coordination work and have accepted the promotion of financial education among students of compulsory secondary education as a priority objective. Following the signing of a collaboration agreement, educational associations have also actively participated in promoting the Financial Education Programme in schools.

During the 2012-2013 academic year, over 400 schools throughout Spain gave financial education classes, reaching around 21,500 students. The programme was submitted to an evaluation process designed by an independent expert. The results of the evaluation prove its effectiveness and demonstrate that the programme had allowed students in the third and fourth year of compulsory secondary education to obtain knowledge in the area of interest.

In the 2013-2014 academic year, the number of participating schools totals 453, which shows the growing interest of the education system in these courses.

It should be pointed out that, taking advantage of the recently approved reform of the education system, work is also being carried out in collaboration with the Ministry of Education, Culture and Sport to include financial education content in the school curriculum.

Similarly, with the aim of extending the scope of the plan, new collaboration agreements were established with various associations so as to promote financial education among consumers in Spain. This has been promoted by means of information and dissemination activities in the area of insurance, public pension systems and social welfare instruments.

In addition, and as is usual, a significant effort has been made to disseminate financial culture through participation in events, specialised fairs and conferences. It is also important to refer to the dissemination of educational and informative content through the Financial Education Programme website (www.finanzasparatodos.es). Visits to this website increased sharply on previous years to a total of more than 2,500,000. As indicated, the name of the website has been adopted as the brand for the Financial Education Plan. This plan already has an extensive presence in social networks, which facilitates access of new segments of the population to financial education content.

12.4.2 International forums on financial education

The CNMV continued collaborating with various international bodies related to financial education in 2013. In particular, it is important to highlight the participation in the International Network of Financial Education (INFE), which constitutes the main forum for financial education worldwide. As indicated in Chapter 14, the CNMV also participates in a new IOSCO standing committee focused on financial education.

Similarly, the CNMV has taken part in various training seminars and sharing of experiences of financial education organised by ESMA, the Ibero-American Securities Market Institute (Spanish acronym: IIMV) and the G-20. With regard to the G-20, under the presidency of Russia, the CNMV participated in drawing up

the chapter on Spain of the publication *Advancing National Strategies for Financial Education*, drawn up jointly by the G-20 and the OECD.

12.4.3 Other educational activities of the CNMV

In addition to educational activities in the general framework of the Financial Education Plan, the CNMV performs educational activities specifically aimed at potential investors in financial products.

Noteworthy in 2013 was the development of the Investor Section within the CNMV's website. This section, which replaces the previously titled Investor Portal has a new layout for information which makes it easier to consult the content. It offers news and information of interest for non-professional investors, warnings to the public and various educational tools. It is also possible to download or consult online the "Investor factsheets and guides" and request subscription to these publications. In addition, the users of investment services can make enquiries, claims and complaints from this section.

The CNMV continued publishing information of interest for retail investors. For example, it published and distributed the first investor factsheet on financial advisory firms in 2013. It is also important to highlight the dissemination of warnings issued by ESMA on the risk of investments in complex products and on the risks of trading in contracts for differences (CFDs).

As in previous years, the CNMV participated in various fairs aimed at consumers of financial services, such as Forinvest (International Forum for Financial Products and Services, Investments and Insurance) and the Bolsalia Stock Market. It also gave educational talks in universities, consumer offices, local councils and other forums, on issues relating to investor protection.

13 Disciplinary action

13.1 Disciplinary proceedings

13.1.1 Description of proceedings

In 2013, the CNMV Executive Committee initiated 37 new disciplinary proceedings, investigating a total of 57 possible breaches (see Tables 13.1 and 13.2). Disciplinary proceedings were opened in relation to 17 breaches of rules of conduct on client/investor relations, seven for breaching rules on short selling, six for failures to report significant holdings in listed companies, five for market abuse (manipulation and use of insider information), and the others for delays and other irregularities in issuing companies or investment firms reporting regulated financial, corporate governance and other information to the CNMV, as well as other breaches of general regulations by investment firms, CIS and venture capital firms.

Proceedings initiated and concluded

TABLE 13.1

	2012	2013
Number of proceedings initiated	30	37
Number of proceedings concluded	17	20
Of which:		
Initiated in 20100	2	–
Initiated in 2011	9	2
Initiated in 2012	6	15
Initiated in 2013	–	3

Source: CNMV.

In nine of the disciplinary proceedings brought for breaches due to irregularities in regulated reporting of financial and other information by listed companies, in the knowledge that criminal proceedings were also being conducted for the same or inseparable events, the CNMV reported to the legal authorities that it had initiated these disciplinary proceedings. The legal action was then transferred to said authority and the administrative proceedings were suspended until a final court decision.

Breaches addressed in disciplinary proceedings

TABLE 13.2

		Initiated		Closed	
		2012	2013	2012	2013
Very serious breaches		31	40	21	20
I.	Failure to disclose/incorrect disclosure of significant holdings	4	6	5	6
II.	Failure of investment firms to report accounting information	–	1	–	–
III.	Failure to disclose significant events/provision of misleading, incorrect or materially incomplete information	–	2	–	1
IV.	Operating without authorisation	1	3	1	–
V.	Breach of ratios	–	–	1	–
VI.	Breach of rules of conduct	10	14	3	1
VII.	Breach of issuer's periodic disclosure requirements	7	6	3	4
VIII.	Breach of regulations on securities issues	–	1	–	–
IX.	Breach of general investment firm regulations	–	1	4	–
X.	Breach of general CIS regulations	–	–	1	–
XI.	Breach of general venture capital firm regulations	–	1	–	–
XII.	Breach of official secondary market regulations	1	–	1	–
XIII.	Breach of legislation on short selling	–	3	–	–
XIV.	Market manipulation	6	1	2	6
XV.	Insider information	2	–	–	2
XVI.	Resistance to the CNMV inspection	–	1	–	–
Serious breaches		18	17	12	20
I.	Corporate governance breaches	1	1	1	–
II.	Market abuse breaches	6	2	2	7
III.	Breach of general investment firm regulations	–	2	1	2
IV.	Breach of general CIS regulations	6	1	2	7
V.	Breach of general venture capital firm regulations	–	1	–	–
VI.	Breach of rules of conduct	1	3	1	1
VII.	Breach of legislation on short selling	–	4	–	–
VIII.	Irregularities in reporting transactions in financial instruments	–	1	–	–
IX.	Breach of ratios	–	–	2	–
X.	Market manipulation	4	2	3	3

Source: CNMV.

Over the year, the CNMV concluded 20 proceedings which included a total of 40 breaches. Two of the concluded proceedings were initiated in 2011, fifteen in 2012 and three in 2013. Table 13.2 shows the nature of the breaches addressed in the different disciplinary proceedings concluded in 2013 and Annex III.2 shows a summary of the decisions adopted by the CNMV. As shown in Table 13.3, 71 fines were imposed for a total amount of 4,150,000 euros.

	2012			2013		
	Number	Amount ¹	Period ²	Number	Amount ¹	Period ²
Fine	57	24,404	–	71	4,150	–
Removal/general disqualification	4	–	20	–	–	–

Source: CNMV. (1) Thousand euros. (2) Years.

13.1.2 Public register of penalties for serious and very serious breaches

The following penalties for serious and very serious breaches were incorporated into the public register of penalties in 2013:

- CNMV decision dated 1 February 2013 announcing the penalty for a very serious breach imposed on _____ and the members of its board of directors.
- CNMV decision dated 1 February 2013 announcing the penalty for a very serious breach imposed on _____ and its administrators.
- CNMV decision dated 17 May 2012 announcing the penalties for very serious breaches imposed on _____
- CNMV decision dated 17 May 2013 announcing the penalty for a very serious breach imposed on _____
- CNMV decision dated 17 May 2013 announcing the penalty for a serious breach imposed on _____
- CNMV decision dated 2 September 2013 announcing the penalties for very serious breaches imposed on _____ and the members of its board of directors.
- CNMV decision dated 2 September 2013 announcing the penalties for very serious breaches imposed on _____ and its sole director,
- CNMV decision dated 2 September 2013 announcing the penalty for a very serious breach imposed on _____
- CNMV decision dated 2 September 2013 announcing the penalty for a serious breach imposed on _____
- CNMV decision dated 4 December 2013 announcing the penalty for a serious breach imposed on _____
- CNMV decision dated 4 December 2013 announcing the penalties for very serious breaches imposed _____

- CNMV decision dated 4 December 2013 announcing the penalties for serious breaches imposed on
- CNMV decision dated 4 December 2013 announcing the penalties for very serious breaches imposed on
- CNMV decision dated 4 December 2013 announcing the penalty for a serious breach imposed on

With regard to publication of the penalties, last year the CNMV decided to immediately publish the penalties resulting from exercising its powers when the decision through the administrative route is final, without prejudice to the corresponding reference to possible use of the legal route (see Exhibit 13.1).

Immediate publication of final penalties through the administrative route

EXHIBIT 13.1

Publication of penalties imposed for serious and very serious breaches is regulated in Sections 102, 103, 105 and 106 of the Securities Market Act, which with almost identical wording provide that these “will be published in the Official State Gazette once they are final through the administrative route”.

Furthermore, it is possible to find similar provisions in other disciplinary provisions which fall under the responsibility of the CNMV. This is the case of Section 94.3 of Law 35/2003, of 4 November, on Collective Investment Schemes, according to which: “The penalties for serious and very serious breaches will be published in the *Official State Gazette* when they are final through the administrative route” and of Section 55 of Law 25/2005, of 24 November, regulating venture capital firms and their management companies, which expressly refers to the above in matters of execution of penalties.

From these rules it is possible to infer, firstly, that publication in the Official State Gazette is a requirement imposed *ex lege* on the CNMV, not merely a voluntary act, and that the moment for complying with the obligation is when the disciplinary decision is final through the administrative, and not the legal, route. Although it has been the CNMV’s usual practice, it is not therefore necessary to delay publication till the end of the period for bringing the contentious-administrative appeal without such appeal being brought or until rejection by the jurisdictional body in this case the Contentious-Administrative Chamber of the National High Court – of a possible injunction on publication. This rejection is the consolidated criterion followed by the Chamber as it believes that publication does not form part of the penalty, but is a derived effect. Furthermore, in accordance with case law of the Supreme Court, it should be remembered that not even the CNMV is free to choose this delay given that, as indicated by the Supreme Court judgement, Contentious-Administrative Chamber, 3rd Section, of 21 July 2009, legal ground three, relating to extending the duty to publish penalties established by Law 44/2002 to serious breaches, this duty to publish is not a penalty and

does not restrict individual rights, but “is justified for reasons of legal protection of a public interest linked to the duty of information with the aim of preserving the principles of transparency and dissemination of financial activity with the aim of promoting and strengthening the trust of economic operators and investors”.

Similarly, recent rulings of the Contentious-Administrative Chamber of the National High Court, in particular the recent Order dated 3 February 2014, support this interpretation, indicating that: “Therefore, this must mean that the line of argument put forward by the leading attorney of the appellant that while a ruling is not given on the contentious-administrative appeal which has been brought, by means of a reasoned judgement handed down by the competent legal body, the penalty should not be published in the *Official State Gazette*, as the right to effective legal protection and security cannot be guaranteed, **lacks support in the case law doctrine presented**”, stating that: “In a case such as that considered herein, the logical interest of the plaintiff in the suspension of the official publication of the contested decision cannot prevail over the clear public interest of said publication, above all in matters such as that underlying this case – very serious breaches in Securities Markets with the consequent addition of protecting and guaranteeing free competition in a free market system [it is discussing the hiding of significant shareholdings]. There is an undeniable and prevailing public interest in the market being made aware of said events, which deserve to be taken very seriously, once they respond to administrative decisions with the guarantee that they result from a final decision through the administrative route and that they come from supervisory bodies, without prejudice to the objections and concerns which the appellant may have as regards the specific actions of said supervisory bodies in their particular case”.

Clearer still is the Order of the Contentious-Administrative Chamber of the National High Court, dated 20 December 2013, which states that: “This means that the Public Administration – of which the CNMV forms part – acts in a regime whereby it must publish its decisions when thus established by the regulations of each sector of the legal system and, specifically, the legislator has intended, by means of the Securities Market Act 24/1988, of 28 July, EDL 2007/212884, that the administrative penalties imposed by that body or by the Ministry of Economic Affairs if they are very serious breaches, once interested parties have been notified, **must be made public by mandatory publication in the *Official State Gazette***, once the decision is final through the administrative route. Such a legislative decision corroborates that there is an ‘undeniable’ public interest in the aforementioned publication without it requiring the interest of third parties who may be more or less harmed as a prior condition for execution of the contested decision. The lack of injury to third parties may not, therefore, be considered an obstacle to publication of the disciplinary decision when such a decision is in the public interest and is legally mandatory (...). We have dismissed in the previous judgements on this same issue that simple publication of the disciplinary resolutions has an irreversible nature, which would lead to the adoption of the injunction so as to not remove meaning from the process itself: publication of any upheld ruling on the matter, or the mention that the imposed penalty is subject to a legal appeal, are sufficient to prevent these claimed irreversible effects”.

13.2 Litigation department: Judicial review of disciplinary proceedings and other actions

In 2013, a total of 22 appeals were brought against decisions of the Ministry of Economic Affairs and Competition (11 to a higher court, and 11 motions to set aside the decision), nine of which were rejected, two were upheld and another two were inadmissible as they were untimely in that year. In addition, the Ministry rejected six appeals to a higher court and eight motions to set aside the decision lodged in 2012 (see Table 13.4).

A total of 24 appeals were filed with the administrative courts, 18 of them against disciplinary decisions and six against other CNMV decisions, three of which were lodged by one shareholder of a listed company. The court handed down 23 rulings (20 decisions and three orders that proceedings be closed), 12 of which were in relation to disciplinary proceedings. Of the eight rulings handed down by the National High Court which referred to disciplinary proceedings, seven fully upheld the contested decisions while one overturned the Ministerial Order which ruled on the disciplinary proceedings. For its part, the Supreme Court handed down two rulings, both favourable to the CNMV. The first ratified the penalty imposed, and the second overturned the ruling by the National High Court which had upheld the appeal lodged by the entity sanctioned (see Table 13.4 and Annex III.3). Finally, the National High Court handed down two rulings that the proceedings be closed, one as a result of the withdrawal of the appellant and the other as a result of expiry.

With regard to the rulings handed down in proceedings brought against other decisions of the CNMV, all the contested decisions were confirmed. Noteworthy among the rulings handed down were three of the National High Court relating to resolutions to close disciplinary proceedings, one from the court which declared the non-existence of financial liability of the Administration (CNMV and ICAC, Institute of Accounting and Account Auditing) for the actions of the directors of one listed company, as well as two rulings, one from the National High Court and another from the Supreme Court, which confirmed the rulings on authorisation of two takeover bids.

Cases in which the CNMV participated in 2013

TABLE 13.4

	Lodged	Ruled on
Administrative appeals	22	27
Appeals to a higher court	11	13
Motions to set aside the decision	11	14
Appeals to the courts against administrative decisions	24	23
Requests received for assistance		
Assistance to courts		381

Source: CNMV.

Similarly, in compliance with the general principle to provide collaboration to legal authorities, CNMV experts provided support to judges and courts of all types in the exercise of their functions. The number of requests for collaboration grew substantially from 181 in 2012 to 381 in 2013. Although there was noteworthy collaboration with criminal courts, mainly relating to fraud or embezzlement, most of the requests (a total of 276) were from the civil courts. These requests basically related to information on the issuing and marketing of hybrid instruments; notices of attachment (which are the competency of governing councils); the appointment of a receiver by the CNMV for issuers declared in bankruptcy; identification of securities and ownership of persons or entities (knowledge of which corresponds to the depositories of said securities) and, in general, the attainment of evidence in proceedings of various types brought before the different courts, with requests for data or documentation.

13.3 Claims

In 2013, a total of 11 claims were presented to the CNMV, most of which were against banks and savings banks for their actions in securities markets. A smaller number of claims were made against the conduct of other entities: issuers or listed companies and companies or operators of venture capital firms.

The claims mainly referred to alleged breaches of rules of conduct of entities relating to the obligations to provide information to clients, basically on the nature and risks of the product, periodic reporting or inaccuracies in drawing up the appropriateness or suitability tests.

A low number of claims related to the obligations to report significant information (Section 82 of the Securities Market Act), with aspects provided for in Royal Legislative Degree 1/2010, of 2 July, which approves the consolidated text of the Capital Companies Act, to compliance with requirements resulting from making a takeover bid and issues relating to the receipt of incentives or commissions.

At 31 December 2013, and after the competent departments of the CNMV had performed, in each case, the appropriate actions – the content of which is confidential – ten of the 11 claims presented during the year had been processed. The corresponding supervisory work is currently being conducted in relation to the remaining claim.

Claims made in 2013

TABLE 13.5

Type of entity claim brought against	No. of claims
Banks and savings banks	7
Securities issuers/listed companies	2
Venture capital firms and venture capital firm management companies	2
Total	11
Content of claims	No. of claims
Rules of conduct	5
Significant information	2
Obligations of the Capital Companies Act	2
Takeover bid obligations	1
Obligations on incentives/commissions	1
Total	11
Situation of claims at 31-12-2013	No. of claims
Under way	1
Closed	10
Total	11

Source: CNMV.

13.4 International Support Unit

The CNMV's Litigation Service and Penalty Regime Department channels investigation co-operation with other supervisors. In 2013, the aforementioned department processed 32 collaboration requests to foreign regulators (24 in 2012) and, in turn, processed 35 requests made to the CNMV (37 in 2012).

Following the trend of other years, most of the collaboration requests, both those made by the CNMV and those received from foreign supervisors, referred to market abuse investigations and, to a lesser extent, activities performed by unauthorised firms.

13.5 Warnings about unregistered firms

Through its website, the CNMV issues warnings to investors about unauthorised firms that have been detected by it or by other supervisors.

The following warnings were issued in 2013 (see Annex III.4):

- 13 warnings on 13 entities were issued under Section 13 of the Securities Market Act, which entrusts the CNMV with protecting investors by disseminating any information necessary to that end.
- 361 notifications were received mainly from supervisors in Member States of the European Union in connection with unauthorised firms, while two others were included under the heading "Other warnings", with alerts relating to improper conduct or actions.

Since 2010, the IOSCO website provides an alerts service on unauthorised firms which includes alerts issued by members of this organisation. Given that not all the alerts issued by IOSCO members are in turn reported to the CNMV, the CNMV recommends visiting the IOSCO website http://www.iosco.org/investor_alerts/ to obtain further information about these types of companies.

The regulation and
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securities markets
Disciplinary action

International forums are becoming increasingly important in regulation and supervisory activities. The international framework determines an increasing amount of the legislation with which supervisory authorities operate. A common supervisory system is being set up in Europe in which the European Securities and Markets Authority (ESMA) has been established to bring together and coordinate all the national authorities. The CNMV therefore has to adapt itself to a new environment in which it must interact with the ESMA Secretariat and with other national authorities so as to contribute towards developing and implementing European legislation effectively and with criteria which are consistent with the needs of the Spanish financial sector.

This interaction takes place on a technical level, but also at the level of management and decision-making. Consequently, the CNMV's international activities cover tasks of providing advice, assistance and technical collaboration and participating in decision-making processes. To this end, the CNMV currently has over 50 representatives in close to 100 international working groups, and its participation in these forums is expected to continue growing over the coming years. With the aim of coordinating the activity of CNMV representatives and of designing the strategies to be followed in the different working groups in 2013, the CNMV decided to create an internal committee under the name of the International Coordination Committee, led by the CNMV's Vice-Chairperson. All this technical work ultimately leads to regulatory proposals which are put forward and, as the case may be, approved by the governing boards of the different international bodies.

Last year, the work in the European institutions was marked by the revision of the Markets in Financial Instruments Directive (MiFID) and the Market Abuse Directive (MAD). Over the year, the CNMV made a considerable effort in terms of human resources to provide advice to the General Secretariat of the Treasury and Financial Policy on these important legislative reforms.

The CNMV also maintained active participation in the annual work plan of the European Securities and Markets Authority (ESMA) in the area of regulation. In 2013, this plan included 199 measures for implementing legislation, including various measures relating to the reforms of the MiFID and the MAD. Some of them are still in the process of being drafted.

Similarly, the CNMV continued participating in the Steering Committee and the Technical Committee of the European Systemic Risk Board. It should be pointed out that the incorporation of the Spanish Systemic Risk Authority is pending. The CNMV may participate in this Authority within the responsibility attributed to it in this matter by IOSCO principles.

The CNMV participated in 85 projects developed by the International Organization of Securities Commissions (IOSCO) in 2013. Particularly noteworthy was the

publication of standards for setting benchmarks in markets in financial instruments and commodities, as well as different work relating to the reforms in progress in the area of OTC derivatives. It is also important to highlight the continuation of the process for verifying requests to sign up to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and Exchange of Information, which is a major benchmark in the worldwide fight against bad practices in securities markets. A total of 99 supervisory authorities – a little over 80% of IOSCO members – had signed up to this agreement by the end of year.

14.1 European Securities and Markets Authority (ESMA)

As has been the case since the start of the crisis in 2008, a substantial part of ESMA's work in 2013 was focused on advising the European Commission on developing new legislation. In addition, ESMA continued drawing up technical standards and implementing standards and guidelines. In order to deal with its growing workload, the Authority considerably increased its levels of staff and materials and requested greater collaboration from national supervisory authorities.

The CNMV, which has formed part of ESMA's Board of Supervisors since its creation, actively participated in the work carried out by the Authority, both through its standing committees and its task forces. The main tasks carried out in 2013 by these groups are described below.

Secondary markets and market integrity

The European Parliament and the Council reached agreements on the reform of the market abuse regulation and the MiFID, at the end of 2013 and at the start of 2014, respectively (see Exhibits 10.2 and 10.4). In parallel, in 2013 ESMA's Secondary Markets Standing Committee and the Market Integrity Standing Committee worked on developing the extensive level II rules which will be required by the new legislation.

The following significant work was also conducted in this area: drawing up of the guidelines on remuneration policies and practices in the scope of the MiFID (see Exhibit 11.2); a protocol on notifications of suspensions and removals of financial instruments from trading; and guidelines on the exemptions for market-making activities and primary market operations under Regulation (EU) No. 236/2012, of the European Parliament and the Council, on short selling and certain aspects of credit default swaps.

Post-trading activities

The work of the Post-Trading Standing Committee in 2013 was focused on issues relating to OTC derivatives, central counterparties and trade repositories. The work carried out in this area includes the following: advice to the European Commission to determine the equivalence of the regulation in non-EU countries with respect to the EMIR; determining the fees applicable to trade repositories, entities which are directly subject to supervision by ESMA, and issuing guidelines regarding written agreements between members of central counterparty colleges.

ESMA's activity in this area was focused on advising the European Commission and in drawing up technical standards and guidelines mainly relating to the Directive on Alternative Investment Fund Managers. In particular, ESMA drew up a model agreement for cooperation between competent authorities to supervise compliance with said Directive. Of particular importance was the drawing up of guidelines on the remuneration policies of alternative investment fund managers.¹

Benchmarks

In 2013, the working group formed by ESMA and the European Banking Authority (EBA) published a series of principles for benchmark-setting processes.² The principles not only address different aspects for designing the benchmarks, such as methodology of the calculation, governance or supervision, but they are also applicable to the actions of administrators, intermediaries and calculation agents.

Other activities

ESMA continued evaluating convergence of the Member States in applying European legislation through its specialised group, the Review Panel. This group verified a high level of convergence in supervisory practices relating to the Market Abuse Directive, but detected significant divergences in application of the guidelines on money market funds. The group adopted a new methodology to evaluate specific activities performed by the national authorities, which establishes the performance of on-site inspections.

ESMA's Financial Innovation Standing Committee, which is charged with analysing aspects of financial innovation relating to securities markets, began to gather data on the products which are marketed in different jurisdictions. It also started to analyse the initiatives adopted relating to collective financing formulas known as crowdfunding.

Finally, the Joint Committee, which is made up of the three European supervisory authorities, participated in the review of the functioning of said authorities carried out by the European Commission in 2013. The activities of this committee also include drawing up a list of financial conglomerates with relevant activities in the European Union.

14.2 IOSCO

The CNMV paid special attention to the projects promoted by IOSCO, the organisation of which Spain is the host country. Important decisions relating to governance

1 ESMA (2013). *Guidelines on sound remuneration policies under the AIFMD*, July. Available at http://www.esma.europa.eu/system/files/2013-232_aifmd_guidelines_on_remuneration_-_en.pdf

2 ESMA and EBA (2013). *Final Report. ESMA-EBA Principles for Benchmark-Setting Processes in the EU*, June. Available at http://www.esma.europa.eu/system/files/2013-658_esma-eba_principles_for_benchmark-setting_processes_in_the_eu_-_final_report.pdf

of the institution were adopted in 2013 and significant progress was made in various lines of work.

New configuration of the Board

The IOSCO Annual Meeting in 2013 agreed to adopt a new governance structure as from September 2014 to replace the current structure, which is provisional (see this same section of Chapter 14 in the 2012 CNMV Annual Report). The IOSCO Board will now be made up of 36 members: the 18 members of the former Technical Committee, 16 elected members and two observers.

As from 2018, the positions occupied by the members of the former Technical Committee will be covered by representatives from various countries, selected based on a series of indicators of market size (total number of assets managed, capitalisation of equity market, size of debt market, volume of trading of futures and options, exchange traded funds and OTC derivatives).

The Chairperson and Vice-Chairperson of IOSCO will be among the 16 selected board members, while the rest will be selected in the regional committees and in the Emerging Markets Committee. With regard to the two observer members, one will be the chair of the Self-Regulatory Organisations Consultative Committee, which will represent IOSCO affiliates from the industry and the other will be the Chair of ESMA. Under this new structure, the CNMV will be present on the IOSCO Board until at least 2018.

There was another significant change in 2013 as it became mandatory for IOSCO members to sign up to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and Exchange of Information. This Resolution was adopted after the recognition of this agreement as an international standard for co-operation in the field of securities markets by the Financial Stability Board, the International Monetary Fund and the World Bank. To ensure effective compliance with the agreement, IOSCO has adopted various measures which limit the capacity for action of the members of the organisation which have not yet signed up to the agreement.

New working groups

Two new standing working groups were created in 2013. The first of these, the Committee on Retail Investors, aims to promote financial education as an instrument to strengthen retail investor protection. This new group will facilitate the exchange of information on the experiences of IOSCO members in this field and will draw up guidelines to help develop new initiatives and evaluate those which have already been started up. The group will also advise the IOSCO Board on the priorities when drawing up investor protection policies.

The second standing group is the Capacity Building Resources Committee, which aims to manage the resources of a foundation that will be set up within IOSCO. This foundation may only receive donations from IOSCO members, from philanthropic foundations and from public entities, which will avoid possible conflicts of interest associated with donations from private entities.

Two temporary working groups have also been created. One of them (Cross-border Regulation) aims to identify regulation options with regard to providing cross-border investment services which members of the organisation may use. Its project will be based on an analysis of national or regional initiatives in this area, including a comparison of the requirements established in different jurisdictions. The other temporary group is the 2020 Strategy Committee, which will be responsible for drawing up IOSCO's 2015-2020 strategic plan.

Activities performed by mandate from other international bodies

IOSCO sometimes receives mandates from other international bodies, especially the G-20, to perform work in the area of its responsibilities. Noteworthy among these initiatives performed in 2013 were the following:

- Systemically important institutions. Together with the Financial Stability Board, a consultation document was published on the methodology to identify financial institutions which, without being subject to banking or insurance regulation, perform activities which may involve systemic risks.³ It suggests applying the classification of systemically important institution to CIS and alternative investment funds with assets that exceed 100 and 400 billion dollars respectively. The consultation began at the end of 2013 and ended in the first four months of 2014.
- Hedge funds. A report was presented which analyses the data on hedge funds collected by IOSCO in 2012, following a recommendation from the G-20.⁴ The gathering of data (size of the funds, investment strategies, leverage, liquidity, etc.) aims to facilitate the evaluation of the systemic risks associated with this activity. The next period for gathering data is in September 2014.
- OTC Derivatives. IOSCO published a guide together with the Committee on Payment and Settlement Systems (CPSS) aimed at the managers of trade repositories and supervisors.⁵ This guide will facilitate access of supervisors to information on transactions in OTC derivatives stored in these infrastructures. It is also important to highlight the completion of a document drawn up together with the Basel Committee on Banking Supervision which establishes criteria for margins and requirements for non-centrally cleared OTC derivatives.⁶
- Market infrastructures. The first of three assessment exercises of these infrastructures planned in G-20 countries was carried out. This consisted of a self-assessment of the legal framework, which was conducted in 2013. In addition, IOSCO continued working on developing criteria applicable to the recovery of

3 IOSCO (2014). *Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions. Proposed High-Level Framework and Specific Methodologies*, January. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD435.pdf>.

4 IOSCO (2013). *Report on the second IOSCO hedge fund survey*, October. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD427.pdf>.

5 BIS and IOSCO (2013). *Authorities' access to trade repository data*, August. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD417.pdf>.

6 BIS and IOSCO (2013). *Margin requirements for non-centrally cleared derivatives*, September. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD423.pdf>

market infrastructures in the event that their viability or strength is threatened. It also collaborated with the Financial Stability Board in drawing up criteria applicable to the resolution of infrastructures.

- Benchmarks. In 2013, IOSCO published a final report on principles applicable to designing benchmarks and for resolving conflicts of interest which may arise in managing them. The following step in this regard will be to evaluate the application of these principles.

Within the framework of the agreement adopted in 2011, last year IOSCO started publishing its securities markets risk outlook reports.⁷ These reports provide the IOSCO Board with a frame of reference for its decisions. It is important to remember that IOSCO, in line with the G-20 resolutions, agreed in 2011 to recommend securities regulators should monitor and mitigate systemic risk (Principle 6) and review the scope of regulation (Principle 7).

Accounting, auditing and disclosure

In 2013, IOSCO strengthened its collaboration with the International Accounting Standards Board (IASB), by sending case studies of the application of IFRS for discussion and participating in resolving enquiries sent by the Interpretation Committee of the IASB. It also continued to strengthen cooperation between members of the organisation to improve the application of IFRS.

The group has participated in two projects related to auditing. The first, called Auditors Committee, is focused on drawing up recommendations to improve the content of the auditor's report. The second project, called Transparency of Firms, aims to draw up procedures for improving the internal functioning of audit firms.

IOSCO is also monitoring the project called Integral Reporting, which is promoted by the International Integrated Reporting Council. The aim of this project is to bring together into a single report all the information that companies are required to disclose to the market: financial information, together with information on management, corporate governance, social responsibility and the environment.

Collective investment schemes

In this area we can highlight the publication of three reports. The first establishes principles for managing liquidity risk in CIS.⁸ The second updates the procedures for the valuation of portfolios of the funds, which were initially published in 1999.⁹

7 IOSCO (2013). *Securities Markets Risk Outlook*, October. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD426.pdf>

8 IOSCO (2013). *Principles of Liquidity Risk Management for Collective Investment Schemes*, March. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD405.pdf>

9 IOSCO (2013). *Principles for the Valuation of Collective Investment Schemes*, May. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD413.pdf>

Finally, the third report contains general principles applicable to exchange traded funds.¹⁰

Rating agencies

In November, the supervisory colleges for Standard & Poor's and Moody's, which are chaired by the SEC, and for Fitch, which is chaired by ESMA, were established. They are all based in New York. These colleges operate on the basis of recommendations made in this regard by IOSCO for their functioning.¹¹

Similarly, IOSCO continues working on drawing up criteria for increasing transparency in the functioning of rating agencies in accordance with the request made by the ministers of finance and the governors of the central banks in April last year.

Joint Forum

The Joint Forum (JF) is a committee comprising IOSCO, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors which deals with problems relating to the regulation of financial conglomerates, often in response to G-20 initiatives which are developed under the coordination of the Financial Stability Board.

In 2013, the two standing subcommittees of the Joint Forum (risk and capital management and financial conglomerates) completed the work which they had been performing on longevity risk, mortgage insurance, point of sale disclosure for retail financial products and assessment of the implementation of the principles for the supervision of financial conglomerates, and published the corresponding reports.¹² Similarly, work has started on the treatment of asset encumbrance and on credit risk management in a post-crisis environment, which is expected to be completed in 2014.

14.3 Other international forums

Iberian Electricity Market (MIBEL)

MIBEL's Council of Regulators, made up of the energy and securities regulators of Spain and Portugal, is responsible for monitoring the Iberian spot and forward electricity market. The chair of this Council was occupied by the CNMV in the first half of 2013.

10 IOSCO (2013). *Principles for the Regulation of Exchange Traded Funds*, June. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD414.pdf>

11 IOSCO (2013). *Supervisory Colleges for Credit Rating Agencies. Final Report*, July. Available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD416.pdf>

12 These documents are available at <http://www.iosco.org/library/index.cfm?section=pubdocs&criteria=JointForum>

The most significant aspects of its activity in 2013 included completion of the organisational process to establish the Iberian Market Operator, which brings together the management companies of the spot and forward electricity markets, as well as progress on the electricity interconnection of the Iberian Peninsula with north-west Europe. In purely financial matters, it is important to highlight the work performed with the operators of the spot and forward markets to implement a forward management system for the interconnection between Spain and Portugal by means of issuing and trading financial instruments known as financial transmission rights on the secondary market.

Mediterranean Partnership of Securities Regulators¹³

The objective of the work performed in 2013 was the sharing of information and development of initiatives aimed at standardising the regulatory framework, using the legislation applicable in the European Union as a reference.

The members of this association agreed that, on an annual basis, they would analyse the legislative initiatives of the European Union and the proposals and recommendations of international bodies, specifically the G-20, the Financial Stability Board and IOSCO, given the direct implication that these rules and recommendations have on the association's functioning. In addition, in 2013 Turkey was invited to join the association, which it did in February 2014.

Ibero-American Institute of Securities Markets (IIMV)

The IIMV Foundation was created in 2000 with the aim of promoting enhanced regulation and supervision in securities markets in Ibero-America. Its patrons include Ibero-American regulators and supranational financial bodies. The IIMV Foundation has a board which is made up of all the supervisory authorities of securities markets in Ibero-America. It is mainly funded by the CNMV.

In 2013, the IIMV carried out 14 activities, including the following: the official presentation of the study on investor protection, which took place in Lima in April; the 6th Conference on IFRS, which were held in Mexico in June; and a new meeting on inspection and oversight of markets and issuers, organised in Cartagena de Indias, in Colombia. On the occasion of the meeting of the patrons of the IIMV, in October a conference was held in Guayaquil, in Ecuador, with the title "Securities markets: alternative for business financing".

13 The Mediterranean Partnership of Securities Regulators is currently made up of the competent authorities of Algeria, Egypt, Spain, France, Italy, Morocco, Portugal, Tunisia, Turkey and Greece.

V CNMV: organisational, financial and institutional aspects

15 Organisation

CNMV: organisational,
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Organisation

15.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2013, the CNMV had 421 employees, six fewer than in 2012. There were 19 new hires and 25 departures during the year.

CNMV staff: composition by professional category

TABLE 15.1

Number of employees at the end of each year

	2012			2013		
	Total	Men	Women	Total	Men	Women
Services	8	8	–	8	8	–
Clerical/Computer operators	68	13	55	67	13	54
Technical	328	157	171	321	149	172
Management	23	15	8	25	18	7
Total	427	193	234	421	188	233

Source: CNMV.

Breakdown of staff by department

TABLE 15.2

Number of employees at the end of each year

	2012			2013		
	Total	Men	Women	Total	Men	Women
Directorates-General	292	121	171	283	116	167
Entities	126	52	74	123	49	74
Markets	104	45	59	102	42	60
Legal Service	62	24	38	58	25	33
Departments	118	67	51	118	66	52
Board	17	5	12	20	6	14
Total	427	193	234	421	188	233

Source: CNMV.

A selection process was conducted in the second half of the year to cover eight vacancies for technical staff for different CNMV directorates and departments, which consolidated previously existing temporary positions. The selected candidates joined the CNMV in November and December.

In the last month of the year, an announcement was published relating to the five positions corresponding to the 2013 Public Sector Hiring Process. The selection process will be completed in the first half of 2014.

In 2013, six processes were carried out to cover internal vacancies.

Training

Within the framework of its training programme, the CNMV implemented various initiatives in 2013, including the following:

- Internal collective training actions, given by CNMV employees, aimed at sharing and disseminating existing knowledge in the organisation. 20% of the staff participated in these training actions, which accounted for 12% of total training hours.
- External collective training actions, organised with specialised training centres. These actions accounted for 74% of the training hours and were attended by 65% of the staff.
- Individual training actions for those contents not covered by the collective actions. This type of training was attended by 44 employees (10% of the staff).
- International training actions, organised and given by IOSCO and ESMA, were attended by 34 employees (8% of the staff).

A total of 10,652 training hours were given as part of the 2013 training programme. Each employee received, on average, 25 training hours, and 73% of the staff participated in at least one of the scheduled training actions.

In 2013, development continued in the ESMA technical training programme provided through e-learning. In view of the results obtained and the assessments by the participants, both of the contents and the learning platform, this programme is expected to continue in 2014.

As in previous years, a new edition of the Language Programme was implemented, with participation by 45% of the workforce. The participants received a total of 10,655 training hours, an average of 25 hours per student. In addition, and with the aim of perfecting the language (English, French or German) in a native environment, the possibility of attending a summer course abroad was offered for the fifth consecutive year. In total, considering the different options possible, 9% of the staff participated in the summer programme.

Other significant human resources initiatives

A new edition of the telework programme took place in 2013 with the participation of 43 employees.

A medical service was started up in July 2013 with the aim of providing primary care to all CNMV employees.

In the second half of the year, the Safety Plan for the new CNMV head office was drawn up and the new action team in cases of emergency was designated and trained.

Similarly, in the last quarter of the year, the “Second CNMV children’s drawing competition” took place. The competition, which revolves around the subject of Christmas, involved the participation of 97 children of employees, aged between 3 and 14 years old. As a new development in 2013, the number of winners per category was extended from one to three. The results were announced to employees in December and the awards were handed out.

New organisational developments

By means of a Resolution dated 2 October 2013, published in the Official State Gazette on 2 November 2013, an amendment was made to the CNMV’s Internal Regulation so as to comply with the provisions of Royal Decree 451/2012, of 5 March, regulating the remuneration of senior management of public corporations and other public sector bodies.

The amendment also complied with the provisions contained in the Order of the Ministry of Finance and Public Administration Services, of 12 April, which approves the classification of public corporations and other public sector bodies, limiting the number of executives of these entities and setting the maximum number of executives of the CNMV at ten. With said aim, the departments which report directly to the Chairperson’s Office were reordered and, without modifying the basic structure of the CNMV, the positions which, by their nature, are considered as included within the scope of application of these rules were indicated. These positions are those corresponding to the heads of the three Directorate-Generals, the heads of the departments attached to the Board or to the Chairperson’s Office, the Director of the Cabinet of the Chairperson’s Office and the head of the department that is designated as Vice-Secretary of the Board and of the other committees of the CNMV.

In addition, it was decided to assign two units with specific tasks of particular relevance. These two units are the Department of the Chairperson’s Office and the Communication Department. The former was entrusted with the execution of specific projects of the CNMV, such as monitoring, coordination and supervision of projects which the supervised sector must perform. This unit must also monitor the institutional aspects relating to market infrastructures in the context of the development of securities markets’ structures in an international environment and, in particular, the changes resulting from EU legislation. The Communication Department is in charge of relations with the media, thus ensuring suitable transmission of the CNMV’s messages and decisions in its work on investor protection, one of the strategic lines of the CNMV’s 2013 Plan of Activities.

As a result of these changes, the CNMV Board, in accordance with Article 6 of the CNMV’s Internal Regulation, approved amendments to Articles 6, 27, 32 and 44 of the Regulation. Specifically, the proposed amendments involve:

- Amendment of letter e) of section 2 of Article 6, relating to the power of the CNMV’s board to “appoint and remove the CNMV’s executive staff”.

- New wording of section 4 of Article 27 and incorporation of three new sections (5, 6 and 7) to said article: the first of these, to indicate precisely those positions which meet the distinctive features established in Royal Decree 451/2012, of 5 March, to be included within its scope of application; and the two following sections to establish the creation by the CNMV Board, on a proposal from its Chairperson, of two units which identify very specific functions within the organisation (the Department of the Chairperson's Office and the Communication Department).
- Amendment to Article 32 in order to reduce the number of departments attached to the Chairperson to four: the Research, Statistics and Publications Department, the International Relations Department, the Information Systems Department and the General Secretariat.
- New wording of section 1 of Article 44, removal of section 2 and reordering of the remaining sections of that article, which refer to the general rules governing the selection of CNMV staff.

15.2 Information systems

The CNMV introduced the following improvements in its information systems in 2013:

- The technical, physical and logistics infrastructures of the work stations were renewed with the aim of strengthening security and continuity of all the installations.
- Software was developed to comply with the new regulations which entered into force over the year, and software which had become technologically obsolete was renewed.
- The virtual office and the electronic register were strengthened so as to allow the vast majority of processes with the CNMV to be processed through them.
- The necessary physical (main storage and servers) and logical (database and task control) elements were provided for the implementation and start-up of the advanced secondary market monitoring system (SAMMS project).

A significant part of the new software developed over the year is already in operation. This software is as follows: verification of issues admitted on AIAF, new market session report, prospectuses of bank asset funds, management of community passports for issues, generation of files for SAMMS, liquidity agreements, electronic processing of the director remuneration report, the investor section and invoice registration. The rest are applications which are still in the process of development, such as the CIS and issue prospectuses, applications for the annual corporate governance report or for managing claims and enquiries.

Work has continued on developing and implementing the new comprehensive management system for image-based documents.

With regard to the virtual office, in 2013 two new procedures were incorporated into the CIFRADO/CNMV service of the electronic register, bringing the total number of procedures to 52.

Table 15.3 shows the number of documents received by the CNMV register in 2013, classified by the format in which they were received. As can be seen, the relative weight of electronic documents (73% of the total) rose to the detriment of paper documents (27%).

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Documents received by the CNMV

TABLE 15.3

	2012		2013	
	Number	Distribution (%)	Number	Distribution (%)
Electronic	120,807	69	121,962	73
On paper	53,832	31	45,672	27
Total	174,639	100	167,634	100

Source: CNMV.

Table 15.4 shows the number of notifications sent electronically, which in 2013 accounted for 70% of all notifications sent from the CNMV register. 92% corresponded to emails with acknowledgements of receipt for documents received or with different informational content, while the rest were registered notifications and deficiency letters. As shown, the latter increased sharply on the previous year.

Notifications sent from the electronic register of the CNMV

TABLE 15.4

	2012		2013	
	Number	Distribution (%)	Number	Distribution (%)
Emails with acknowledgement of receipt for documents received	107,424	78	104,468	76
Informative emails	19,140	14	21,818	16
Registered notifications	11,685	8	11,615	8
Deficiency letters	119	0	191	0
Total	138,368	100	138,092	100

Source: CNMV.

The CNMV continued improving its website by facilitating access to content and publicising it on social networks. The most significant change took place in the section aimed at investors, which has been completely redesigned.

CNMV Plan of Activities 2014

EXHIBIT 15.1

In March, the CNMV presented its Plan of Activities for 2014, continuing with the public commitment which began in October 2007 of improving the transparency and accountability of its activities. The Plan, which was previously presented to the CNMV's Advisory Committee, details the objectives set for 2014 and includes a review of the level of compliance with the commitments taken on in the 2013 Plan.

In 2013, the CNMV completed 36 objectives, i.e. 72% of total objectives included in the plan. In addition, 89% of the completed objectives were carried out in the established period. Excluding objectives whose completion does not depend solely on the CNMV, and which have been postponed for the 2014 Plan, the level of compliance stands at 78%.

Despite being in a position to comply with most of the incomplete objectives, the CNMV opted not to do so and to give priority to other more urgent and significant actions which arose over the year and which could not be foreseen when publishing the 2013 Plan. These activities include chairing two committees created by the government in 2013 to move forward in crucial areas for investor protection, specifically the Monitoring Committee for Hybrid Instruments of Capital and Subordinated Debt and the Committee of Experts on Corporate Governance.

In addition, although the 2013 Plan already contained some objectives aimed at strengthening preventive supervision, reducing timescales for action and strengthening the communication policy, the CNMV identified additional areas over the year which had an impact on these strategic lines and which meant postponing or redefining some of the initially planned objectives.

The 2014 Plan of Activities has been drawn up taking into account the forecasts of the main international bodies. These forecasts indicate world growth of 3.7%, although there are certain downside risks which include the slowdown in growth of emerging countries, the withdrawal of the monetary stimulus by the US Federal Reserve and the low level of inflation in advanced economies. GDP in Spain is expected to rise slightly in 2014 based on an improvement in financial conditions and the positive progress made in the restructuring of the Spanish banking sector. The biggest weaknesses remain the situation of the job market and the lack of credit for Spanish companies and families.

There have been major changes in securities markets since the Plan of Activities was first drawn up in 2007. This has led the CNMV to introduce new aspects in the 2014 Plan of Activities, modifying the approach compared with that followed in recent years.

Specifically, the Plan is more qualitative and hence contains fewer, but more significant, objectives which are more directly linked to the institution's strategic lines. Furthermore, the Plan now includes objectives which group together multiple activities with a common purpose, such as the review of

internal procedures, which in fact involves a critical analysis of practically all the institution's activities.

In addition, partly as a result of this more strategic nature, the CNMV has decided to set half-yearly objectives, instead of quarterly objectives, and to adjust the period which the Plan is in force to the calendar year, instead of the five quarters covered by the previous plans.

Following this new approach, the Plan details 39 objectives which develop the five strategic lines which will guide the institution's activity in 2014.

The main strategic line will be to introduce enhancements to the CNMV's functioning by striving to increase the institution's flexibility, its capacity to adapt to the environment and to make a concerted effort to shorten its time-scales for action. Secondly, the CNMV will conduct intensive market supervision focused on the fight against market abuse and the control of regulated information. The third line of strategy involves supervision of conduct of business rules of financial intermediaries following a preventive approach. The institution's fourth strategic line, as in previous years, will be to address investor enquiries and claims and to strengthen financial education.

Finally, the CNMV's international activity, in a context of growing integration, will cut across all the objectives of the Plan and will be an aspect to which the CNMV will dedicate significant resources.

16.1 Revenue and expenses

In 2013, the CNMV obtained 50.0 million euros in revenue and incurred 45.9 million euros in expenses. Therefore, the surplus for the year amounted to 4.1 million euros.

The surplus for ordinary activities amounted to 4.2 million euros. Ordinary revenue, which mostly comes from fees received, amounted to 46.2 million euros, 4.1% down on 2012.

Ordinary expenses amounted to 43.0 million euros, a fall of 2.5% on the previous year. Staff costs, which accounted for 65.1% of total ordinary expenses, rose by 6.2% despite a 1.4% fall in the average headcount. Staff costs rose as a result of payment of the end-of-year bonus in 2013, which had been suspended in 2012 pursuant to Royal Decree-Law 20/2012, of 13 July, on measures to guarantee budgetary stability and promote competitiveness.

Other ordinary expenses fell by 15.5%. This fall was mainly generated under the heading of supplies and external services, which fell by 23.9% as a result of the CNMV's new head office becoming fully operational in 2013. Purchase of this property made it possible to cancel the office rental agreements and to reduce lease expenses by 3.4 million euros. Significant falls were also recorded under the headings of security (8.2%), supplies (11.0%), meetings and conferences (68.6%) and work performed by other companies (59.9%).

However, the heading of depreciation rose as a result of the acquisition of the new head office, which offset the fall in expenses for external services.

The profit from financial operations amounted to 2.3 million euros.

16.2 Fee structure

As shown in Table 16.1, which shows the fees received for the different types of services provided by the CNMV, total revenue for fees fell by 4.1% in 2013.

This fall is essentially due to the drop in income from the fees for registering prospectuses (-15.5%) and for supervision of Sociedad de Sistemas members (-8.2%). These falls were partly offset by the increase in income from fees for supervising the activity of stock-market members (4.4%) and collective investment schemes (11.5%).

CNMV fee revenues

TABLE 16.1

Thousand euros

Activity or service	2012	2013	% change 13/12	Change
Registration of prospectuses and market participants	6,762.3	6,035.9	-10.7	-726.4
Prospectus registration	6,050.8	5,113.0	-15.5	-937.8
Issue prospectuses	4,201.9	4,087.1	-2.7	-114.8
Listing prospectuses	766.6	506.7	-33.9	-259.9
Vetting of AIAF listing requirements	1,082.3	519.2	-52.0	-563.1
Registration of market participants	620.9	830.9	33.8	210.0
Authorisation of takeover bids	90.6	92.0	1.5	1.4
Market supervision	33,872.2	32,186.9	-5.0	-1,685.3
AIAF members	354.1	234.4	-33.8	-119.7
Sociedad de Sistemas members	24,193.9	22,211.9	-8.2	-1,982.0
Stock market members	9,086.0	9,484.7	4.4	398.7
MEFF Fixed Income members	0.8	0.1	-87.5	-0.7
MEFF Equity members	236.1	254.5	7.8	18.4
MFAO members	1.3	1.3	0.0	0.0
Supervision of entities	7,592.9	8,009.7	5.5	416.8
CIS supervision	6,266.9	6,990.0	11.5	723.1
Mutual funds	5,105.6	5,731.1	12.3	625.5
Investment companies	973.8	1,046.7	7.5	72.9
Real estate mutual funds	173.5	156.4	-9.9	-17.1
Real estate investment companies	14.0	55.8	298.6	41.8
Supervision of CIS and securitisation fund management companies	237.2	107.1	-54.8	-130.1
CIS management companies	211.3	76.0	-64.0	-135.3
Securitisation fund management companies	25.9	31.1	20.1	5.2
Supervision of investment services firms	1,088.8	912.6	-16.2	-176.2
Portfolio management companies	10.7	12.6	17.8	1.9
Broker-dealers and brokers	1,078.1	900.0	-16.5	-178.1
Issuance of certificates	5.1	5.7	11.8	0.6
Total	48,232.5	46,238.2	-4.1	-1,994.3

Source: CNMV.

17 National Securities Numbering Agency

CNMV: organisational,
financial and institutional
aspects
National Securities
Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (Spanish acronym: ANCV), whose main goal is to assign and administer International Securities Identification Numbers (ISIN)¹ and Classification of Financial Instruments (CFI)² codes to facilitate their dissemination and use among users. The CNMV is also responsible for assigning the Financial Instrument Short Name (FISN)³ in line with ISO standard 18774 according to its final draft. In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. In its role as ANCV, the CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at year-end 2013 had a total of 84 full member countries and 31 associates.

The ANCV actively participates in various international working groups and management bodies relating to its activity. It currently holds the role of coordinator of WG2: ISIN Quality and Guidelines, which belongs to ANNA and comprises representatives from several national agencies and is responsible for drawing up and maintaining uniform rules and criteria for ISIN allocation worldwide. It is also a member of the Technical Committee of the ANNA Service Bureau (ASB), which is the central platform that receives and consolidates the daily ISIN and CFI data sent by all ANNA members. In April, the ANCV organised a meeting of Working Group 14, which is responsible for developing and reviewing ISO standard 18774 and is part of Technical Subcommittee 4 (SC4)⁴. Finally, the seventh edition of ISO standard 6166 (ISIN), which replaces and updates the previous 2001 version, was published in July.

Noteworthy developments in 2013 include the start of the allocation of ISINs to futures and options with non-standard characteristics admitted to trading on the MEFF Exchange and to OTC electricity derivatives traded bilaterally which are registered on MEFFPower.

With regard to the key figures of the ANCV, the number of securities and financial instruments with an ISIN in 2013 totalled 12,583, a fall of 9.6% on 2012 (see Table 17.1). The bulk of the allocation of numbers corresponds to options (58.1% of the total), followed by warrants and certificates. The fall in the total number of securities and instruments with ISIN in 2013 is mainly a result of the reduction in private fixed-income securities with ISIN, particularly commercial paper. The largest increases took place in warrants and certificates, options and equity instruments.

1 International Securities Identification Number: ISO standard 6166.

2 Classification of Financial Instruments: ISO standard 10962

3 Financial Instrument Short Name: ISO standard 18774.

4 SC4 is responsible for the standards on securities and financial instruments and forms part of ISO Technical Committee 68.

Number of securities and other financial instruments with ISIN

TABLE 17.1

	2012	2013	% change
Equity	365	563	54.2
Shares	134	201	50.0
CIS and venture capital funds	231	362	56.7
Preferred shares	0	0	0.0
Fixed income	3,837	1,201	-68.7
Government Bonds	56	80	42.9
Treasury bills and commercial paper	12	9	-25.0
Bonds and debentures	44	71	61.4
Private fixed income	3,781	1,121	-70.4
Commercial paper	3,534	977	-72.4
Bonds	84	46	-45.2
Debentures	6	14	133.3
Covered bonds	112	40	-64.3
Securitisation bonds	45	44	-2.2
Structured products	53	141	166.0
Rights	41	42	2.4
Warrants and certificates	2,309	3,059	32.5
Options	7,060	7,317	3.6
Futures	249	260	4.4
Total	13,914	12,583	-9.6

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with ISIN in the ANCV database totalled 21,411. Listed securities and financial instruments accounted for 55.6% of the total.

The total number of queries to the ANCV stood at 876, 6.2% up on the previous year. Queries regarding Spanish codes, which accounted for 75% of the total, rose by 12.3% on the previous year, while queries about foreign codes fell by 8.8%.

Queries handled directly by the ANCV

TABLE 17.2

	2012	2013	% change
Spanish codes	585	657	12.3
Foreign codes	240	219	-8.8
Total	825	876	6.2

Source: CNMV.

18.1 Introduction

The Advisory Committee is the body which provides advice to the CNMV's Board. Its functions and composition are provided for in Section 22 of the Securities Market Act, and its implementing legislation, Royal Decree-Law 303/2012, of 3 February, which regulates the CNMV Advisory Committee. This Committee is chaired by the CNMV's Vice-Chairperson and includes representatives of market infrastructures, issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, investment guarantee funds and each one of the Autonomous Regions with authority in regard to securities markets and in which there is an official secondary market.

As a body providing advice to the CNMV's Board, the Advisory Committee informs on those issues referred to it by the Board. In particular, the Committee shall issue a mandatory report in the following cases: i) approval of CNMV circulars; ii) authorisations, revocations, mergers and takeovers of investment services firms; and iii) authorisations, revocations and mergers and takeovers of the branches of investment services firms from non-EU countries.¹

Without prejudice to the above, the Advisory Committee also provides advice on draft regulations relating generally to the securities market which are referred to it by the Government or the Ministry of Economic Affairs and Competition. It thus fulfils the principle of consulting the affected sectors when new regulations are being drafted.

As a consequence of the intense international integration affecting the CNMV's activity, the Committee's agenda regularly includes voluntary or non-mandatory enquiries from international bodies such as IOSCO and ESMA or to other initiatives of the CNMV or the Committee itself. This allows greater sector participation, which is in line with international recommendations on analysing the impact of regulations.

In addition, since 2012 the Committee has also been analysing the recommendations and standards issued by ESMA prior to their application in Spain.

1 It should be indicated, however, that no proceedings for authorisation, revocation, merger and takeover of investment services firms have been processed since 2008. The Securities Market Act provides that the Advisory Committee shall issue a mandatory report when required by its regulation. Implementation of this rule was provided for in Royal Decree-Law 867/2001 until 2008. However, this legislation was repealed upon approval of Royal Decree-Law 217/2008, of 15 February, on the legal regime of investment services firms, which contains no provision on the intervention of the Advisory Committee in this type of procedure.

The Advisory Committee must meet at least once every three months, but in practice it holds a meeting every month.

18.2 Actions by the Advisory Committee in 2013

Table 18.1 offers a statistical summary of the issues addressed by the Advisory Committee in 2013.

The number of issues addressed fell on the previous year. This fall is partially the result of the elimination by Law 2/2011, of 4 March, on the Sustainable Economy, of the mandatory report by the Advisory Committee in cases of imposition of penalties for very serious breaches.

The number of voluntary enquiries from international bodies which have been the subject of analysis also fell. The Committee's activity has particularly focused on analysing draft regulations, which increased in number by 55%.

Types of issues referred to the Advisory Committee

TABLE 18.1

	Number of issues	
	2012	2013
Mandatory reports on regulations	9	14
Proposals of penalties for very serious breaches	4	–
Voluntary consultations (IOSCO, ESMA and others)	15	3
Total	28	17

Source: CNMV.

Table 18.2 provides a breakdown of the issues addressed within the three categories considered above.

Mandatory reports on regulations.

- Draft CNMV Circular on the key investor information document and prospectus of CIS (Session of 28/01/2013).
- Draft Bill on Savings Banks and Bank Foundations (Session of 28/01/2013).
- Draft Royal Decree-Law which amends the requirements for good repute, experience and good governance of credit institutions (Session of 28/01/2013).
- Draft CNMV Circular which amends the model forms for the Annual Corporate Governance Report (Session of 13/05/2013).
- Draft CNMV Circular which approves the model forms of the Annual Director Remuneration Report (Session of 13/05/2013).
- Draft Bill which amends Law 5/2005, of 22 April, on supervision of financial conglomerates and amending other laws of the financial sector, Law 13/1985, of 25 May, on investment ratios, own funds and reporting obligations of financial intermediaries and the Securities Market Act 24/1988, of 28 July (Session of 03/06/2013).
- Draft Order ECC/2013 which implements Section 86 of the Securities Market Act 24/1988, of 28 July (Session of 03/06/2013).
- Draft Bill which regulates venture capital firms and other investment firms and their management companies (Session of 03/06/2013).
- Draft Bill which amends Law 35/2003, of 4 November, on collective investment schemes, regarding the regime applicable to management companies of collective investment schemes authorised under Directive 2011/61/EU (Session of 03/06/2013).
- Draft Circular on accounting standards, annual reports, public financial statements and reserved statements of statistical information of bank asset funds (Session of 08/07/2013).
- Draft CNMV Circular which regulates the resolution procedure for claims and complaints against companies which provide investment services and for addressing enquiries in the field of the securities market (Session of 08/07/2013).
- Draft Circular on internal organisational requirements and control functions of entities which provide investment services (Session of 09/09/2013).
- Draft Royal Decree-Law which implements certain aspects of Law 14/2013, of 27 September, on support for entrepreneurs and their internationalisation, relating to mortgage bonds and internationalisation bonds (Session of 14/10/2013).
- Draft Bill on supervision and solvency of credit institutions (Session of 19/12/2013).

Voluntary consultations (IOSCO, ESMA and others):**European Securities and Markets Authority (ESMA)**

- Joint public consultation of ESMA and the European Banking Authority (EBA): Principles for benchmark-setting processes in the European Union (Session of 28/01/2013).

CNMV

- Criteria which the CNMV recommends should be observed by securities issuers and financial intermediaries who act on the account of securities issuers in discretionary treasury stock transactions (Session of 19/03/2013).

European Commission (EC)

- Proposal for a Regulation of the European Parliament and of the Council on Money Market Funds (Session of 14/10/2013).

Source: CNMV.

VI Report by the Internal Control Body



AUDIT REPORT PURSUANT TO LAW 44/2002, ON REFORM MEASURES FOR THE FINANCIAL SYSTEM - 2013

1.- Introduction

The CNMV's Internal Control Department has performed the audit relating to adaptation of the decisions adopted by the governing bodies to the procedural regulations applicable in each case, in implementation of the Audit Plan and Internal Control Actions approved by the Commission's Board in its session of 29 January 2014, thus complying with the Second Additional Provision of Law 44/2002, of 22 November, on Reform Measures for the Financial System (Official State Gazette of 23 November).

The work has been adapted to the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), pursuant to the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 4 April 2011.

2.- Aims and scope

The aim of the work is to verify adaptation to the procedural legislation applicable in adopting supervision decisions by the CNMV's governing bodies in 2013.

The basic legislation applicable to CNMV procedures is as follows:

- Securities Market Act 24/1998, of 28 July.
- Law 30/1992 on the Legal Regime of Public Administration Services and Common Administrative Procedures, of 26 November.
- The CNMV's Internal Regime Regulations.

It has also taken into account Resolutions on the delegation of powers of the CNMV, of 12 September and 14 December 2012 and of 2 October 2013.

There have been no limits placed on the scope of the performance of the work.

3.- Opinion.

In our opinion, having completed the audit work, it can be concluded that in 2013 the CNMV's governing bodies have met the requirements established in current legislation relating to the procedure and authority applicable in each case within the scope of the supervision entrusted to it by the Securities Market Act and other legislation.

Madrid, 25 April 2014

Directora del Departamento
de Control Interno



Fdo.: Margarita García Muñoz

[Director of the Internal Control Department

Signed: Margarita García Muñoz]

VII Financial statements of the CNMV

Summary of financial statements 2013

1 Balance sheet

Assets	2013	2012
A) Non-current assets	143,976,683.36	107,951,076.14
I. Intangible assets	5,752,762.88	4,796,784.13
3. Computer software	5,752,762.88	4,796,784.13
II. Property, plant and equipment	79,710,337.02	80,207,007.71
1. Land	43,653,538.66	43,628,598.39
2. Buildings	32,256,658.91	32,575,782.45
5. Other property, plant and equipment	3,800,139.45	4,002,626.87
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	58,304,886.58	15,711,648.15
3. Loans and debt securities	58,304,886.58	15,711,648.15
V. Long-term financial investments	208,696.88	7,235,636.15
1. Financial investments in equity	935.36	935.36
2. Loans and debt securities	206,495.89	7,234,700.79
4. Other financial investments	1,265.63	0.00
B) Current assets	27,544,675.41	62,758,452.55
III. Trade and other receivables	18,595,255.72	16,062,183.07
1. Receivables for operating activities	11,782,229.76	12,014,413.97
2. Other receivables	6,812,688.22	4,047,431.36
3. Public authorities	337.74	337.74
IV. Short-term financial investments in group companies, jointly-controlled entities and associates companies, jointly-controlled entities and associates	1,373,631.55	26,758,988.15
2. Loans and debt securities	1,373,631.55	26,758,988.15
V. Short-term financial investments	250,140.66	386,810.90
2. Loans and debt securities	250,140.66	386,810.90
VI. Prepayments and accrued income	188,863.43	140,624.85
VII. Cash and cash equivalents	7,136,784.05	19,409,845.58
1. Cash equivalents	50,508.95	129,018.95
2. Cash	7,086,275.10	19,280,826.63
TOTAL ASSETS	171,521,358.77	170,709,528.69

1 Balance sheet (continuation)

Equity and liabilities	2013	2012
A) Equity	164,877,486.27	163,564,449.52
I. Contributed equity	5,385,871.28	5,385,871.28
II. Equity generated	157,235,087.58	158,178,578.24
1. Retained earnings / losses	17,885,052.09	20,623,519.47
2. Surplus for the year	4,117,509.34	7,383,720.79
3. Reserves	135,232,526.15	130,171,337.98
III. Valuation adjustments	2,256,527.41	0.00
2. Available-for-sale financial assets	2,256,527.41	0.00
B) Non-current liabilities	1,454,407.16	984,101.09
I. Long-term provisions	1,454,407.16	984,101.09
C) Current liabilities	5,189,465.34	6,160,978.08
I. Short-term provisions	1,361,116.45	446,289.00
II. Short-term debts	494,582.83	1,821,996.13
4. Other debts	494,582.83	1,821,996.13
IV. Trade and other payables	3,333,766.06	3,892,692.95
1. Payables for operating activities	1,399,279.79	2,140,732.23
2. Other payables	693,952.86	935,256.51
3. Public authorities	1,240,533.41	816,704.21
TOTAL EQUITY AND LIABILITIES	171,521,358.77	170,709,528.69

2 Income statement

	2013	2012
1. Tax revenues and social contributions	46,238,235.91	48,232,522.75
b) Fees	46,238,235.91	48,232,522.75
5. Own work capitalised	695,586.14	563,490.04
6. Other ordinary revenue	245,878.07	57,033.64
A) TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)	47,179,700.12	48,853,046.43
8. Personnel expenses	-27,984,204.11	-26,359,312.26
a) Salaries, wages and similar	-22,261,220.37	-20,718,032.10
b) Employee welfare expenses	-5,722,983.74	-5,641,280.16
9. Transfers and subsidies granted	-387,300.40	-416,466.98
11. Other ordinary expenses	-11,831,507.08	-15,413,785.68
a) Supplies and outside services	-11,476,535.85	-15,076,657.91
b) Taxes	-354,971.23	-337,127.77
12. Depreciation and amortisation	-2,795,301.17	-1,933,195.53
B) TOTAL ORDINARY EXPENSES (8+9+10+11+12)	-42,998,312.76	-44,122,760.45
I. Profit (loss) from ordinary activities (A+B)	4,181,387.36	4,730,285.98
13. Impairment and gains (losses) from disposal of non-financial assets and assets for sale	-290,942.36	-2,678.44
a) Impairment	32,303.26	32,222.85
b) Deletions and disposals	-323,245.62	-34,901.29
14. Other non-ordinary items	-2,064,911.73	398,948.99
a) Revenue	0.00	606,466.99
b) Expenses	-2,064,911.73	-207,518.00
II. Profit (loss) from non-financial operations (I+13+14)	1,825,533.27	5,126,556.53
15. Financial income	2,467,373.65	2,433,268.67
b) From marketable securities and loans forming part of fixed assets	2,467,373.65	2,433,268.67
b.1) In group companies, jointly-controlled entities and associates	2,172,705.20	1,920,847.90
b.2) Other	294,668.45	512,420.77
16. Financial expenses	-765.69	-610.43
b) Other	-765.69	-610.43
18. Change in fair value of financial assets and liabilities	154,671.27	0.00
c) Allocation to profit (loss) for the year for available-for-sale financial assets	154,671.27	0.00
19. Exchange differences	-8,653.26	-3,048.41
20. Impairment, deletions and disposal of financial assets and liabilities	-320,649.90	-172,445.57
b) Other	-320,649.90	-172,445.57
III. Profit (loss) from financial operations (15+16+17+18+19+20+21)	2,291,976.07	2,257,164.26
IV. Net profit for the year (II+III)	4,117,509.34	7,383,720.79

3 Cash flow statement

	2013	2012
I. CASH FLOWS FROM OPERATING ACTIVITIES		
A) Receipts	45,959,826.44	53,729,835.77
1. Tax revenues and social contributions	43,721,245.94	51,900,284.99
5. Interest and dividends received	2,061,109.09	1,648,163.12
6. Other receipts	177,471.41	181,387.66
B) Payments	41,452,711.39	41,834,420.83
7. Personnel expenses	27,426,870.31	26,503,109.21
8. Transfers and subsidies granted	368,000.00	415,046.87
10. Other operating expenses	12,614,355.34	14,818,663.82
13. Other payments	1,043,485.74	97,600.93
Net cash flows from operating activities (+A-B)	4,507,115.05	11,895,414.94
II. CASH FLOWS FROM INVESTMENT ACTIVITIES		
C) Receipts	33,750,408.69	74,119,619.65
1. Sale of property investments	130.00	500.00
2. Sale of financial assets	33,742,265.45	74,119,119.65
3. Other receipts from investment activities	8,013.24	0.00
D) Payments	45,523,684.25	77,339,856.96
4. Purchase of property investments	4,175,132.37	55,183,152.95
5. Purchase of financial assets	41,238,015.22	22,001,308.35
6. Other payments for investment activities	110,536.66	155,395.66
Net cash flows from investment activities (+C-D)	-11,773,275.56	-3,220,237.31
III. CASH FLOWS FROM FINANCING ACTIVITIES		
F) Payments to owning entity/entities:	5,061,000.00	0.00
2. Return of contributions and payment of profit (loss) to owner(s)	5,061,000.00	0.00
Net cash flows from financing activities (+E-F+G-H)	-5,061,000.00	0.00
IV. CASH FLOWS PENDING CLASSIFICATION		
I) Receipts pending application	61,160.61	168.94
J) Payments pending application	2,198.93	522.79
Net cash flows pending classification (+I-J)	58,961.68	-353.85
V. EFFECT OF EXCHANGE RATE CHANGES	-4,862.70	-627.70
VI. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	-12,273,061.53	8,674,196.08
Cash and cash equivalents at the start of the year	19,409,845.58	10,735,649.50
Cash and cash equivalents at the end of the year	7,136,784.05	19,409,845.58

4 Statement of changes in equity

	Note to the financial statements	I. Contributed equity	II. Equity generated	III. Valuation adjustments	IV. Other equity increases	Total
A. Equity at end of financial year N-1		5,385,871.28	158,267,704.19	0.00	0.00	163,653,575.47
B. Adjustments for changes in accounting criteria and error correction		0.00	-89,125.95	0.00	0.00	-89,125.95
C. Adjusted starting equity for financial year N (A+B)		5,385,871.28	158,178,578.24	0.00	0.00	163,564,449.52
D. Changes in equity in financial year N		0.00	-943,490.66	2,256,527.41	0.00	1,313,036.75
1. Recognised income and expense in the year		0.00	4,117,509.34	2,256,527.41	0.00	6,374,036.75
2. Transactions with owner(s)		0.00	-5,061,000.00	0.00	0.00	-5,061,000.00
3. Other changes in equity		0.00	0.00	0.00	0.00	0.00
E. Equity at end of financial year N (C+D)		5,385,871.28	157,235,087.58	2,256,527.41	0.00	164,877,486.27

Annexes

Capital increases and public offerings¹

I.1

Million euros

	Number of issuers			Number of issues		
	2012	2013	Change 13/12	2012	2013	Change 13/12
Capital increases²	30	39	9	92	145	54
Which are subscription offerings	3	5	2	3	5	2
With domestic tranches	3	5	2	3	5	2
With international tranches	0	0	0	0	0	0
Public offerings (IPO)	3	0	-3	3	0	-3
Of domestic tranches	3	0	-3	3	0	-3
Of international tranches	0	0	0	0	0	0
Total	30	39	9	95	145	51
Pro memoria: stock exchange listings						
By means of IPO or subscription offering	5	3	0	6	3	-1
Others ³	0	1	–	0	1	–

Source: CNMV. (1) Does not include data from the MAB, ETF or Latibex. (2) Includes bonus issues. (3) First admission to trading of the full amount of the share capital.

Capital increases and public offerings: cash amount

I.2

Million euros

Issuer	Cash amount ¹	Type of transaction	Date registered
Caixabank, S.A.	232.6	Bonus issue to meet dividend payment	03-Jan-13
Caixabank, S.A.	230.8	Capital increase by conversion of bonds or debentures	09-Jan-13
Grifols, S.A.	0.0	Bonus issue	11-Jan-13
Promotora de Informaciones, S.A.	3.9	Capital increase for non-monetary consideration	11-Jan-13
Promotora de Informaciones, S.A.	2.1	Bonus issue to meet dividend payment	11-Jan-13
Abengoa, S.A.	4.9	Capital increase for non-monetary consideration	11-Jan-13
Repsol, S.A.	410.0	Bonus issue to meet dividend payment	17-Jan-13
Faes Farma, S.A.	5.9	Bonus issue to meet dividend payment	22-Jan-13
Iberdrola, S.A.	569.7	Bonus issue to meet dividend payment	24-Jan-13
Ercros, S.A.	0.5	Capital increase without trading warrants	31-Jan-13
Adolfo Domínguez, S.A.	0.5	Capital increase without trading warrants	31-Jan-13
Abengoa, S.A.	1.3	Capital increase for non-monetary consideration	05-Feb-13
Banco Santander, S.A.	1,355.5	Bonus issue to meet dividend payment	07-Feb-13
Inmobiliaria Colonial, S.A.	0.0	Capital increase by conversion of bonds or debentures	07-Feb-13
Promotora de Informaciones, S.A.	0.4	Capital increase for non-monetary consideration	12-Feb-13
Promotora de Informaciones, S.A.	0.3	Bonus issue to meet dividend payment	12-Feb-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	12-Feb-13
Banco de Valencia, S.A.	6.5	Capital increase by conversion of bonds or debentures	28-Feb-13
Banco de Valencia, S.A.	37.6	Capital increase by conversion of bonds or debentures	28-Feb-13
Banco de Valencia, S.A.	4,500.0	Capital increase without trading warrants	28-Feb-13
Promotora de Informaciones, S.A.	1.6	Capital increase for non-monetary consideration	05-Mar-13
Promotora de Informaciones, S.A.	1.5	Bonus issue to meet dividend payment	05-Mar-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	05-Mar-13
Grupo Ezentis, S.A.	13.2	Capital increase with pre-emptive subscription rights	07-Mar-13
Zardoya Otis, S.A.	183.8	Capital increase for non-monetary consideration	12-Mar-13
Banco Popular Español, S.A.	0.9	Capital increase by conversion of bonds or debentures	26-Mar-13
Urbar Ingenieros, S.A.	7.0	Capital increase with pre-emptive subscription rights	26-Mar-13
Promotora de Informaciones, S.A.	0.8	Capital increase for non-monetary consideration	04-Apr-13
Promotora de Informaciones, S.A.	0.8	Bonus issue to meet dividend payment	04-Apr-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	04-Apr-13
Caixabank, S.A.	249.1	Bonus issue to meet dividend payment	09-Apr-13
Deoleo, S.A.	11.1	Subscription offering	09-Apr-13
Caixabank, S.A.	1.7	Capital increase by conversion of bonds or debentures	15-Apr-13
Caixabank, S.A.	197.4	Capital increase by conversion of bonds or debentures	15-Apr-13
Grifols, S.A.	20.5	Capital increase without trading warrants	18-Apr-13
Banco Popular Español, S.A.	20.7	Capital increase by conversion of bonds or debentures	25-Apr-13
Banco Popular Español, S.A.	85.6	Capital increase by conversion of bonds or debentures	25-Apr-13
Promotora de Informaciones, S.A.	0.7	Capital increase for non-monetary consideration	29-Apr-13
Promotora de Informaciones, S.A.	0.7	Bonus issue to meet dividend payment	29-Apr-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	29-Apr-13

Capital increases and public offerings: cash amount (continuation)

I.2

Million euros

Issuer	Cash amount ¹	Type of transaction	Date registered
Banco Bilbao Vizcaya Argentaria, S.A.	565.1	Bonus issue to meet dividend payment	30-Apr-13
Abengoa, S.A.	0.5	Capital increase for non-monetary consideration	30-Apr-13
Banco Santander, S.A.	1,381.7	Bonus issue to meet dividend payment	07-May-13
Bankinter, S.A.	0.0	Bonus issue	07-May-13
European Aeronautic Defence and Space Company Eads, N.V.	5.7	Capital increase by exercise of share options	14-May-13
Urbas Grupo Financiero, S.A.	0.8	Capital increase without trading warrants	14-May-13
Grupo Ezentis, S.A.	2.0	Capital increase by conversion of bonds or debentures	14-May-13
Liberbank, S.A.	457.2	Subscription offering	16-May-13
Bankia, S.A.	4,265.7	Capital increase by conversion of bonds or debentures	27-May-13
Bankia, S.A.	10,700.0	Capital increase with pre-emptive subscription rights	27-May-13
Bankia, S.A.	586.4	Subscription offering	27-May-13
Faes Farma, S.A.	0.0	Bonus issue	28-May-13
Promotora de Informaciones, S.A.	0.6	Capital increase for non-monetary consideration	06-Jun-13
Promotora de Informaciones, S.A.	0.7	Bonus issue to meet dividend payment	06-Jun-13
Almirall, S.A.	25.3	Bonus issue to meet dividend payment	13-Jun-13
Ercros, S.A.	0.4	Capital increase without trading warrants	13-Jun-13
NCG Banco, S.A.	416.6	Subscription offering. Shares not admitted to trading on a regulated market	14-Jun-13
NCG Banco, S.A.	938.4	Capital increase. Shares not admitted to trading on a regulated market	14-Jun-13
Catalunya Banc, S.A.	271.4	Subscription offering. Shares not admitted to trading on a regulated market	14-Jun-13
Catalunya Banc, S.A.	947.0	Capital increase. Shares not admitted to trading on a regulated market	14-Jun-13
Jazztel, Plc.	4.6	Capital increase by exercise of warrants	18-Jun-13
Amper, S.A.	10.0	Capital increase without trading warrants	21-Jun-13
Bankinter, S.A.	0.2	Capital increase by conversion of bonds or debentures	21-Jun-13
Bankinter, S.A.	0.3	Capital increase by conversion of bonds or debentures	21-Jun-13
Banco Popular Español, S.A.	0.8	Capital increase by conversion of bonds or debentures	27-Jun-13
Promotora de Informaciones, S.A.	1.2	Capital increase for non-monetary consideration	02-Jul-13
Promotora de Informaciones, S.A.	1.5	Bonus issue to meet dividend payment	02-Jul-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	02-Jul-13
Grupo Ezentis, S.A.	0.3	Capital increase without trading warrants	02-Jul-13
Deoleo, S.A.	30.0	Capital increase for non-monetary consideration	04-Jul-13
Banco Bilbao Vizcaya Argentaria, S.A.	1,237.4	Capital increase by conversion of bonds or debentures	04-Jul-13
Caixabank, S.A.	232.1	Capital increase by conversion of bonds or debentures	09-Jul-13
NH Hoteles, S.A.	234.3	Capital increase without trading warrants	09-Jul-13
Faes Farma, S.A.	5.1	Bonus issue to meet dividend payment	09-Jul-13
Repsol, S.A.	338.6	Bonus issue to meet dividend payment	11-Jul-13
Acerinox, S.A.	61.1	Bonus issue to meet dividend payment	16-Jul-13

Capital increases and public offerings: cash amount (continuation)

I.2

Million euros

Issuer	Cash amount ¹	Type of transaction	Date registered
Cartera Industrial REA, S.A.	4.8	Capital increase with pre-emptive subscription rights	16-Jul-13
Iberdrola, S.A.	427.2	Bonus issue to meet dividend payment	25-Jul-13
Sacyr, S.A.	0.0	Bonus issue	25-Jul-13
ACS, Actividades de Construcción y Servicios, S.A.	157.2	Bonus issue to meet dividend payment	25-Jul-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	30-Jul-13
Promotora de Informaciones, S.A.	0.4	Capital increase for non-monetary consideration	30-Jul-13
Promotora de Informaciones, S.A.	0.6	Bonus issue to meet dividend payment	30-Jul-13
Grupo Ezentis, S.A.	3.1	Capital increase without trading warrants	30-Jul-13
Abengoa, S.A.	0.3	Capital increase for non-monetary consideration	30-Jul-13
Urbas Grupo Financiero, S.A.	0.8	Capital increase without trading warrants	08-Aug-13
Urbas Grupo Financiero, S.A.	1.0	Capital increase without trading warrants	08-Aug-13
Banco Santander, S.A.	1,398.4	Bonus issue to meet dividend payment	08-Aug-13
Quabit Inmobiliaria, S.A.	1.9	Capital increase without trading warrants	14-Aug-13
Caixabank, S.A.	220.3	Bonus issue to meet dividend payment	22-Aug-13
European Aeronautic Defence and Space Company Eads, N.V.	2.1	Capital increase by exercise of share options	22-Aug-13
Damm	0.0	Bonus issue	26-Aug-13
Banco de Sabadell, S.A.	1.6	Capital increase by conversion of bonds or debentures	03-Sep-13
Banco de Sabadell, S.A.	24.9	Capital increase by conversion of bonds or debentures	03-Sep-13
Zardoya Otis, S.A.	0.0	Bonus issue	03-Sep-13
Banco de Sabadell, S.A.	600.8	Capital increase without trading warrants	10-Sep-13
International Consolidated Airlines Group, S.A.	173.0	Capital increase by conversion of bonds or debentures	12-Sep-13
International Consolidated Airlines Group, S.A.	150.8	Capital increase by conversion of bonds or debentures	19-Sep-13
Banco Popular Español, S.A.	0.8	Capital increase by conversion of bonds or debentures	24-Sep-13
International Consolidated Airlines Group, S.A.	59.1	Capital increase by conversion of bonds or debentures	24-Sep-13
Promotora de Informaciones, S.A.	55.0	Bonus issue to meet dividend payment	26-Sep-13
Grupo Ezentis, S.A.	3.5	Capital increase by conversion of bonds or debentures	26-Sep-13
International Consolidated Airlines Group, S.A.	120.3	Capital increase by conversion of bonds or debentures	01-Oct-13
Amper, S.A.	4.6	Capital increase without trading warrants	01-Oct-13
Ercros, S.A.	0.4	Capital increase without trading warrants	03-Oct-13
Banco de Sabadell, S.A.	732.7	Capital increase with pre-emptive subscription rights	07-Oct-13
International Consolidated Airlines Group, S.A.	51.3	Capital increase by conversion of bonds or debentures	08-Oct-13
International Consolidated Airlines Group, S.A.	124.7	Capital increase by conversion of bonds or debentures	10-Oct-13
CIE Automotive, S.A.	28.9	Capital increase without trading warrants	10-Oct-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	10-Oct-13
Promotora de Informaciones, S.A.	0.3	Bonus issue to meet dividend payment	10-Oct-13
Promotora de Informaciones, S.A.	1.0	Capital increase for non-monetary consideration	10-Oct-13
Banco Popular Español, S.A.	85.6	Capital increase by conversion of bonds or debentures	17-Oct-13
Banco Popular Español, S.A.	187.4	Capital increase by conversion of bonds or debentures	17-Oct-13

Capital increases and public offerings: cash amount (continuation)

I.2

Million euros

Issuer	Cash amount ¹	Type of transaction	Date registered
Abengoa, S.A.	450.0	Capital increase without trading warrants	17-Oct-13
Banco Bilbao Vizcaya Argentaria, S.A.	500.3	Bonus issue to meet dividend payment	22-Oct-13
Abertis Infraestructuras, S.A.	0.0	Bonus issue	22-Oct-13
Caixabank, S.A.	224.7	Bonus issue to meet dividend payment	24-Oct-13
Promotora de Informaciones, S.A.	0.0	Capital increase by exercise of warrants	29-Oct-13
Promotora de Informaciones, S.A.	0.0	Bonus issue to meet dividend payment	29-Oct-13
Promotora de Informaciones, S.A.	0.0	Capital increase for non-monetary consideration	29-Oct-13
Abengoa, S.A.	67.5	Capital increase without trading warrants	31-Oct-13
Grupo Ezentis, S.A.	0.4	Capital increase by exercise of warrants	31-Oct-13
Abengoa, S.A.	0.2	Capital increase for non-monetary consideration	31-Oct-13
Banco Santander, S.A.	1,513.7	Bonus issue to meet dividend payment	07-Nov-13
Grupo Ezentis, S.A.	1.2	Capital increase by exercise of warrants	07-Nov-13
Banco Popular Español, S.A.	31.1	Capital increase by conversion of bonds or debentures	12-Nov-13
Ercros, S.A.	0.6	Capital increase without trading warrants	12-Nov-13
Liberbank, S.A.	18.4	Capital increase by conversion of bonds or debentures	14-Nov-13
Amper, S.A.	5.4	Capital increase with pre-emptive subscription rights	19-Nov-13
Urbas Grupo Financiero, S.A.	4.8	Capital increase without trading warrants	26-Nov-13
Grupo Ezentis, S.A.	1.3	Capital increase by exercise of warrants	28-Nov-13
Grupo Ezentis, S.A.	3.0	Capital increase without trading warrants	28-Nov-13
Quabit Inmobiliaria, S.A.	1.1	Capital increase without trading warrants	03-Dec-13
Quabit Inmobiliaria, S.A.	1.7	Capital increase without trading warrants	03-Dec-13
Quabit Inmobiliaria, S.A.	3.3	Capital increase without trading warrants	03-Dec-13
Grupo Ezentis, S.A.	1.0	Capital increase without trading warrants	05-Dec-13
Grupo Ezentis, S.A.	0.9	Capital increase by exercise of warrants	05-Dec-13
Bankinter, S.A.	2.0	Capital increase by conversion of bonds or debentures	12-Dec-13
Bankinter, S.A.	57.4	Capital increase by conversion of bonds or debentures	12-Dec-13
Banco Popular Español, S.A.	0.6	Capital increase by conversion of bonds or debentures	18-Dec-13
Caixabank, S.A.	227.9	Bonus issue to meet dividend payment	19-Dec-13
Banco Popular Español, S.A.	450.0	Capital increase without trading warrants	19-Dec-13
Banco de Sabadell, S.A.	1.6	Capital increase by conversion of bonds or debentures	20-Dec-13
Banco de Sabadell, S.A.	48.8	Capital increase by conversion of bonds or debentures	20-Dec-13

Source: CNMV. (1) Issues of new shares not paid for in cash have been valued at market prices.

De-listings in 2013¹

I.3

Company	Market	Reason. Procedure	Date
Metrovacesa	SIBE	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	23/05/2013
Corp. Dermoestética	SIBE	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	19/06/2013
Vueling Airlines	SIBE	Having settled the bid made by the company itself in accordance with Article 7.4 of Royal Decree 1197/1991	09/08/2013
Banco de Chile	SIBE	Upon a request from the issuer	18/10/2013
AFI Monetario Euro ETF	SIBE	Upon a request from the issuer	21/10/2013
BBVA Iboxx Euro Sovereigns 3-5 years ETF	SIBE	Upon a request from the issuer	21/10/2013
Inmuebles de Caja Hipotecaria Catalana Mutual	2 nd market	Delisted by Regional Government of Catalonia	26/10/2013

Source: CNMV. (1) Does not include de-listings as a result of a change in market or of SICAVs or of hedge funds in the form of a company.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

	2013							
	2010	2011	2012	2013	1Q	2Q	3Q	4Q
Madrid Stock Exchange								
Oil and energy	-8.6	-2.7	-16.0	19.0	-3.0	7.2	6.5	7.4
Commodities, industry and construction	-15.2	-14.3	-8.0	28.9	-0.9	3.7	16.1	8.0
Consumer goods	17.0	5.7	55.6	17.1	0.2	-5.9	16.6	6.7
Consumer services	-0.1	-24.2	12.7	58.9	12.6	5.2	19.6	12.2
Financial and real estate services	-31.7	-18.9	-4.7	19.9	-9.4	-6.1	28.1	10.1
Banking	-33.1	-20.3	-4.8	18.8	-10.1	-6.5	28.7	9.9
Real estate and others	-53.3	-47.5	-14.4	38.3	-7.8	-2.1	23.6	24.0
Technology and telecommunications	-12.8	-20.9	-18.3	22.8	3.9	-2.9	15.5	5.4
Madrid Stock exchange General Index	-19.2	-14.6	-3.8	22.7	-3.2	-2.1	19.4	8.4
Barcelona Stock Exchange								
Electricity	-8.3	-12.8	-4.0	20.8	-7.9	10.5	8.2	9.6
Banks	-32.1	-17.1	9.2	23.1	-9.9	-4.9	30.2	10.4
Chemical	2.6	14.2	-21.5	27.0	3.9	4.6	12.8	3.6
Cement, construction and real estate	-17.5	-0.4	-11.2	41.1	-2.8	8.5	24.7	7.4
Metallurgy	-31.1	-35.9	-21.0	83.0	-3.4	17.9	35.3	18.8
Food, agriculture and forestry	15.6	-13.4	2.6	6.6	-4.4	-1.2	10.2	2.5
Textiles and paper	28.0	12.0	65.0	13.7	-1.9	-8.2	20.0	5.2
Trade and finance	-2.3	4.3	13.5	35.9	8.7	5.9	9.9	7.4
Sundry services	-11.6	-18.5	-13.2	25.2	4.0	-1.7	14.6	6.8
BCN Global 100	-19.7	-13.6	-0.7	25.6	-4.0	-0.9	21.5	8.7

Source: Thomson Datastream.

Concentration of capitalisation by sector¹

I.5

Annexes
Statistical annexes I

No. of companies required in order to achieve a specific percentage

Sector	2012				2013			
	25%	50%	75%	100%	25%	50%	75%	100%
Oil	1	1	1	1	1	1	1	1
Energy and water	1	2	3	8	1	2	3	8
Mining and base metals	1	2	3	7	1	2	3	7
Cement and construction materials	1	2	3	4	1	2	2	4
Chemical	1	1	3	7	1	1	1	6
Textile and paper	1	1	1	15	1	1	1	16
Metal-mechanical	1	2	4	14	1	2	4	15
Food	1	2	3	12	1	2	4	12
Construction	1	2	3	8	1	2	3	7
Real estate	1	2	4	21	1	3	6	19
Transport and communications	1	1	1	4	1	1	2	3
Other non-financial	1	3	6	25	1	3	7	25
Banks	1	2	2	10	1	2	3	9
Insurance	1	1	1	2	1	1	1	2
Portfolio companies	1	1	1	6	1	1	1	7
SICAV	1	1	1	1	1	1	1	1
Finance houses	0	0	0	0	0	0	0	0
Total	16	26	40	145	16	27	43	142

Source: CNMV. (1) Only includes capitalisation of companies that traded at some time during the year. Excludes Latibex, MAB and ETFs.

Concentration of equity stock market trading

I.6

No. of companies required in order to achieve a specific percentage

	2012				2013			
	25%	50%	75%	100%	25%	50%	75%	100%
All Stock Exchanges¹	2	3	6	147	2	4	9	147
Electronic market	2	3	6	124	2	4	9	121
Spain	2	3	6	117	2	4	9	114
Foreign	1	1	2	7	1	2	2	7
Open outcry	1	1	2	27	1	2	3	24
Second market	1	1	2	9	1	1	1	9
Pro memoria:								
ETFs	1	2	5	71	1	2	4	68
Alternative Stock Market (MAB)	12	72	242	3,049	10	87	299	3,077
Latibex	2	5	10	29	2	5	10	26

Source: CNMV. (1) Values do not include Latibex, MAB or ETFs.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market¹

1.7

Sector	% sector/market ²	Companies with the largest capitalisation in the sector	% company/market ³
Oil	4.2	Repsol	4.2
Energy and water	14.7	Iberdrola	5.1
Energy and water		Endesa	4.3
Energy and water		Gas Natural SDG	3.3
Mining and base metals	0.9	Acerinox	0.4
Mining and base metals		CIE Automotive	0.2
Mining and base metals		Grupo Duro Felguera	0.1
Cement and construction materials	0.3	Vidrala	0.2
Cement and construction materials		Cementos Molins	0.1
Cement and construction materials		Uralita	0.0
Chemical	0.7	Almirall	0.4
Chemical		Faes Farma	0.1
Chemical		Zeltia	0.1
Textile and paper	15.4	Inditex	13.1
Textile and paper		Grifols	1.9
Textile and paper		Grupo Empresarial Ence	0.1
Metal-mechanical	2.2	Zardoya Otis	1.0
Metal-mechanical		Técnicas Reunidas	0.4
Metal-mechanical		Abengoa	0.3
Food	1.4	Ebro Foods	0.5
Food		Viscofan	0.3
Food		Damm	0.2
Construction	4.8	Ferrovial	1.8
Construction		ACS	1.4
Construction		OHL	0.5
Real estate	0.5	Testa Inmuebles en Renta	0.2
Real estate		Fomento Balear de Inversiones	0.1
Real estate		Inmobiliaria del Sur	0.0
Transport and communications	13.6	Telefónica	9.4
Transport and communications		Abertis Infraestructuras	2.4
Transport and communications		IAG	1.7
Other non-financial	7.0	Amadeus IT Holding	2.4
Other non-financial		DIA	0.7
Other non-financial		Gestevisión Telecinco	0.6
Banks	31.6	Banco de Santander	12.9
Banks		BBVA	9.1
Banks		Caixabank	3.3
Insurance	2.2	Mapfre	1.7
Insurance		Grupo Catalana Occidente	0.5
Portfolio companies	0.5	Corp. Financiera Alba	0.4
Portfolio companies		Dinamia Capital Privado, S.A., SCR	0.0
Portfolio companies		Unión Europea de Inversiones	0.0
SICAV	0.0	Cía. General de Inversiones	0.0

Source: CNMV. (1) Capitalisation at year end. (2) Capitalisation of the sector as a percentage of the overall market. (3) Capitalisation of the companies listed as a percentage of the overall market.

Capitalisation and trading volume of Ibex 35 companies¹

l.8

Million euros

Company	Capitalisation ²			Trading volume		
	2012	2013	% total ³	2012	2013	% total ³
Banco Santander	62,959.20	73,735.23	11.0	156,638.7	132,964.6	22.6
Telefónica	46,374.94	53,861.38	8.1	110,025.5	103,246.8	15.9
Banco Bilbao Vizcaya Argentaria	37,923.99	51,772.72	6.7	105,482.5	105,717.2	15.2
Inditex	65,761.36	74,674.98	11.5	56,320.9	50,524.8	8.1
Iberdrola	25,752.66	28,922.28	4.5	48,391.8	43,553.4	7.0
Repsol	19,263.50	23,861.29	3.4	64,784.2	42,528.7	9.3
Amadeus IT Group	8,526.44	13,922.04	1.5	16,712.6	17,571.2	2.4
Caixabank	11,383.03	18,774.41	2.0	3,231.8	10,256.9	0.5
Abertis Infraestructuras	10,119.68	13,816.79	1.8	10,270.1	11,187.4	1.5
International Airlines Group	4,137.47	9,871.94	0.7	1,686.5	4,198.0	0.2
Bankia	779.64	14,212.38	0.1	3,123.9	6,275.4	0.5
Banco Popular Español	4,927.41	8,316.38	0.9	8,198.4	17,327.3	1.2
Grupo Ferrovial	8,215.31	10,316.82	1.4	10,932.5	12,313.6	1.6
Banco de Sabadell	5,845.12	7,605.77	1.0	5,240.2	7,487.5	0.8
Gas Natural	13,589.36	18,707.89	2.4	7,610.4	12,161.1	1.1
Grifols	7,784.23	10,790.70	1.4	5,495.0	6,650.5	0.8
Red Eléctrica Corporación	5,045.57	6,560.60	0.9	10,807.8	13,171.0	1.6
ACS	5,991.21	7,872.91	1.1	5,417.4	6,397.3	0.8
Corporación Mapfre	7,129.17	9,586.65	1.3	4,744.5	6,719.2	0.7
Enagás	3,853.17	4,534.76	0.7	8,884.5	11,466.5	1.3
Bankinter	1,770.35	4,466.28	0.3	2,151.4	5,066.0	0.3
Distribuidora Internacional de Alimentación	3,267.61	4,231.96	0.6	5,425.8	6,585.1	0.8
Arcelormittal	465.99	771.82	0.1	2,821.6	2,687.4	0.4
Mediaset España Comunicación	2,070.92	3,413.16	0.4	2,027.0	2,747.9	0.3
Obrascon Huarte Lain	2,189.31	2,936.87	0.4	2,837.9	3,958.1	0.4
BME	1,542.71	2,312.81	0.3	1,764.7	2,578.7	0.3
Técnicas Reunidas	1,961.11	2,207.05	0.3	2,834.9	3,778.3	0.4
Ebro Foods	2,307.98	2,621.10	0.4	1,746.5	2,223.9	0.3
Indra Sistemas	1,644.61	1,995.03	0.3	2,435.4	2,867.1	0.4
Jazztel	1,311.46	1,963.05	0.2	1,195.8	2,783.9	0.2
Viscofan	1,995.10	1,927.06	0.4	1,426.9	2,506.4	0.2
Gamesa Corporación Tecnológica	421.44	1,924.42	0.1	1,827.6	2,592.6	0.3
Acciona	3,218.56	2,391.45	0.6	2,902.0	3,415.1	0.4
Sacyr Vallehermoso	733.04	1,755.10	0.1	1,494.5	3,749.0	0.2
FCC	1,192.83	2,059.13	0.2	1,397.9	2,378.7	0.2

Source: CNMV. (1) Ibex 35 companies at 31 December 2013. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2013

I.9

Million euros

Company	Offeror	Purpose	% capital addressed by the bid	Cash amount paid	Result (%) ¹
Vueling Airlines, S.A.	Veloz Holdco, S.L.U.	Voluntary takeover bid to strengthen control	54.15	123.54	44.66
Metrovacesa, S.A.	Banco Bilbao Vizcaya Argentaria, S.A. Banco de Sabadell, S.A. Banco Popular, S.A. Banco Santander, S.A.	Delisting bid	4.41	96.57	4.29
Corporación Dermoestética, S.A.	Pabellón Paladio, S.L.U.	Delisting bid	40.90	2.17	32.66
Companyia d'Aigües de Sabadell, S.A.	Sociedad General de Aguas de Barcelona, S.A.	Voluntary takeover bid for acquisition of control	86.38	24.16	64.09
Vueling Airlines, S.A.	Veloz Holdco, S.L.U.	Delisting bid	9.49	19.39	7.01
Duro Felguera, S.A.	Duro Felguera, S.A.	Partial voluntary takeover bid on treasury stock	9.59	84.87	Pro-rating 23.566
Total				350.70	

Source: CNMV. (1) Percentage of capital. In the event of pro-rating, the co-efficient is indicated.

Companies listed on Latibex by sector

I.10

Million euros, unless indicated otherwise

Sector	No. of companies		Market capitalisation			Trading volume		
	2012	2013	2012	2013	% change	2012	2013	% change
Oil	1	1	26.4	19.9	-24.54	59.3	55.6	-6.22
Energy and water	4	4	5.4	4.7	-12.74	19.8	19.5	-1.92
Mining and base metals	5	5	99.2	88.4	-10.83	103.2	94.6	-8.31
Chemical	1	1	0.9	1.2	29.07	3.4	3.6	6.16
Textile and paper	1	1	0.1	0.0	-36.17	0.0	0.0	-100.00
Metal-mechanical	1	1	1.0	0.6	-33.93	13.3	19.7	48.80
Food	1	1	3.8	0.1	-96.77	12.2	17.7	44.46
Real estate	2	2	0.3	0.2	-49.48	13.7	13.8	0.43
Transport and communications	2	2	2.5	1.8	-29.23	12.6	19.8	57.35
Other non-financial	1	1	0.3	0.2	-20.04	7.2	20.3	180.33
Banks	5	4	14.1	9.6	-31.92	27.7	38.8	39.92
Portfolio companies	2	2	3.5	2.7	-22.83	24.2	18.9	-21.87
Finance houses	1	1	0.7	0.7	-1.76	16.5	45.0	172.63
Total	27	26	158.2	130.3	-17.68	313.2	367.3	17.26

Source: CNMV.

Gross issues by Public Authorities

I.11

Nominal amount in million euros

	Amount				% year-on-year change		
	2010	2011	2012	2013	11/10	12/11	13/12
Central Government	209,808	217,910	219,204	261,986	3.9	0.6	19.5
Short term	114,660	101,843	99,499	109,163	-11.2	-2.3	9.7
Long term	95,147	116,067	119,705	152,823	22.0	3.1	27.7
Regional Governments	25,249	23,479	16,006	10,777	-7.0	-31.8	-32.7
Short term	6,671	12,479	6,506	2,502	87.1	-47.9	-61.5
Long term	18,578	11,000	9,499	8,274	-40.8	-13.6	-12.9
Local authorities	0	0	21	24	-	-	13.5
Short term	0	0	0	0	-	-	-
Long term	0	0	21	24	-	-	13.5
Total Public Authorities	235,056	241,389	235,231	272,786	2.7	-2.6	16.0

Source: Bank of Spain and CNMV.

Net issues by Public Authorities

I.12

Nominal amount in million euros

	Amount				% year-on-year change		
	2010	2011	2012	2013	11/10	12/11	13/12
Central Government	63,228	69,927	63,819	91,262	10.6	-8.7	43.0
Short term	4,244	851	-5,995	4,561	-79.9	-	-
Long term	58,984	69,076	69,814	86,701	17.1	1.1	24.2
Regional Governments	13,437	8,083	-82	-5,496	-39.8	-	-6,632.2
Short term	85	5,566	-3,910	-2,494	6,480.2	-	36.2
Long term	13,352	2,517	3,828	-3,001	-81.2	52.1	-
Local authorities	-114	-421	-374	-131	-269.8	11.2	64.9
Short term	0	0	0	0	-	-	-
Long term	-114	-421	-374	-131	-269.8	11.2	64.9
Total Public Authorities	76,551	77,588	63,363	85,635	1.4	-18.3	35.1

Source: Bank of Spain and CNMV.

Public debt trading between account holders.
Outright transactions, repos and sell-buybacks and buy-sellbacks

I.13

Nominal amount in million euros

	Amount				% year-on-year change		
	2010	2011	2012	2013	11/10	12/11	13/12
Treasury bills	1,362,121	1,651,528	1,597,312	1,521,736	21.2	-3.3	-4.7
Outright	88,263	142,225	182,767	243,292	61.1	28.5	33.1
Spot	88,218	138,749	180,854	239,017	57.3	30.3	32.2
Maturity	45	3,476	1,913	4,275	7,623.8	-45.0	123.5
Repos	0	0	0	0	-	-	-
Sell-buybacks/Buy-sellbacks	1,273,857	1,509,302	1,414,545	1,278,444	18.5	-6.3	-9.6
Bonds and debentures	7,069,772	7,514,424	5,456,092	6,464,971	6.3	-27.4	18.5
Outright	885,168	825,653	673,667	1,076,523	-6.7	-18.4	59.8
Spot	875,696	812,817	663,186	1,047,925	-7.2	-18.4	58.0
Maturity	9,472	12,836	10,481	28,598	35.5	-18.3	172.9
Repos	0	0	0	0	-	-	-
Sell-buybacks/Buy-sellbacks	6,184,603	6,688,771	4,782,425	5,388,448	8.2	-28.5	12.7
Debt of Autonomous Regions and other public institutions	4,363	13,768	7,598	11,089	215.6	-44.8	45.9
Outright	3,714	10,563	5,578	7,683	184.4	-47.2	37.7
Spot	1,321	8,167	4,362	5,912	518.2	-46.6	35.5
Maturity	2,393	2,396	1,216	1,771	0.1	-49.2	45.6
Repos	0	0	0	0	-	-	-
Sell-buybacks/Buy-sellbacks	649	3,205	2,020	3,406	393.8	-37.0	68.6
Total	8,436,256	9,179,720	7,061,002	7,997,796	8.8	-23.1	13.3

Source: Bank of Spain and CNMV.

Public debt trading by account holders and third parties.
Outright transactions, repos and sell-buybacks and buy-sellbacks

I.14

Nominal amount in million euros

	Amount				% year-on-year change		
	2010	2011	2012	2013	11/10	12/11	13/12
Treasury bills	1,957,579	2,040,819	1,357,333	1,258,158	4.3	-33.5	-7.3
Outright	342,277	758,620	648,849	666,514	121.6	-14.5	2.7
Spot	332,073	738,092	634,481	651,784	122.3	-14.0	2.7
Maturity	10,204	20,528	14,368	14,730	101.2	-30.0	2.5
Repos	1,594,756	1,213,816	682,733	553,083	-23.9	-43.8	-19.0
Sell-buybacks/Buy-sellbacks	20,546	68,384	25,751	38,561	232.8	-62.3	49.7
Bonds and debentures	8,162,698	9,089,317	5,962,605	5,805,232	11.4	-34.4	-2.6
Outright	3,475,261	5,437,080	3,391,260	3,327,313	56.5	-37.6	-1.9
Spot	3,339,033	5,268,243	3,269,098	3,138,952	57.8	-37.9	-4.0
Maturity	136,228	168,838	122,162	188,361	23.9	-27.6	54.2
Repos	4,181,103	2,993,210	2,259,542	2,268,423	-28.4	-24.5	0.4
Sell-buybacks/Buy-sellbacks	506,333	659,026	311,803	209,495	30.2	-52.7	-32.8
Debt of Autonomous Regions and other public institutions	27,540	61,261	44,705	37,387	122.4	-27.0	-16.4
Outright	7,850	22,910	11,960	21,325	191.8	-47.8	78.3
Spot	5,947	20,454	10,861	19,994	243.9	-46.9	84.1
Maturity	1,903	2,456	1,099	1,331	29.1	-55.3	21.1
Repos	19,439	38,285	32,602	13,449	96.9	-14.8	-58.7
Sell-buybacks/Buy-sellbacks	251	66	143	2,613	-73.7	116.7	1,727.3
Total	10,147,817	11,191,397	7,364,642	7,100,777	10.3	-34.2	-3.6

Source: Bank of Spain and CNMV.

Number of issuers and issues filed with the CNMV: breakdown by instrument

I.15

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	Number of issuers ¹		Number of issues	
	2012	2013	2012	2013
Long-term	53	40	288	257
Non-convertible bonds and debentures	24	11	134	170
of which, subordinated debt	0	0	0	0
Convertible bonds and debentures	3	4	7	8
Mortgage-covered bonds	26	12	94	40
Territorial-covered bonds	11	5	18	6
Securitisation bonds	16	18	35	33
asset-backed (ABS)	16	18	35	33
mortgage-backed (MBS)	0	0	0	0
Preferred shares	0	0	0	0
Other issues	0	0	0	0
Short term²	35	20	46	20
Commercial paper	35	20	46	20
of which, asset-backed ³	1	0	1	0
Total	71	49	334	277

Source: CNMV. (1) In the case of issuers, the totals do not necessarily coincide with the sum, given that the same issuer may issue various types of instruments. (2) Shelf registrations. (3) One single issuer of asset-backed commercial paper which renews the issue programme in 2014.

Main fixed-income issuers¹ registered with the CNMV in 2013

I.16

Nominal amount in million euros

Name of issuing company	Total	Short term ²	Long term
Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria	24,568	0	24,568
Caixabank, S.A.	16,932	10,000	6,932
BBVA Banco de Financiación, S.A.	15,000	15,000	0
Banco Santander, S.A.	15,000	8,000	7,000
Banco Popular Español, S.A.	12,410	5,000	7,410
Banco de Sabadell, S.A.	9,767	5,000	4,767
Fondo de Titulización del Déficit del Sistema Eléctrico, FTA	9,562	0	9,562
Bankia, S.A.	8,000	8,000	0
Bankinter, S.A.	7,844	4,000	3,844
Santander Consumer Finance, S.A.	5,000	5,000	0
BBVA RMBS 12 Fondo de Titulización de Activos	4,350	0	4,350

Source: CNMV. (1) Issuers that registered issues exceeding 4 billion euros in 2013. (2) Nominal amount of shelf registration.

Main fixed-income issuers¹ registered with the CNMV in 2013. Breakdown by instrument

I.17

Nominal amount in million euros

Asset type	Issuer	Amount
Simple bonds and debentures	Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria	24,568
	Caixabank, S.A.	3,632
	Repsol, S.A.	1,500
Mortgage-covered bonds	Banco Popular Español, S.A.	7,315
	Banco de Sabadell, S.A.	3,900
	Bankinter, S.A.	3,290
	Banco Santander, S.A.	3,000
	Caixabank, S.A.	2,000
Territorial-covered bonds	Banco Santander, S.A.	4,000
	Banco Bilbao Vizcaya Argentaria, S.A.	2,500
Commercial paper ²	BBVA Banco de Financiación, S.A.	15,000
	Caixabank, S.A.	10,000
	Banco Santander, S.A.	8,000
	Bankia, S.A.	8,000
	Banco de Sabadell, S.A.	5,000
	Banco Popular Español, S.A.	5,000
	Santander Consumer Finance, S.A.	5,000
	Bankinter, S.A.	4,000
	Bankinter Sociedad de Financiación, S.A.	3,500
	Kutxabank Empréstitos, S.A.	2,000
	Banca March, S.A.	2,000

Source: CNMV. (1) Issuers which issued more than 1.5 billion euros in 2013 in the corresponding financial instrument. (2) Nominal amount of shelf registrations.

Commercial paper issuers: largest outstanding balances¹ at 31 December 2013

I.18

Nominal amount in million euros

Issuer	Amount	% of total	% accum.
Banesto Banco de Emisiones, S.A.	5,684	19.7	19.7
Bankinter Sociedad de Financiación, S.A.	5,200	18.0	37.7
Banco Santander, S.A.	4,842	16.8	54.5
BBVA Banco de Financiación, S.A.	2,845	9.9	64.4
Banco de Sabadell, S.A.	2,524	8.8	73.2
Santander Consumer Finance, S.A.	2,222	7.7	80.1
Banco Popular Español, S.A.	1,109	3.8	84.7
Fondo de Titulización de Activos Santander II	1,080	3.7	88.5
Bankinter, S.A.	819	2.8	91.3

Source: CNMV. (1) Issuers with an outstanding balance greater than 500 million euros.

Main securitisation bond issuers¹ in 2013

I.19

Annexes
Statistical annexes I

Nominal amount in million euros

Issuer	Amount	Assets securitised
Fondo de Titulización del Déficit del Sistema Eléctrico, FTA	9,562	Other
BBVA RMBS 12 Fondo de Titulización de Activos	4,350	Mortgage loans
IM Grupo Banco Popular Empresas V, Fondo de Titulización de Activos	2,650	Corporate loans
Fondo de Titulización de Activos PYMES Santander 5	2,052	SMEs ²
Fondo de Titulización de Activos PYMES Santander 7	2,040	SMEs ²

Source: CNMV. (1) Issuers with CNMV-registered issues of more than 1.5 billion euros in 2013. (2) Includes funds whose pools include almost all loans to SMEs.

Securitisation bonds, by type of asset securitised

I.20

Nominal amount in million euros

	2008	2009	2010	2011	2012	2013
Mortgage-backed securities (FTH)	800	817	0	2,100	0	0
Asset-backed securities (FTA)	134,453	80,835	63,261	66,313	23,800	28,593
Mortgage-backed FTA	98,015	39,784	36,035	13,699	3,269	7,204
Mortgage loans	63,615	24,706	18,425	11,349	2,269	7,204
Mortgage-covered bonds	34,400	15,078	17,610	2,350	1,000	0
Real estate developer loans	0	0	0	0	0	0
FTA Companies	27,279	31,886	10,297	35,678	12,549	10,660
SMEs ¹	1,350	1,010	990	0	7,934	6,185
FTPME ¹	7,276	0	3,210	3,689	0	0
FTGENCAT ¹	3,391	1,356	0	0	0	0
Corporate loans ²	10,500	25,762	5,350	28,294	4,537	3,325
Corporate loans ³	1,682	2,158	748	775	0	0
Finance leases	3,080	1,600	0	2,920	78	1,150
FTA others	9,159	9,165	16,928	16,937	7,982	10,729
Subordinated debt	0	0	0	0	0	0
Treasury bonds	765	2,559	0	0	0	0
Government loans	0	0	0	0	0	0
Territorial-covered bonds	450	965	0	0	0	0
Consumer loans	6,459	3,725	1,375	4,359	1,000	0
Auto loans	1,485	1,916	689	1,541	1,225	1,167
Accounts receivable	0	0	0	0	0	0
Rights to future loans	0	0	0	0	0	0
Asset-backed bonds	0	0	0	0	0	0
Other loans	0	0	14,865	11,036	5,757	9,562
Total asset-backed bonds	135,253	81,651	63,261	68,413	23,800	28,593
Total asset-backed commercial paper⁴	2,843	4,758	5,057	2,366	1,821	1,544
Total bonds and commercial paper	138,096	86,410	68,318	70,779	25,621	30,137
<i>Pro memoria:</i>						
Mortgage subtotal	98,815	40,601	36,035	15,799	3,269	7,204

Source: CNMV. (1) Includes funds whose pools include almost all loans to SMEs. (2) Includes funds whose pools include loans to any type of business: self-employed, micro-enterprises, SMEs, and larger companies. (3) Includes funds whose pools are only comprised of loans to large companies. (4) Gross issues of asset-backed commercial paper programmes registered by the FTAs.

Nominal amount in million euros

	2008	2009	2010	2011	2012	2013	% change 13/12
Commercial paper	84,841	129,828	98,683	49,657	76,956	51,465	-33.1
Bonds and debentures	1,606,100	3,635,802	3,519,895	5,757,839	1,148,818	708,587	-38.3
of which, asset-backed securities	1,570,686	3,426,089	2,702,632	5,376,316	1,036,850	465,568	-55.1
Mortgage-covered bonds	84,033	210,273	205,835	576,230	858,283	264,979	-69.1
Territorial-covered bonds	1,413	767	4,809	516,905	581,313	77,611	-86.7
Matador bonds	0	16	0	12	0	0	-
Total	1,776,388	3,976,687	3,829,222	6,900,642	2,665,369	1,102,648	-58.6

Source: CNMV.

Statistical annexes II: financial entities and investment services

Annexes
Statistical annexes II

Numbers, investors, assets and breakdown of change in assets of securities and real estate mutual funds¹

II.1

Category	Assets										Pro memoria:	
	No. of funds		No. of investors		Total change		Change in assets due to		Distribution net			
	2013	Change on Dec-12	2013	Dec-12	Amount	(%)	subscriptions and net yield ²	Net	subscriptions	mutual funds (%)		
Fixed income ³	384	-70	1,508,009	246,375	55,059	35.40	14,395	13,405	990	56.1		
Mixed fixed income ⁴	122	-3	240,676	52,102	8,138	47.94	2,637	2,370	268	9.9		
Mixed equity ⁵	128	11	182,223	44,127	6,312	98.50	3,133	2,673	459	11.2		
Euro equity ⁶	108	-19	293,193	72,743	8,633	63.81	3,363	1,734	1,629	7.2		
Foreign equity ⁷	193	-18	457,606	58,942	8,849	33.77	2,234	866	1,368	3.6		
Guaranteed fixed income	374	-24	1,002,458	-73,394	31,481	-13.62	-4,963	-6,718	1,754	-28.1		
Guaranteed equity ⁸	308	-53	608,051	-119,829	12,504	-13.24	-1,909	-2,689	780	-11.2		
Global funds	162	-30	128,741	27,420	4,528	3.89	170	-177	346	-0.7		
Passively managed ⁹	169	84	441,705	316,702	16,516	452.15	13,536	12,675	861	53.0		
Absolute return ⁹	97	-18	188,057	14,760	4,660	1.26	58	-53	111	-0.2		
Total mutual funds	2,045	-140	5,050,719	639,948	156,680	26.31	32,653	24,086	8,567	101		
Funds of hedge funds	17	-3	2,760	-363	130	-60.24	-197	-210	13	-0.9		
Hedge funds	25	-4	2,323	68	1,013	20.02	169	36	133	0.2		
Total securities funds	2,087	-147	5,055,802	639,683	157,823	26.05	32,625	23,912	8,713	100		
Real estate funds	6	0	5,750	-19,468	3,683	-12.35	-519	-36	-483	-		
Foreign UCITS¹⁰	780	26	1,067,708	248,223	54,727	43.73	-	-	-	-		

Source: CNMV. (1) Funds which have sent reserved statements (therefore does not include funds in process of dissolution or liquidation). (2) For each category, the variation in assets is due to net subscriptions, net yields on assets and the net asset balance resulting from changes in investment policy. (3) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. (4) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (5) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (6) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes: Euro equity (which now includes Spanish equity). (7) Until 1Q09 includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity Emerging countries and Foreign equity Others. From 2Q09 includes: Foreign equity. (8) Until 1Q09 includes: Guaranteed equity. From 2Q09 includes: Guaranteed equity and Partial guarantee. (9) New categories from 2Q09. All absolute return funds were previously classified as Global Funds. (10) The row on foreign UCITS includes both companies and funds. The asset data for foreign UCITS refer to the volume of investment, i.e. the product of the number of shares and units marketed in Spain and their year-end value.

Fund portfolio as a percentage of the outstanding balance of Spanish securities II.2

%

	2009	2010	2011	2012	2013
Listed equity¹	2.4	2.2	2.2	1.4	1.7
Private sector fixed income	4.1	3.4	3.1	2.6	3.0
Short term	31.3	16.0	6.6	2.4	9.6
Long term	2.8	3.0	3.0	2.6	2.7
Public sector fixed income	3.9	4.4	5.3	5.0	7.1
Short term ²	7.8	7.5	10.4	11.8	13.3
Long term	3.1	3.8	4.5	4.1	6.3

Source: CNMV and Bank of Spain. (1) Realisation value. The outstanding balance figures are the capitalisation of domestic securities in the electronic market, open outcry market and MAB. (2) Does not include temporary asset acquisitions.

Expenses charged to financial mutual funds

II.3

% of average daily assets

	Management fees			Depository fees ¹		
	2011	2012	2013	2011	2012	2013
Total mutual funds	0.93	0.94	0.98	0.08	0.08	0.08
Fixed income	0.64	0.66	0.68	0.08	0.08	0.09
Mixed fixed income	1.17	1.10	1.13	0.12	0.08	0.09
Mixed equity	1.59	1.51	1.51	0.12	0.12	0.12
Euro equity	1.80	1.77	1.85	0.12	0.12	0.10
Foreign equity	1.77	1.74	1.83	0.12	0.12	0.12
Guaranteed fixed income	0.72	0.79	0.86	0.08	0.08	0.08
Guaranteed equity	1.24	1.23	1.25	0.08	0.08	0.08
Global funds	1.11	1.01	1.32	0.08	0.08	0.09
Passively managed	0.75	0.81	0.72	0.08	0.08	0.08
Absolute return	1.08	1.03	1.13	0.08	0.08	0.08
Funds of hedge funds	1.46	1.52	1.66	0.08	0.08	0.08
Hedge funds²	1.77	1.43	2.99	0.06	0.03	0.05

Source: CNMV. (1) In hedge funds, financing fees. (2) Percentage of average monthly assets.

Yield and net subscriptions of mutual funds¹

II.4

Yield (%) and net subscriptions (million euros)

	2009		2010		2011		2012		2013	
	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.	Yield	Net subsc.
Fixed income ²	1.9	-7,479	0.11	-27,150	1.56	-10,424	3.54	-7,737	2.28	13,405
Mixed fixed income ³	6.9	2,543	-0.54	-1,417	-1.34	-1,980	4.95	-19	4.16	2,370
Mixed equity ⁴	16.5	-461	-0.98	-90	-5.64	-376	7.83	36	10.85	2,673
Euro equity ⁵	32.4	-274	-2.94	-697	-11.71	142	12.31	-115	28.06	1,734
Foreign equity ⁶	37.3	764	14.22	1,152	-10.83	-796	13.05	-425	20.30	866
Guaranteed fixed income	3.8	-3,249	-0.67	4,716	3.28	7,809	4.85	-339	4.96	-6,718
Guaranteed equity ⁷	3.6	-5,402	-1.79	-2,500	0.14	-4,054	5.07	-4,226	6.15	-2,689
Global funds	10.9	206	3.22	324	-4.64	972	7.44	-1,021	8.71	-177
Passively managed ⁸	-	-173	-2.36	-790	-7.33	61	7.10	824	8.88	12,675
Absolute return ⁸	-	822	1.53	872	-1.87	-2,208	3.84	-1,572	2.77	-53
Total mutual funds	5.7	-12,702	0.35	-25,581	-0.08	-10,853	5.50	-14,597	6.50	24,086
Funds of hedge funds	7.4	-401	1.45	-87	-2.98	-110	2.84	-60	5.09	-210
Hedge funds	15.1	46	5.80	-42	-2.70	55	6.92	135	15.79	36
Total funds (MF+FHF+HF)	5.77	-13,057	0.38	-25,744	-0.10	-10,908	5.50	-14,522	6.57	23,912
Real Estate Funds	-8.3	-321	-4.7	-35	-3.2	-1,450	-5.5	-42	-11.3	-36
Pro memoria: amount marketed by Spanish firms and Spanish-resident foreign firms										
Foreign UCITS	-	3,291	-	9,082	-	-4,675	-	8,313	-	24,953

Source: CNMV. (1) Funds which have sent reserved statements (therefore does not include funds in process of dissolution or liquidation). (2) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. (3) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (4) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (5) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes: Euro equity (that now includes Spanish equity). (6) Until 1Q09 includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity Emerging countries and Foreign equity Others. From 2Q09 includes: Foreign equity. (7) Until 1Q09 includes: Guaranteed equity. From 2Q09 includes: Guaranteed equity and Partial guarantee. (8) New categories from 2Q09. All absolute return funds were previously classified in Global funds.

Foreign UCITS marketed in Spain

II.5

	2011	2012	Change (%)
No. of UCITS	754	780	3.4
No. of investors	819,485	1,067,708	30.3
Investment volume (million euros)	38,075	54,727	43.7
Breakdown by country of origin			
Germany	31	32	3.2
Austria	23	24	4.3
Belgium	3	4	33.3
Denmark	1	1	0.0
France	272	260	-4.4
Netherlands	1	2	100.0
Ireland	90	102	13.3
Luxembourg	310	320	3.2
Malta	1	1	0.0
United Kingdom	22	22	0.0

Source: CNMV.

UCITS operators (SGIIC): registrations and de-registrations in 2013

II.6

UCITS operators	Controlling group
New registrations	
Andbank Wealth Management, SGIIC, S.A.	Andbank
De-registrations	
Banca Cívica Gestión de Activos, SGIIC, S.A.	La Caixa
Bankia Banca Privada Gestión, SGIIC, S.A.	Bankia
BBVA Patrimonios Gestora, SGIIC, S.A.	BBVA
BPA Global Funds Asset Management, SGIIC, S.A.	Banca Privada d'Andorra
Consulnor Gestión, SGIIC, S.A.	Banca March/Consulnor
Gestora de Fondos del Mediterráneo, SGIIC, S.A.	Banco de Sabadell
Lazard Gestión (Spain), SGIIC, S.A.	Lazard
Liberbank Gestión, SGIIC, S.A.	Banca Privada d'Andorra
Nordkapp Gestión, SGIIC, S.A.	Banca Privada d'Andorra
Unnim Gesfons, SGIIC, S.A.	BBVA
Foreign operators with branch	
New registrations	
Allianz Global Investors Europe GMBH, Sucursal en España	Allianz Global Investors Europe GMBH

Source: CNMV.

Foreign investment firms with community passport: home Member State¹

II.7

Annexes
Statistical annexes II

	2012	2013
No. of foreign investment firms operating in Spain		
Free provision of services	2,497	2,640
Branches	37	38
Breakdown by home state		
Free provision of services		
Germany	49	48
Austria	24	23
Belgium	8	8
Bulgaria	5	6
Cyprus	80	104
Denmark	20	21
Slovenia	1	2
Estonia	1	1
Finland	7	7
France	45	45
Greece	9	8
Netherlands	81	85
Hungary	2	2
Ireland	45	48
Italy	6	6
Latvia	1	1
Liechtenstein	10	14
Lithuania	1	1
Luxembourg	25	29
Malta	9	16
Norway	27	29
Portugal	8	8
United Kingdom	2,019	2,100
Czech Republic	2	2
Slovak Republic	2	4
Romania	0	3
Sweden	10	19
Branches		
Germany	4	2
Belgium	1	1
France	3	2
Netherlands	2	2
Luxembourg	3	3
Norway	1	1
Poland	1	1
Portugal	1	1
United Kingdom	21	25

Source: CNMV. (1) Countries stated in the notifications of investment firms from EU Member States and in authorisations of investment firms from non-EU countries.

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches

II.8

Firm	Controlling group
Broker-dealers and brokers	
Registrations	
Global Finanzas Investment Group, AV, S.A.	Independent
Mutuactivos Inversiones, AV, S.A.	Mutua Madrileña Automovilista, S.S.P.F.
Renta Markets, SV, S.A.	Independent
Ursus-3 Capital, AV, S.A.	Independent
De-registrations	
Banesto Bolsa, SV, S.A.	Banco Santander, S.A.
Credit Agricole Cheuvreux España, SV, S.A.	Kepler Capital Markets, S.A.
EDM Servicios Financieros, AV, S.A.	Independent
Lazard Wealth Management (Spain), AV, S.A.	Lazard Wealth Management Europe, S.A.R.L.
Lombard Odier & CIE (España), SV, S.A.	Lombard Odier & CIE
Medivalor, AV, S.A.	Andorra Banc Agricol Reig, S.A.
Nordkapp Inversiones, SV, S.A.	Banca Privada D'Andorra, S.A.
Oddo, SV, S.A.	Independent
Riva y García-1877, SV, S.A.	Independent
Selectiva Patrimonios, SGC, S.A.	Ahorro Corporación, S.A.
Financial advisory companies	
New registrations	
Alter Advisory, EAFI, S.L.	Independent
Andrés Marín Avilés	Independent (natural person)
Araceli de Frutos Casado	Independent (natural person)
Athenea Capital Advisors, EAFI, S.L.	Independent
Aureo Wealth Advice, EAFI, S.L.	Independent
Beatriz Perello Oliver	Independent (natural person)
Black Onyx Advisors, EAFI, S.L.	Independent
Bull4All Advisors, EAFI, S.L.	Independent
Carlos de Fuenmayor Barroso	Independent (natural person)
Carlos Rodríguez Pindado	Independent (natural person)
Caute Asesores, EAFI, S.L.	Independent
Consilio Asesores Patrimoniales Independientes, EAFI, S.L.	Independent
Cristina Badiola Guerra	Independent (natural person)
Cross Capital, EAFI, S.L.	Independent
DPM Finanzas, EAFI, S.L.	Independent
Gar Investment Advisors, EAFI, S.L.	Independent
Ginvest Patrimonis, EAFI, S.L.	Independent
Greenside Investments, EAFI, S.L.	Independent
Haltia Capital, EAFI, S.L.	Independent
House of Private Finance, EAFI, S.L.	Independent
Inverconsulting Investment Advice, EAFI, S.L.	Independent
Investor Wealth Management, EAFI, S.L.	Independent
Invexcel Patrimonio, EAFI, S.L.	Independent
Isidre Blanch Alonso	Independent (natural person)
Juan María Soler Ruiz	Independent (natural person)

Registrations and de-registrations of broker-dealers, brokers, portfolio management companies, financial advisory firms and foreign investment firms with branches (*continuation*)

II.8

Annexes
Statistical annexes II

Firm	Controlling group
Metacapital Investment, EAFI, S.L.	Independent
Nieves Mateos Asesores Financieros, EAFI, S.L.	Independent
Prinvestor Capital Partners, EAFI	Independent
Youfirst Smart Finance, EAFI, S.R.L.	Independent
De-registrations	
Ana Rafels Drago	Independent (natural person)
Francisco Viyuela Azcona	Independent (natural person)
Jesús Arlaban Gabeiras	Independent (natural person)
Jorge Escribano Maiz	Independent (natural person)
Foreign investment firms with branch	
New registrations	
Aberdeen Asset Managers Limited, Sucursal en España	Aberdeen Asset Managers Limited
Espirito Santo Wealth Management Europe, S.A., Sucursal en España	Espirito Santo Wealth Management (Europe), S.A.
Generation Investment Management, LLP, Sucursal en España	Generation Investment Management, LLP
GKFX Financial Services Limited, Sucursal en España	GKFX Financial Services Limited
Houlihan Lokey (Europe) Limited, Sucursal en España	Houlihan Lokey (Europe) Limited
Mirabaud Securities, LLP, Sucursal en España	Mirabaud Securities, LLP
Pioneer Global Investments Limited, Sucursal en España	Pioneer Global Investments Limited
De-registrations	
Allianz Global Investors Europe GmbH, Sucursal en España	Allianz Global Investors Europe GmbH
CeFDex AG, Sucursal en España	CeFDex AG
Edrim Solutions, S.A., Sucursal en España	Edrim Solutions
European Capital Financial Services Limited, Sucursal en España	European Capital Financial Services Ltd.
FIL Investments International, Sucursal en España	FIL Investments International
Gartmore Investment Limited, Sucursal en España	Gartmore Investment Limited

Source: CNMV.

Changes of control at broker-dealers, brokers and portfolio management companies. 2013

II.9

Firm	Buyer
Acquisitions of control by Spanish financial institutions	
Bankia Bolsa, SV, S.A.	General de Valores y Cambios
Caja 3 Bolsa, SV, S.A.	Ibercaja
Financial Lab, AV, S.A.	Independent
Mercavalor, SV, S.A.	Bankinter
Acquisitions of control by foreign financial institutions	
Credit Agricole Cheuvreux España, SV, S.A.	Kepler Capital Markets
Merrill Lynch Española, AV, S.A.	Julius Baer

Source: CNMV.

**Spanish investment firms with community passport at 31 December 2013:
host Member State¹**

II.10

	2012	2013
Number of firms with cross-border transactions		
Free provision of services	41	40
Branches	7	7
Breakdown by country of Spanish investment firms providing cross-border services²		
Free provision of services		
Germany	23	21
Austria	11	10
Belgium	16	17
Bulgaria	2	2
Cyprus	1	1
Denmark	9	9
Slovenia	1	1
Estonia	1	1
Finland	8	8
France	24	21
Greece	9	8
Netherlands	18	16
Hungary	2	2
Ireland	13	12
Iceland	2	1
Italy	19	17
Latvia	1	1
Liechtenstein	2	2
Lithuania	1	1
Luxembourg	19	17
Malta	4	4
Norway	6	6
Poland	4	4
Portugal	30	30
United Kingdom	25	23
Czech Republic	2	2
Slovak Republic	2	2
Romania	3	3
Sweden	11	11
Branches		
Germany	1	0
France	1	1
Italy	2	2
Portugal	1	1
United Kingdom	2	2
Sweden	1	1
Pro memoria: Number of investment firms with cross-border transactions outside the EEA		
Free provision of services	2	3
Branches	0	0
Breakdown by country²		
Free provision of services		
Andorra	1	1
Chile	1	2
Panama	0	1
Peru	1	2
Switzerland	0	1

Source: CNMV. (1) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish investment firms providing services in other countries. A single firm may provide services in more than one country.

Cross-border activity of Spanish financial advisory firms

II.11

Annexes
Statistical annexes II

	2012	2013
Number of financial advisory firms with cross-border transactions in the EEA		
Free provision of services	3	7
Branches	0	0
Number of financial advisory firms with cross-border transactions outside the EEA		
Free provision of services	0	0
Branches	0	0
Breakdown by country. Free provision of services		
Germany	1	1
Belgium	1	1
France	1	1
Great Britain	1	2
Italy	1	1
Luxembourg	2	5
Malta	1	1

Source: CNMV.

Foreign credit institutions authorised to provide investment services in Spain at 31 December 2013: home Member State

II.12

	2012	2013
Number of foreign credit institutions providing investment services in Spain		
EU credit institutions		
Free provision of services	390	392
Subsidiaries of EU credit institutions under the free provision of services regime	0	0
Branches	55	52
Non-EU credit institutions		
Free provision of services	2	2
Branches	8	8
Breakdown by home State		
Free provision of services	392	394
EU credit institutions	390	392
Germany	49	50
Austria	32	33
Belgium	9	8
Cyprus	2	2
Denmark	10	11
Finland	5	5
France	49	46
Greece	1	1
Netherlands	28	28

**Foreign credit institutions authorised to provide investment services in Spain
at 31 December 2013: home Member State (continuation)** II.12

	2012	2013
Hungary	5	6
Ireland	31	31
Iceland	1	1
Italy	8	8
Liechtenstein	5	5
Luxembourg	48	49
Malta	7	7
Norway	3	3
Portugal	14	13
United Kingdom	78	80
Sweden	5	5
Non-EU credit institutions	2	2
Australia	1	1
Switzerland	1	1
Subsidiaries of EU credit institutions under the free provision of services regime	0	0
Branches	63	60
EU credit institutions	55	52
Germany	7	7
Austria	0	0
Belgium	2	2
Denmark	1	1
France	11	10
Netherlands	4	4
Ireland	2	1
Italy	2	2
Luxembourg	8	8
Portugal	8	8
United Kingdom	10	9
Sweden	0	0
Non-EU credit institutions	8	8
Argentina	1	1
Brazil	1	1
United States	4	4
Japan	1	1
Switzerland	1	1

Source: Bank of Spain and CNMV.

Number of shareholders of Ibex 35 companies¹ with significant shareholdings III.1

Entities	Shareholdings				
	3%-5%	5%-10%	10%-25%	25%-50%	50%-100%
Abertis	–	1	3	–	–
Acciona	–	–	–	2	–
Acerinox	2	–	3	–	–
ACS	1	2	2	–	–
Amadeus	2	3	–	–	–
BBVA	1	–	–	–	–
B. Sabadell	2	1	–	–	–
B. Popular	3	1	–	–	–
B. Santander	1	–	–	–	–
Bankia	–	–	–	–	1
Bankinter	–	1	1	–	–
BME	–	1	–	–	–
Caixabank	–	–	–	–	1
DIA	1	2	–	–	–
Ebro Foods	–	3	2	–	–
Enagás	–	3	–	–	–
Ferrovial	2	–	–	1	–
FCC	–	1	–	–	1
Gamesa	3	–	1	–	–
Gas Natural	1	–	–	–	1 ²
Grifols	–	6	–	–	–
Iberdrola	3	3	–	–	–
IAG	2	3	–	–	–
Indra	1	3	1	–	–
Inditex	–	1	–	–	1
Jazztel	–	–	1	–	–
Mapfre	–	–	–	–	1
Mediaset	1	–	1	1	–
OHL	1	–	–	–	1
REE	4	–	1	–	–
Repsol	–	3	1	–	–
Sacyr	1	4	1	–	–
Técnicas Reunidas	–	1	–	1	–
Telefónica	1	2	–	–	–
Viscofan	5	1	–	–	–
Total	38	46	18	5	7

Source: CNMV. (1) Composition of the Ibex 35 index at close of the financial year. (2) Concerted action between La Caixa and Repsol.

Reference	Resolutions
(1/13)	Ministerial Order of 23 January 2013 Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of a very serious breach of Section 99 z) <i>bis</i> of the Securities Market Act – breach of conduct of business rules of the securities market, specifically relating to reporting and deficiencies in the suitability test –. A fine of 1,000,000 euros was imposed.
(2/13)	Resolution of the CNMV Board of 30 January 2013 Resolution of the disciplinary proceedings brought against a natural person and an investment firm for the alleged commission, respectively, of a serious breach of Section 100 w) of the Securities Market Act – market manipulation – and a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report transactions suspected of market abuse–. The natural person was fined 50,000 euros and the investment firm was fined 30,000 euros.
(3/13)	Resolution of the CNMV Board of 27 February 2013 Resolution of the disciplinary proceedings brought against a credit institution for the alleged commission of two serious breaches, one of Section 100 t) of the Securities Market Act and the other of Section 81 b) of the Collective Investment Scheme Act, both breaches relating to information given to unit-holders of mutual funds. Fines were imposed for an overall amount of 130,000 euros.
(4/13)	Resolution of the CNMV Board of 27 February 2013 Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious breach of Section 81 h) of the Collective Investment Scheme Act for failing to act in the interests of the unit-holders of the managed CIS. A fine of 20,000 euros was imposed.
(5/13)	Ministerial Order of 11 March 2013 Resolution of the disciplinary proceedings brought against two legal persons each for the alleged commission of a very serious breach of Section 99 p) of the Securities Market Act for failing to report significant shareholdings in a listed company. A fine of 15,000 euros was imposed on each legal person.
(6/13)	Resolution of the CNMV Board of 18 April 2013 Resolution of the disciplinary proceedings brought against an investment firm for an alleged serious breach of Section 100 w) of the Securities Market Act – market manipulation–. A fine of 80,000 euros was imposed.
(7/13)	Resolution of the CNMV Board of 18 April 2013 Resolution – relating to serious breaches and the non-existence of liability – of the disciplinary proceedings brought against a credit institution and one of its executives for a very serious breach of Section 99 i) of the Securities Market Act – market manipulation – as well as against two investment firms, each for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse–. One investment firm was fined 40,000 euros and it was ruled that there was no liability for the other investment firm and the executive of the credit institution.
(8/13)	Resolution of the CNMV Board of 18 April 2013 Resolution – relating to serious breaches and the non-existence of liability – of the disciplinary proceedings brought against an issuer, its majority shareholder, a director and an executive of the issuer for a very serious breach of Section 99 i) of the Securities Market Act – market manipulation – as well as against two investment firms, each for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse–. The investment firms were fined 50,000 euros and 30,000 euros respectively while it was ruled that there was no liability for the director of the issuer.
(9/13)	Ministerial Order of 16 May 2013 Resolution – relating to a very serious breach – of the disciplinary proceedings brought against an issuer, its majority shareholder, a director and an executive of the issuer for a very serious breach of Section 99 i) of the Securities Market Act – market manipulation – as well as against two investment firms, each for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse–. The issuer, its majority shareholder and its executive were fined 100,000 euros, 120,000 euros and 20,000 euros, respectively.
(10/13)	Resolution of the CNMV Board of 22 May 2013 Resolution of disciplinary proceedings brought against two natural persons for the alleged commission, each of a very serious breach of Section 99 o) of the Securities Market Act – notification to third parties and/or use of insider information–. It was ruled that neither of the breaches had been committed.
(11/13)	Resolution of the CNMV Board of 22 May 2013 A ruling of termination, as a result of death, of the liability of a natural person in the disciplinary proceedings brought for the alleged commission of a very serious breach of Section 99 i) of the Securities Market Act – market manipulation.
(12/13)	Ministerial Order of 13 June 2013 Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Section 99 m) of the Securities Market Act – failure to submit the annual financial report to the CNMV–. The company was fined 30,000 euros, two of the directors were each fined 10,000 euros, and a fine of 6,000 euros was imposed on each of the rest of the directors.
(13/13)	Resolution of the CNMV Board of 24 July 2013 Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious breach of Section 81 h) of the Collective Investment Scheme Act for failing to act in the interests of the unit-holders of the managed CIS. A fine of 303,000 euros was imposed.

Reference	Resolutions
(14/13)	Resolution of the CNMV Board of 24 July 2013 Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a serious breach of Section 81 m) of the Collective Investment Scheme Act for failing to implement adequate internal control procedures. A fine of 30,000 euros was imposed.
(15/13)	Ministerial Order of 9 September 2013 Declaring the expiry, relating to the very serious breach, of the disciplinary proceedings brought against a credit institution and one of its executives for a very serious breach of Section 99 i) of the Securities Market Act – market manipulation – as well as against two investment firms, each for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse.
(16/13)	Ministerial Order of 13 September 2013 Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Section 99 m) of the Securities Market Act – failure to submit the annual financial report to the CNMV–. The company was fined 15,000 euros and the members of the board were each fined 3,000 euros.
(17/13)	Ministerial Order of 13 September 2013 Resolution of the disciplinary proceedings brought against an issuer and its majority shareholder, as well as against the chairperson and an executive of the majority shareholder, for a very serious breach of Section 99 i) of the Securities Market Act - market manipulation. The issuer was fined 80,000 euros, the majority shareholder was fined 100,000 euros and the chairman of the latter was fined 30,000 euros.
(18/13)	Ministerial Order of 13 September 2013 Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Section 99 m) of the Securities Market Act – failure to submit the annual financial report to the CNMV by the established deadline–. The company was fined 24,000 euros, and the members of its board of directors were fined an overall amount of 76,000 euros.
(19/13)	Ministerial Order of 13 September 2013 Resolution of the disciplinary proceedings brought against an issuer and the members of its Board of Directors for the alleged commission of a very serious breach of Section 99 m) of the Securities Market Act – failure to submit the annual financial report to the CNMV by the established deadline–. The company was fined 18,000 euros, and the members of its board of directors were fined an overall amount of 33,000 euros.
(20/13)	Resolution of the CNMV Board of 25 September 2013 Resolution – relating to the serious breach – of the disciplinary proceedings brought against an issuer and its chairperson for a very serious breach of Section 99 i) of the Securities Market Act - market manipulation – as well as against an investment firm for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse. The investment firm was fined 40,000 euros.
(21/13)	Ministerial Order of 11 October 2013 Resolution of the disciplinary proceedings brought against one natural person and three legal persons for the alleged commission, by each of them, of a very serious breach of Section 99 p) of the Securities Market Act for failing to report significant shareholdings in a listed company. The natural person was fined 500,000 euros and the legal persons were fined a total of 400,000 euros.
(22/13)	Resolution of the CNMV Board of 23 October 2013 Resolution of the disciplinary proceedings brought against a CIS management firm for the alleged commission of three serious breaches provided for in Section 81 n), o) and t) of the Collective Investment Scheme Act for various deficiencies in its administrative organisation, related-party transactions with breach of legal requirements and investment in assets not referred to in the CIS prospectus. Two fines of 40,000 euros and one of 50,000 euros were imposed.
(23/13)	Ministerial Order of 25 October 2013 Resolution – relating to the serious breach – of the disciplinary proceedings brought against an issuer and its chairperson for a very serious breach of Section 99 i) of the Securities Market Act – market manipulation – as well as against an investment firm for the alleged commission of a serious breach of Section 100 x) <i>bis</i> of the Securities Market Act – failure to report to the CNMV transactions suspected of market abuse–. The issuer was fined 100,000 euros and its chairperson was fined 60,000 euros.
(24/13)	Ministerial Order of 17 December 2013 Resolution of the disciplinary proceedings brought against an issuer and its chairperson for the alleged commission of a very serious breach of Section 99 ñ) of the Securities Market Act – relating to the reporting of significant events–. The company was fined 100,000 euros and its chairperson was fined 200,000 euros.
(25/13)	Resolution of the CNMV Board of 18 December 2013 Resolution of the disciplinary proceedings brought against a legal person for the alleged commission of a serious breach of Section 100 w) of the Securities Market Act – market manipulation – against two investment firms for the alleged commission, each of a serious breach of Section 100 c) of the Securities Market Act – inadequate maintenance of the order register – and against one of them also for the alleged commission of a serious breach of Section 100 x) <i>bis</i> – failure to report to the CNMV transactions suspected of market abuse–. The legal person was fined 50,000 euros, one of the investment firms was fined 15,000 euros and the other was fined 30,000 euros and 15,000 euros.

List of rulings on contentious-administrative appeals against penalties in 2013

III.3

No.	Date	Court	Appeal No.	Ruling appealed
1	28/01/2013	Supreme Court	238/2008	Ruling AN 05/03/2009
Rules against the appeal lodged against the National High Court Ruling of 5 March 2009, upholding the penalty imposed in relation to a very serious breach of Section 99 o) of the Securities Market Act by Order of the Ministry of Economy and Finance of 7 February 2008, upheld by a Ruling of the same Ministry dated 16 April 2008.				
2	14/03/2013	National High Court	261/2011	Order MEH 23/03/2011
Upholds the penalties imposed by the Ministry of Economy and Finance Order dated 27 December 2010, upheld by a Ruling of the same Ministry of 23 March 2011, relating to very serious breaches of Section 99 p) of the Securities Market Act.				
3	20/03/2013	National High Court	260/2011	Order MEH 23/03/2011
Upholds the penalty imposed by the Ministry of Economy and Finance Order dated 27 December 2010, upheld by a Ruling of the same Ministry of 23 March 2011 relating to a very serious breach of Section 99 p) of the Securities Market Act.				
4	28/06/2013	National High Court	342/2011	Order MEH 09/05/2011
Upholds the penalties imposed by the Ministry of Economy and Finance Order dated 9 May 2011 for a very serious breach of Section 99 ñ) of the Securities Market Act.				
5	23/07/2013	National High Court	72/2011	Order MEH 20/12/2010
Upholds the penalties imposed by the Ministry of Economy and Finance Order dated 11 October 2010, upheld by a Ruling of the same Ministry of 20 December 2010 relating to a very serious breach of Section 99 m) of the Securities Market Act.				
6	18/09/2013	National High Court	72/2012	Order MEH 02/12/2011
Upholds the penalty imposed by the Ministry of Economy and Finance Order dated 2 December 2011 for a very serious breach of Section 99 p) of the Securities Market Act.				
7	11/10/2013	Supreme Court	398/2009	Ruling AN 25/05/2010
Upholds the appeal lodged by the State Administration against the National High Court Ruling of 25 May 2010, which cancels the penalty imposed in relation to a very serious breach of Section 99 ñ) of the Securities Market Act by Order of the Ministry of Economy and Finance of 18 July 2008, upheld by a Ruling of the same Ministry dated 6 May 2009. Orders that the contentious-administrative appeal revert to the stage prior to handing down the ruling.				
8	09/12/2013	National High Court	719/2012	Order MECC 13/11/2012
Upholds the penalty imposed by Ministry of Economic Affairs and Competition Order dated 12 November 2013 for a very serious breach of Section 99 z) <i>bis</i> of the Securities Market Act.				
9	20/12/2013	National High Court	421/2012	Ruling MECC 02/10/2012
Upholds the penalties imposed by the Ruling of the CNMV Board dated 27 March 2012, confirmed on appeal by the Ruling of the Ministry of Economic Affairs and Competition of 2 October 2012 in relation to serious and minor breaches of Sections 100 t) and 101.2.b) of the Securities Market Act.				
10	23/12/2013	National High Court	705/2012	Ruling MECC 02/10/2012
Upholds the penalty imposed by the Ministry of Economic Affairs and Competition Order dated 3 April 2012, upheld by a Ruling of the same Ministry of 2 October 2012 relating to a very serious breach of Section 99 l) of the Securities Market Act.				

Date	Company to which the warning relates	Regulator/ Supervisor	
Warnings from the CNMV regarding non-authorised entities			
28/01/2013	INFORMÁTICA Y GESTIÓN COSTA DEL SOL, S.L. (I&G C.S., S.L.) FRANCISCO JOSÉ ROJAS SARRIÁ WWW.FOREXTT.COM WWW.INVERSIONPROTEGIDA.COM	CNMV	
19/03/2013	KEY SOLUTIONS, S.L. HTTP://SOLUTIONS-KEY.COM JOSÉ LUIS BARRANTES MALDONADO	CNMV	
25/03/2013	CONINVER ASESORES, S.L. GERARDO NAVARRO LOZANO WWW.CONINVER.ES	CNMV	
25/03/2013	MIJAVE INVERSIONES, S.L. (MJ INVERSIONES, S.L.) WWW.MJINVERSIONES.COM MIGUEL ÁNGEL JANOHER JIMÉNEZ	CNMV	
15/04/2013	GRUPO ESFER ROBERTO ESTEVE FERRER WWW.INVERSORESBOLSA.COM	CNMV	
03/06/2013	WWW.VIVODELABOLSA.COM JESÚS RUEDA BONILLA	CNMV	
24/06/2013	SWISS8, S.A. WWW.SWISS8.COM JOSÉ IVORRA CARRASCO SERGIO DANIEL PRIZONT WISCHINEVSKY	CNMV	
24/06/2013	EUROTEX GLOBAL SAVINGS AND TRUST, S.A. WWW.EGSAVINGS.COM SERGIO DANIEL PRIZONT WISCHINEVSKY JOSÉ IVORRA CARRASCO	CNMV	
01/07/2013	INVESTMENT HOUSE LIMITED VALENTÍN OLIVERAS AVILÉS WWW.IHFOREX.COM	CNMV	
01/07/2013	M&B CAPITAL ADVISERS WWW.MB-CAPITALADVISERS.COM	CNMV	Unrelated to the Spanish entity M&B Capital Advisers, S.A., with tax code (CIF) A82800855, which was registered with the CNMV until 2012 as M&B Capital Advisers, S.A., SV
08/07/2013	HTTP://SEÑALESDEFOREX.COM	CNMV	
28/10/2013	RENTA 60 (RENTABILIDAD 60%) JAVIER CURTO GARCÍA	CNMV	
25/11/2013	WWW.FOREXTOTAL.ES DENNIS BOCKER WWW.ACCIONFINANCIERA.ES	CNMV	
Public warnings forwarded to the CNMV by foreign regulators			
02/01/2013	EFG ASSOCIATES AND LINCOLN CAPITAL PARTNERS	FSMA - BELGIUM	
02/01/2013	ACM GOLD (PVT) LTD.	SSMA - SLOVENIA	
02/01/2013	GUARDIAN SECURITIES LIMITED WWW.GUARDIANSECURITIES.NET	MFSA - MALTA	
02/01/2013	BANKHURST SECURITIES WWW.BANKHURST.CO.UK	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
02/01/2013	GENESIS TRANSFER GROUP WWW.GENESISTRANSFERGROUP.COM	FSA - UNITED KINGDOM	
02/01/2013	LITMUS CAPITAL MANAGEMENT GROUP WWW.LITMUSCAPITALGRP.COM	FSA - UNITED KINGDOM	
16/01/2013	PARK EAST CAPITAL	FSMA - BELGIUM	
16/01/2013	ALLASS BVBA ADVISORY GROUP WWW.ALLASSBVBA.COM	FSA - UNITED KINGDOM	Unrelated to the duly registered entity Allas Bvba
16/01/2013	DRAGON INTERNATIONAL WWW.DRAGONMERGERS.COM	FSA - UNITED KINGDOM	
16/01/2013	GORDON, TAIT & CO. LLC WWW.GORDONTAIT.COM	FSA - UNITED KINGDOM	
16/01/2013	KALLE BUSINESS CONSULTING LLC WWW.KALLEBC.COM	FSA - UNITED KINGDOM	
16/01/2013	KPR ASSOCIATES S.A. WWW.KPR-ASSOCIATES.COM	FSA - UNITED KINGDOM	
16/01/2013	MAYNES BUSINESS SERVICES LLC WWW.MAYNESSERVICES.COM	FSA - UNITED KINGDOM	
16/01/2013	MERCATOR AMALGAMATED WWW.MERCATORAMALGAMATED.COM	FSA - UNITED KINGDOM	
16/01/2013	MITCHELL BERRY CONSULTANCY WWW.MITCHELLBERRYCONSULTANCY.COM	FSA - UNITED KINGDOM	
16/01/2013	MORRIS AND HILL ACQUISITIONS WWW.MORRISONHILLACQUISITIONS.COM	FSA - UNITED KINGDOM	
16/01/2013	PARKER & MASTERS LLC WWW.PANDMLLC.COM	FSA - UNITED KINGDOM	
16/01/2013	STANSELL CORPORATE SERVICES LLC WWW.STANSELLCS.COM	FSA - UNITED KINGDOM	
16/01/2013	UNITED WORLD CAPITAL LTD	FSA - UNITED KINGDOM	
16/01/2013	ADMIRAL COMMODITIES INC. WWW.ADMIRALCOMMODITIES.COM	SFSA - SWEDEN	
23/01/2013	INSTAFOREX, RUSSIA	BFSC - BULGARIA	
23/01/2013	INSTA SOFIA LTD.	BFSC - BULGARIA	
23/01/2013	KLEINWORT FINANCE WWW.KLEINWORT.LU	CSSF - LUXEMBOURG	
23/01/2013	VERDISPAR SECURITIES HTTP://WWW.VERDISPARSECURITIES.EU/	FSA N - NORWAY	
23/01/2013	DIVERSIFIED CAPITAL WWW.DIV-CAPITAL.COM	FSA - UNITED KINGDOM	
23/01/2013	HUTCHINSON PARTNERS	FSA - UNITED KINGDOM	
23/01/2013	TITAN WORLDWIDE RECOVERY	FSA - UNITED KINGDOM	
23/01/2013	WALTER HARRIS & COMPANY WWW.WALTERHARRISLLC.COM	FSA - UNITED KINGDOM	
30/01/2013	CIB MALTA HTTP://WWW.CIB-MALTA.EU/SECURED/INDEX.HTML	MFSA - MALTA	
30/01/2013	COLLINGBOURNE GROUP	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
30/01/2013	INVESTEC ASSET MANAGEMENT LIMITED WWW.INVESTEC-WEALTH.CO.UK	FSA - UNITED KINGDOM	Unrelated to the duly authorised entities: Investec Asset Management Limited (FRN: 122420) and Investec Fund Managers Limited (FRN:145007)
30/01/2013	KENSINGTON RESERVE LLC	FSA - UNITED KINGDOM	
30/01/2013	MM INSTITUTIONAL WWW.MMINSTITUTIONALADVISOR.COM WWW.MMINSTITUTIONALADVISORS.COM	FSA - UNITED KINGDOM	
30/01/2013	PACIFIC CAPITAL MANAGEMENT WWW.PACIFICCAPITALMGMT.COM WWW.PACIFICCM.US	FSA - UNITED KINGDOM	
30/01/2013	PERSIST GLOBAL WEALTH MANAGEMENT WWW.GWMP.LONDON.COM	FSA - UNITED KINGDOM	
30/01/2013	SECURITIES TRADING BOARD WWW.GOV.SECTB.ORG	FSA - UNITED KINGDOM	
30/01/2013	STANSFIELD PRIVATE EQUITY LTD. WWW.STANSFIELDLTD.COM	SFSA - SWEDEN	
06/02/2013	CONCRED GMBH WWW.CONCRED.AT WWW.EUROCRED.AT	FMA - AUSTRIA	
06/02/2013	QATAR FINANCIAL INVESTMENT	FMA - AUSTRIA	
06/02/2013	PENDULUM CAPITAL MARKETS INC. (USA)	EI CBI - IRELAND	
06/02/2013	WILTSHIRE CAPITAL HTTP://WWW.WILTSHIRECAPITAL.COM/	FSA N - NORWAY	
06/02/2013	XTM GROUP HTTP://WWW.XTM-GROUP.COM/	FSA N - NORWAY	
06/02/2013	FUND LOGIC WWW.FUND-LOGIC.COM	FSA - UNITED KINGDOM	
06/02/2013	HAFFKIN-ROTH AND SOUTH KOREA DERIVATES EXCHANGE, SKDEX WWW.HAFFKIN-ROTH.COM WWW.SKDEX.ORG	SFSA - SWEDEN	
13/02/2013	COROLLA FINANCIAL	FSMA - BELGIUM	
13/02/2013	WAGNER BERNE/MR MATTHEW GOODMAN	FSMA - BELGIUM	
13/02/2013	HASS ASSOCIATES HTTP://HASSASSOCIATES.COM/INDEX.PHP	FSA N - NORWAY	
13/02/2013	KYOTO COMMODITY EXCHANGE HTTP://KYCX.ORG/	FSA N - NORWAY	
13/02/2013	COHEN CORPORATE CONSULTING WWW.COHENCORPORATECONSULTING.COM	FSA - UNITED KINGDOM	
13/02/2013	FIDELIS RESEARCH GROUP WWW.FIDELIS-SWISS.COM	FSA - UNITED KINGDOM	
13/02/2013	GLOBAL PARTNERS SECURITIES HTTP://WWW.GLOBALPARTNERSSECURITIES.COM/	FSA - UNITED KINGDOM	

Date	Company to which the warning relates	Regulator/ Supervisor
13/02/2013	MAYER THOMAS WWW.MAYERTHOMAS.COM	FSA - UNITED KINGDOM Unrelated to the duly registered entity Mayer Thomas
13/02/2013	MENDEL MEIR & SAFWAT WWW.MENDELMEIRANDSAFWAT.COM	FSA - UNITED KINGDOM
13/02/2013	SMITH AND OLSSON WWW.SMITHANDOLSSON.COM	FSA - UNITED KINGDOM
20/02/2013	KIRAYAKA INTERNATIONAL HTTP://WWW.KIRAYAKAINTERNATIONAL.COM/INDEX.PHP	FSA N - NORWAY
20/02/2013	GENEVE INVEST WWW.GENEVEINVESTIRELAND.COM	FSA - UNITED KINGDOM
20/02/2013	NELSON CAPITAL ADVISORS WWW.NELSONCAPITALLTD.COM	FSA - UNITED KINGDOM
20/02/2013	REYNOLDS MERGER SOLUTIONS WWW.REYNOLDSMSOLUTIONS.COM	FSA - UNITED KINGDOM
27/03/2013	EDEN MANAGEMENT PARTNERS WWW.EDEN-MANAGEMENT-PARTNERS.COM	FMA - AUSTRIA
27/03/2013	FINANCIAL CONSULTING WORLD LTD. WWW.WFB-FINANC.COM	FMA - AUSTRIA
27/03/2013	CARTIUS FINANCE	FSMA - BELGIUM
27/03/2013	IMRÉ HORVATH	FSMA - BELGIUM
27/03/2013	NEWCASTLE DISTRIBUTORS	FSMA - BELGIUM
27/03/2013	RISK & PORTFOLIO MANAGEMENT LTD	FSMA - BELGIUM
27/03/2013	TRADE4PROFIT BVBA/SPRL WWW.TRADE4PROFIT.NL	FSMA - BELGIUM
27/03/2013	BOYD CAPITAL PARTNERS HTTP://WWW.BOYDCAPITALPARTNERS.COM/	DFSA - DENMARK
27/03/2013	BERNSTEIN, WHITMAN & LLOYDS (USA)	EI CBI - IRELAND
27/03/2013	FRANK GOLDENBERG YOSHI	EI CBI - IRELAND
27/03/2013	IZARD QUIN DIVISION HOLDING LIMITED (SWITZERLAND)	EI CBI - IRELAND
27/03/2013	LAWRENCE JAMES AND ASSOCIATES (USA)	EI CBI - IRELAND
27/03/2013	SEAMED FINANCE SAVINGS AND INVESTMENTS SEAMED FINANCE LTD SEAMED BANK AND SEAMED HOLDINGS WWW.SEAMEDBANKRBN.COM WWW.SEAMEDFINANCE.COM WWW.SEAMEDHOLDINGS.COM WWW.SEAMEDINTERNATIONAL.COM	MFSA - MALTA
27/03/2013	ASA CAPITAL MANAGEMENT HTTP://ASACAPITAL.IN/	FSA N - NORWAY
27/03/2013	2013 BEST INVEST WWW.2013BESTINVEST.COM	FSA - UNITED KINGDOM
27/03/2013	ADVISORCORP LTD WWW.ADVISORCORPLTD.COM	FSA - UNITED KINGDOM
27/03/2013	ARIUN FINANCIAL GROUP WWW.ARIUNFG.COM	FSA - UNITED KINGDOM

Date	Company to which the warning relates	Regulator/ Supervisor
27/03/2013	BERNSTEIN, WHITMAN & LLOYDS WWW.BWL.US	FSA - UNITED KINGDOM
27/03/2013	BLACKSWAN MORGAN WWW.BLACKSWANMORGAN.COM WWW.BLACKSWANMORGAN.NET	FSA - UNITED KINGDOM
27/03/2013	CHARLES SCHWAB	FSA - UNITED KINGDOM
27/03/2013	DEPARTMENT OF FINANCIAL TRADING	FSA - UNITED KINGDOM
27/03/2013	EUROPEAN VALUE PARTNER ADVISORS (EVPA) HTTP://WWW.EUROPEANVALUEPARTNERADVISORS.COM	FSA - UNITED KINGDOM
27/03/2013	FEINLER MANAGEMENT GROUP HTTP://WWW.FEINLERGROUP.COM	FSA - UNITED KINGDOM
27/03/2013	FINANCIAL TRADING BOARD WWW.GOV.FINTB.US	FSA - UNITED KINGDOM
27/03/2013	FRANK GOLDENBERG YOSHI WWW.FGY.COM.HK	FSA - UNITED KINGDOM
27/03/2013	GENEVE INVEST (EUROPE) S.A.R.L. WWW.GENEVEINVESTIRELAND.COM	FSA - UNITED KINGDOM
27/03/2013	HALLMARK FINANCIAL SOLUTIONS LTD WWW.HALLMARKFINANCE.CO.UK	FSA - UNITED KINGDOM
27/03/2013	IRONBRIDGE CAPITAL WWW.IRONBRIDGE-CAPITAL.COM	FSA - UNITED KINGDOM
27/03/2013	KIEFER BUSINESS SERVICES LLC WWW.KIEFERSERVICES.COM	FSA - UNITED KINGDOM
27/03/2013	MASON DUNNE WWW.MASONDUNNE.COM	FSA - UNITED KINGDOM
27/03/2013	NEW ENGLAND PRIVATE EQUITY, LLC WWW.NEPE.US	FSA - UNITED KINGDOM
27/03/2013	PERSIST GLOBAL WEALTH MANAGEMENT WWW.GWMPLONDON.COM	FSA - UNITED KINGDOM
27/03/2013	STATE STREET ADVISORY WWW.STATESTREETADVISORY.COM	FSA - UNITED KINGDOM
27/03/2013	SWISS FINANCIAL RESEARCH WWW.SWISSFINANCIALRESEARCH.COM	FSA - UNITED KINGDOM
27/03/2013	YAKAMOTO INVESTMENTS WWW.YAKAMOTOINV.COM	FSA - UNITED KINGDOM
27/03/2013	ARCHIPELAGO CORPORATE SERVICES INC.	SFSA - SWEDEN
27/03/2013	EVEREST ASSET MANAGEMENT AG WWW.EVERESTAM.COM	SFSA - SWEDEN
27/03/2013	IMPAKT ONLINE MARKETING (IOM) WWW.IMPAKTONLINEMARKETING.COM	SFSA - SWEDEN
27/03/2013	KEDINGTON ADVISORY WWW.KEDINGTONADVISORY.COM	SFSA - SWEDEN
27/03/2013	MENZIES OVERSEAS LIMITED WWW.MENZIESOVERSEAS.COM	SFSA - SWEDEN
27/03/2013	OCEAN MERGERS & ACQUISITIONS WWW.OCEANMERGERSACQUISITIONS.COM	SFSA - SWEDEN
27/03/2013	PEKING DRAGON LIMITED WWW.PEKINGDRAGONCN.COM	SFSA - SWEDEN

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
27/03/2013	REGENCY GROUP INC. WWW.REGENCY-GROUP.NET	SFSA - SWEDEN	
27/03/2013	BROWN BROTHERS HARRIMAN SCA WWW.BBHRETAIL.COM	FSA - UNITED KINGDOM	
03/04/2013	HERMANN BROTHERS GROUP (USA)	EI CBI - IRELAND	
03/04/2013	SCOTT AND FISCHER CONSULTANCY LIMITED (USA)	EI CBI - IRELAND	
03/04/2013	WESTHILL PARTNERS INC. (USA)	EI CBI - IRELAND	
03/04/2013	THE BANK.CO SANEFX BINARY NEW RICH LAZY TRADER FXPRO2 GOLD TRADE PRO HTTP://FXPRO2.COM HTTP://RICHLAZYTRADER.COM HTTP://SANEFXBINARY.COM/ JOHN CAMPBELL WWW.GOLDTRADEPRO.COM WWW.THEBANK.CO	MFSA - MALTA	
03/04/2013	AGF EUROPE ADVISORS WWW.AGFEUROPE.COM	FSA - UNITED KINGDOM	Unrelated to the registered entity AGF International Advisors Company Limited
03/04/2013	PERSIST GLOBAL WEALTH MANAGEMENT WWW.PERSISTGLOBAL.COM	FSA - UNITED KINGDOM	Unrelated to the duly authorised entity Persist Global Wealth Management BV
03/04/2013	PERSIST GLOBAL WEALTH MANAGEMENT WWW.PG-WM.COM WWW.GWMP LONDON.COM WWW.WMP LONDON.COM	FSA - UNITED KINGDOM	Unrelated to the duly authorised entity Persist Global Wealth Management BV
10/04/2013	DEAN WITTER CONSULTANCY (USA)	EI CBI - IRELAND	
10/04/2013	EAGLE COMMERCE GROUP (USA)	EI CBI - IRELAND	
10/04/2013	FREUD CAPITAL HTTP://FREUD-CAPITAL.COM/INDEX.HTML	FSA N - NORWAY	
10/04/2013	BEIJIN INTERNATIONAL MARKET EXCHANGE (BEIMEX) HTTP://BEIMEX.COM/INDEX.PHP	FSA N - NORWAY	
10/04/2013	CREDIT SUISSE (UK) LIMITED	FCA - UNITED KINGDOM	
17/04/2013	FOREX	AMF - FRANCE	
17/04/2013	ABLE CAPITAL WWW.ABLE-CAPITAL.COM	FCA - UNITED KINGDOM	
17/04/2013	CHARLES SCHWAB	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Charles Schwab UK Limited
17/04/2013	GREENFIELD SECURITIES LTD WWW.GREENFIELDLTD.COM	FCA - UNITED KINGDOM	
17/04/2013	H TAFT PRIVATE EQUITY WWW.HTAFT.COM	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
17/04/2013	KARL JOHAN FONDS ASA	FCA - UNITED KINGDOM	This company is using the name and contact details of an entity which was registered in the past, but which is currently not in operation
17/04/2013	PRINCETON CAPITAL INVESTMENTS INC. WWW.PRINCETONCAPITALINC.COM	FCA - UNITED KINGDOM	
24/04/2013	CFX MARKETS	FSMA - BELGIUM	
24/04/2013	GUY DECLERCK, DC BVBA, DCMU-U BVBA AND ERMIS	FSMA - BELGIUM	
24/04/2013	TAURUS FINANS AS HTTP://WWW.TAURUSFINANS.NO/	FSA N - NORWAY	
24/04/2013	AG GROUP ADVISORS WWW.AGGROUPJERSEY.COM	FCA - UNITED KINGDOM	
24/04/2013	GLOBAL FINANCIAL SERVICES WWW.GFSERVICES.CO.UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity 3D Global Financial Services LTD
30/04/2013	EURO BENEFIT NETWORK WWW.EUROBENEFITNETWORKS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Euro Benefit Networks AB
30/04/2013	GLOBAL ENDOWMENT LLC WWW.GLOBALENDOWMENTLLC.COM	FCA - UNITED KINGDOM	
30/04/2013	OTIS KPO, LLC WWW.OTISKPO.COM	FCA - UNITED KINGDOM	
30/04/2013	RISK & PORTFOLIO MANAGEMENT LTD WWW.LONDONRPMMLTD.COM	FCA - UNITED KINGDOM	Unrelated to the duly authorised entity RPM Risk & Portfolio Management AB
30/04/2013	SMART STUFF LTD WWW.SMART-INVEST.CO.UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Smart Stuff Ltd
30/04/2013	WALTON JOHNSON & CO WWW.WJCCORPORATE.COM	FCA - UNITED KINGDOM	
30/04/2013	FLEX CAPITAL PARTNERS HTTP://FLEXCAPITALPARTNERS.COM/INDEX.HTML	FSA N - NORWAY	
30/04/2013	NEWPORT INTERNATIONAL GROUP HTTP://WWW.NEWPORTINTERNATIONALGROUP.COM/INDEX.HTML	FSA N - NORWAY	
08/05/2013	STOCKBRIDGE PARTNERS WWW.STOCKBRIDGEPARTNERS.COM	FMA - AUSTRIA	
08/05/2013	HAVEN LINK COMMODITIES HTTP://HAVENLINKCOMMODITIES.COM/	FSA N - NORWAY	
08/05/2013	APOLLO FINANCIAL MANAGEMENT WWW.FINANCIALMANAGEMENTA.COM	FCA - UNITED KINGDOM	
08/05/2013	BENEFIT PLANNERS INTL WWW.BPIWEALTH.COM	FCA - UNITED KINGDOM	The company is using the name and contact details of Benefit Planners International Splr, an entity which was previously registered but which is currently inactive
08/05/2013	DEVERE & PARTNERS UK LIMITED / DEVERE LTD	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Devere & Partners (UK) Limited
08/05/2013	EMERALD SECURITIES WWW.EMERALD-SECURITIES.COM	FCA - UNITED KINGDOM	
08/05/2013	HAYES ASSOCIATES WWW.HAYESASSOCIATES.ORG	FCA - UNITED KINGDOM	

Date	Company to which the warning relates	Regulator/ Supervisor	
08/05/2013	SFVA FINANCE WWW.SFVAFINANCE.COM	FCA - UNITED KINGDOM	Unrelated to the duly authorised entity SFVA SARL
16/05/2013	I-RISK BVBA	FSMA - BELGIUM	
16/05/2013	CLARIDON ASSET MANAGEMENT	EI CBI - IRELAND	
16/05/2013	GENEVE INVEST IRELAND	EI CBI - IRELAND	
16/05/2013	VERIM MANAGEMENT LIMITED	CSSF - LUXEMBOURG	
16/05/2013	HOUSTON DERIVATIVES EXCHANGE HTTP://WWW.HOUDEX.ORG/	FSA N - NORWAY	
16/05/2013	ASTORG PARTNERS	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Astorg Partners SAS or with Astorg Partners UK
16/05/2013	DELACOUR INVESTMENTS / DELACOUR GROUP LTD WWW.DELACOURINVEST.COM	FCA - UNITED KINGDOM	
16/05/2013	DONCASTER WEALTH MANAGEMENT WWW.DONCASTERWM.CO.UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity
16/05/2013	MILTON KEYNES CAPITAL PARTNERS LLP WWW.MKCAP.CO.UK	FCA - UNITED KINGDOM	
16/05/2013	PACIFIC VENTURES CONSULTANCY WWW.PACIFICVENTURESINC.COM	FCA - UNITED KINGDOM	
16/05/2013	RUSSELL ACQUISITION GROUP HTTP://RUSSELLACQGROUP.COM/	FCA - UNITED KINGDOM	
22/05/2013	EDGEWOOD EQUITIES CAPITAL INVESTMENT INC WWW.EDGEWOODEQUITIES.COM	FCA - UNITED KINGDOM	Unrelated to the duly authorised entity Edgewood I Select
22/05/2013	HERMANN BROTHERS GROUP WWW.HERMANNBROTHERSGROUP.COM	FCA - UNITED KINGDOM	
29/05/2013	THE CELTIC GROUP	EI CBI - IRELAND	
29/05/2013	NELSON CAPITAL ADVISORS	EI CBI - IRELAND	
29/05/2013	SAAD GROUP MALTA SAAD BANK EUROPE LIMITED SAAD GROUP BANK OF MALTA HTTP://SB.SAADGROUPMT.NET/	MFSA - MALTA	
29/05/2013	ALLIANCE DIRECT MANAGEMENT WWW.ALLIANCEDIRECT.COM WWW.ALLIANCEDIRECTMANAGEMENT.COM WWW.ALLIANCEDIRECTMANAGEMENT.ORG WWW.ALLIANCEDIRECTMANAGEMENTUPDATE.CO.UK	FCA - UNITED KINGDOM	
29/05/2013	CAPITA REGISTRARS GROUP	FCA - UNITED KINGDOM	Unrelated to the duly registered entities Capita IRG Trustees Ltd, Capita Registrars Limited or with Capita Registrars (Ireland) Limited
29/05/2013	DEPARTMENT OF FOREIGN INVESTMENT CONTROL WWW.DFIC.US WWW.GOV.DFIC.US	FCA - UNITED KINGDOM	
29/05/2013	THE MASONS CORPORATION WWW.THEMASONSCORP.COM	FCA - UNITED KINGDOM	
05/06/2013	LEAD MANAGEMENT LIMITED HTTP://WWW.LEADMANAGEMENTGROUP.COM	SSMA - SLOVENIA	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
05/06/2013	EXELYUM LTD.	AMF - FRANCE	
05/06/2013	BERGMANNWHITE ASSOCIATES HTTP://WWW.BERGMANNWHITE-ASSOCIATES.COM/INDEX. HTML	FSA N - NORWAY	
05/06/2013	ALDERMORE INVESTMENTS WWW.ALDERMOREINVESTMENTS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Aldermore Bank Plc
05/06/2013	CLARITY CAPITAL MARKETS WWW.CLARITYCAPITALMARKETS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Clarity Capital Partners Limited
05/06/2013	COMPANIES INVESTMENT HOLDINGS LTD WWW.COMPANIESINVESTMENT.COM	FCA - UNITED KINGDOM	
05/06/2013	ELDRIDGE FINANCIAL WWW.EFPRIVATECLIENTS.COM WWW.ELDRIDGEFINANCIAL.COM	FCA - UNITED KINGDOM	
05/06/2013	MONTGOMERY CAPITAL PARTNERS HTTP://WWW.MONTGOMERYADVISORY.COM/	FCA - UNITED KINGDOM	
05/06/2013	PLATINUM CAPITAL MANAGEMENT LIMITED WWW.PLATINUMCAPITALMANAGEMENT.COM	FCA - UNITED KINGDOM	Unrelated to the entity with the same name authorised by the FCA with number 190828
05/06/2013	WHITMORE WEALTH MANAGEMENT WWW.WHITMOREWEALTH.COM	FCA - UNITED KINGDOM	
05/06/2013	ALDERMORE INTERNATIONAL WWW.ALDERMOREINTERNATIONAL.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Aldermore Bank Plc.
12/06/2013	ALLIANZ ASSET MANAGEMENT	FCA - UNITED KINGDOM	Unrelated to the duly registered entities belonging to the Allianz Group
12/06/2013	ARDEA CAPITAL LP WWW.ARDEACAPITALLP.COM	FCA - UNITED KINGDOM	
12/06/2013	BALFOUR BEATTY	FCA - UNITED KINGDOM	Unrelated to the entities belonging to the Balfour Beatty group of companies
12/06/2013	LAWRENCE JAMES & ASSOCIATES WWW.LJAMESASSOCIATES.COM	FCA - UNITED KINGDOM	
12/06/2013	MERGERS & ACQUISITIONS FINANCIAL ADMINISTRATION	FCA - UNITED KINGDOM	
12/06/2013	PETERSON CAPITAL PARTNERS INC WWW.PETERSONCAPITALINC.COM WWW.PETERSONCAPITALINC.NET	FCA - UNITED KINGDOM	
12/06/2013	REYNOLDS CONSULTANCY LTD WWW.REYNOLDSCONSULTANCYLTD.COM	FCA - UNITED KINGDOM	
19/06/2013	ASTON MARKETS HTTP://WWW.ASTONMARKETS.BG/	CYSEC - CYPRUS	
19/06/2013	ENSSEN INVEST / ENSSENINVEST	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
19/06/2013	KREMER MOYSE AG WWW.KREMERMOYSE.EU	CSSF - LUXEMBOURG	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
19/06/2013	GOLDBERG CAPITAL GROUP LTD WWW.GOLDBERGCAPITALGROUP.COM	FCA - UNITED KINGDOM	
19/06/2013	INTERACTIVE INVESTOR TRADING LIMITED / SHARE PRICE UK WWW.SHAREPRICEUK.CO.UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
19/06/2013	MKP CAPITAL EUROPE / MKP EUROPE WWW.MKPCAPEUROPE.COM WWW.MKPEUROPE.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity MKP Capital Europe Llp
19/06/2013	PALMER CORPORATE SOLUTIONS, LLC WWW.PALMERSOLVE.COM	FCA - UNITED KINGDOM	
19/06/2013	SOL TRANSFER AGENTS LLC HTTP://SOLTSFR.COM/	FCA - UNITED KINGDOM	
19/06/2013	STALMANN CLARK WWW.STALMANNCLARK.COM	FCA - UNITED KINGDOM	
26/06/2013	TELEMAR DATA MANAGEMENT	EI CBI - IRELAND	
26/06/2013	ADVISORCORP LTD WWW.ADVISORCORPLTD.COM	FCA - UNITED KINGDOM	
26/06/2013	COLEMAN AND PARTNERS WWW.COLEMANANDPARTNERS.COM	FCA - UNITED KINGDOM	
26/06/2013	EQUINITI REGISTRARS GROUP	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Equiniti Financial Services Limited or to the company Equiniti Limited
26/06/2013	GLOBAL MERGERS CORPORATION	FCA - UNITED KINGDOM	
26/06/2013	MM INSTITUTIONAL WWW.MMIADVISOR.COM WWW.MMINSTITUTIONALADVISOR.COM WWW.MMINSTITUTIONALADVISORS.COM	FCA - UNITED KINGDOM	
03/07/2013	SOLOMON-LAYB WWW.SOLOMON-LAYB.COM	DFSA - DENMARK	
03/07/2013	LEGACY CAPITAL MANAGEMENT	EI CBI - IRELAND	
03/07/2013	ASHOKA FINANCIAL SERVICES HTTP://WWW.ASHOKA-FINANCIAL-SERVICES.COM/	MFSA - MALTA	
03/07/2013	APEX INTERNATIONAL CONSULTING GROUP WWW.APEXINTLSERVICES.COM	FCA - UNITED KINGDOM	
03/07/2013	BILLMEN & ASSOCIATES WWW.BILLMENASSOCIATES.COM	FCA - UNITED KINGDOM	
03/07/2013	BRADLEY KING M & A WWW.BRADLEYKINGMA.COM	FCA - UNITED KINGDOM	
03/07/2013	DAVIS & CO LLC WWW.DAVISCOMPANYLLC.COM	FCA - UNITED KINGDOM	Unrelated to the British entity with the same name
03/07/2013	HANSON BUSINESS SERVICES LLC WWW.HANSONKPO.COM	FCA - UNITED KINGDOM	
03/07/2013	INTERNATIONAL BROKERS WORLDWIDE	FCA - UNITED KINGDOM	
03/07/2013	LEONARD ULLRICH NEUMANN WWW.LEONARDULLRICHNEUMANN.COM	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
03/07/2013	NOVUM CAPITAL	FCA - UNITED KINGDOM	Unrelated to the registered entity Novum Capital Limited or the German entity Novum Capital Beratungsgesellsch AFT MBN
03/07/2013	SWAN ASSET MANAGEMENT WWW.SWANMGMT.COM WWW.SAMINTLCONSULTANTS.COM	FCA - UNITED KINGDOM	
10/07/2013	EDMUND ROME CORPORATE	FSMA - BELGIUM	
10/07/2013	Q-BUSINESS	FSMA - BELGIUM	
10/07/2013	KIRAYAKA INTERNATIONAL HTTP://WWW.KIRAYAKAINTERNATIONAL.COM/	DFSA - DENMARK	
10/07/2013	FORTRESS GLOBAL MARKET SARL	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
10/07/2013	CONQUEST PRIVATE EQUITY LLC HTTP://WWW.CONQUESTPE.COM/INDEX-2.PHP	FSA N - NORWAY	
10/07/2013	ELDRIDGE FINANCIAL HTTP://WWW.EFPRIVATECLIENTS.COM/	FSA N - NORWAY	
10/07/2013	KOYAL GROUP HTTP://WWW.KOYALGROUP.COM/INDEX.PHP	FSA N - NORWAY	
10/07/2013	AJ NELSON CONSULTANTS LLC WWW.AJNELSONLLC.COM	FCA - UNITED KINGDOM	
10/07/2013	THE BEST INVESTMENT GUIDE WWW.2013BESTINVESTGUIDE.COM WWW.THEBESTINVESTMENTGUIDE.COM	FCA - UNITED KINGDOM	Unrelated to the entities of The Best Invest group
17/07/2013	PROTEC ADVISORS FORTRESS	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
17/07/2013	CAPSTONE CAPITAL GROUP WWW.CAPSTONECAPITALGRG.COM	FCA - UNITED KINGDOM	
17/07/2013	ESIP FINANCE WWW.ESIPFINANCE.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Esip Finance SARL
17/07/2013	ICG / INTERMEDIATE CAPITAL GROUP	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Intermediate Capital Group Plc
24/07/2013	BH FRANCE	AMF - FRANCE	
24/07/2013	AVACIA INVESTMENTS / AVACIA LIMITED / AVACIA SECURITIES LTD WWW.AVACIA-INVESTMENTS.CO.UK WWW.AVACIA-SECURITIES.CO.UK	FCA - UNITED KINGDOM	
24/07/2013	FIDELITY GLOBAL RECOVERY	FCA - UNITED KINGDOM	
24/07/2013	WHITE PLAINS INTERNATIONAL SECURITIES WWW.WHITEPLAINSINTL.COM	FCA - UNITED KINGDOM	
24/07/2013	BH FRANCE	FSMA - BELGIUM	
24/07/2013	FINANCIAL ADVISORS ONLINE	FSMA - BELGIUM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
24/07/2013	JONES FALLS SECURITIES	FSMA - BELGIUM	
24/07/2013	BRIDGESTONE TRADING	FSMA - BELGIUM	
31/07/2013	LEXINGTON INTERNATIONAL GROUP INC WWW.LEX-INTER.COM	FMA - AUSTRIA	
31/07/2013	HFX GLOBAL LTD WWW.HFX.COM	CYSEC - CYPRUS	
31/07/2013	CAPITAL MARKETS WWW.CAPITALMARKETSUK.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Capital Markets, O.C.P, S.A.
31/07/2013	FUSION CAPITAL MANAGEMENT	FCA - UNITED KINGDOM	
31/07/2013	RUBIN PRICE SECURITIES WWW.RUBINPRICE.COM	FCA - UNITED KINGDOM	
31/07/2013	FIDELITY GLOBAL RECOVERY	FCA - UNITED KINGDOM	
31/07/2013	DEAN WITTER CONSULTANCY (USA) WWW.DEANWITTERCONSULTANCY.COM	FCA - UNITED KINGDOM	
07/08/2013	BRAUN AND BRAND CONSULTING FIRM WWW.BRAUNBRANDTCONSULTING.COM	FCA - UNITED KINGDOM	
07/08/2013	INI SECURITIES GMBH WWW.INI-SECURITIES.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Ini, S.A.
07/08/2013	KKR	FCA - UNITED KINGDOM	Unrelated to the entities belonging to the Kohlberg Kravis Roberts Group
07/08/2013	WWW.CFINVESTLTD.COM	CYSEC - CYPRUS	Unrelated to the duly registered entity CF Invest Ltd, which operates through the website www.cfmarkets.com
14/08/2013	ADOLPHE FINANCIAL MANAGEMENT WWW.ADOLPHEFINANCIAL.COM	CSSF - LUXEMBOURG	
14/08/2013	CV GLOBAL CORP LLC WWW.CVGLOBALCORP.COM	FCA - UNITED KINGDOM	
14/08/2013	MILES CORPORATE SERVICES WWW.MILESCS.COM	FCA - UNITED KINGDOM	
14/08/2013	WAINWRIGHT WEALTH MANAGEMENT / WAINWRIGHT FINANCE WWW.WAINWRIGHTFINANCE.COM	FCA - UNITED KINGDOM	
14/08/2013	LEXINGTON INTERNATIONAL GROUP INC WWW.LEX-INTER.COM	FCA - UNITED KINGDOM	
14/08/2013	DENKO GROUP WILTSHIRE CAPITAL TALBOT REESE PARKER & BOYD DAVIS MAYER GROUP	FSMA - BELGIUM	
21/08/2013	ACCEDIUM LIMITED HTTP://WWW.ACCEDIUM.COM/	MFSA - MALTA	
21/08/2013	AXA ISLE OF MAN WWW.FXAXA.CO.UK WWW.FXAXA.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Axa Isle of Man Limited
21/08/2013	ECLIPSE OPTIONS LTD EUROPE	FCA - UNITED KINGDOM	Unrelated to the entities Eclipse Options (HK) Ltd and Eclipse Options Ltd

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
21/08/2013	MKR GLOBAL SERVICES LLC WWW.MKRGLOBAL.COM	FCA - UNITED KINGDOM	
28/08/2013	CONQUEST PRIVATE EQUITY LLC WWW.CONQUESTPE.COM	FMA - AUSTRIA	
28/08/2013	GLOBAL REACH ASSET MANAGEMENT HTTP://WWW.GLOBALREACHASSETMANAGEMENT.COM/	DFSA - DENMARK	
28/08/2013	SUBLIME MOTOR INSURANCE LIMITED	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
28/08/2013	SGT MALTA HTTP://SGTMALTA.NET/EB/	MFSA - MALTA	
28/08/2013	BLUE SKY GROUP EUROPE	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Blue Sky Group BV
28/08/2013	TEMPLE NUGENT CAPITAL MANAGEMENT WWW.TEMPLNUGENT.COM	FCA - UNITED KINGDOM	
04/09/2013	ALLIANCE PARTNERSHIP	FCA - UNITED KINGDOM	Unrelated to the duly registered entities The Alliance Partnership S.R.O. and The Alliance Partnership Netherlands BV
04/09/2013	JORDAN PARKINSON GROUP WWW.JORDANPARKINSONGROUP.COM	FCA - UNITED KINGDOM	
04/09/2013	MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO. LTD	FCA - UNITED KINGDOM	Unrelated to the financial institution of the same name which is located in Japan
11/09/2013	AUTORITE MONEY FOREX (AMF) MR FRANCK LEROY MR NICOLAS GRECY	AMF - FRANCE	
11/09/2013	OPCIONES BINARIAS	AMF - FRANCE	
11/09/2013	MAYER KAUFMAN PRIVATE BANKERS WWW.MAYERKAUFMAN.EU	CSSF - LUXEMBOURG	
11/09/2013	NZ FINANCIAL CAPITAL LIMITED HTTP://FX-IM.COM	CSSF - LUXEMBOURG	
11/09/2013	AGB MALTA PLC HTTP://AGBMALTA.COM	MFSA - MALTA	
11/09/2013	MULTI RISK BENEFITS LIMITED HTTP://MRBLTD.COM	MFSA - MALTA	Unrelated to the duly registered entity Multi Risk Benefits Limited
11/09/2013	OPSTOCK LTD WWW.OPSTOCKLTD.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Opstock Ltd (merged with Pohjola Bank)
11/09/2013	SCOTT FISCHER CONSULTANCY WWW.SCOTTFISCHERCONSULTANCY.COM	FCA - UNITED KINGDOM	
18/09/2013	THE CORLISS GROUP HTTP://THECORLISSGROUP.COM/	DFSA - DENMARK	
18/09/2013	HAMILTON INTERNATIONAL GROUP	EI CBI - IRELAND	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
18/09/2013	BYRD FLEMING AND ASSOCIATES WWW.BFANDASSOCIATES.COM	FCA - UNITED KINGDOM	
18/09/2013	DIRECT MERGERS & ACQUISITIONS INC WWW.DIRECTMERGERSACQ.COM	FCA - UNITED KINGDOM	
18/09/2013	DT GROUP BUSINESS SOLUTIONS WWW.DTGCONSULT.COM	FCA - UNITED KINGDOM	
18/09/2013	FIL INVESTMENT MANAGEMENT WWW.FILINVESTMENTS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Fil Investment Management (Luxembourg), S.A.
18/09/2013	GRAND MERIDIAN PRIVATE EQUITY LTD WWW.GRANDMERIDIANLTD.COM	FCA - UNITED KINGDOM	
18/09/2013	OBJECTIVE RETURNS WWW.OBJECTIVERETURNS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Objective Returns Plc
18/09/2013	WATERMAN WEALTH MANAGEMENT WWW.WATERMANMANAGEMENT.COM	FCA - UNITED KINGDOM	
25/09/2013	TRADERXP LTD HTTP://WWW.TRADERXP.COM	CYSEC - CYPRUS	
25/09/2013	VENTA KPO SERVICES LLC WWW.VENTAKPO.COM	FCA - UNITED KINGDOM	
25/09/2013	WAINWRIGHT WEALTH MANAGEMENT WWW.WAINWRIGHTCORPORATE.COM WWW.WAINWRIGHTFINANCE.COM	FCA - UNITED KINGDOM	
02/10/2013	A.S. CONSTANTINIDES	HCMC - GREECE	
02/10/2013	ACCER MERGERS & ACQUISITIONS WWW.ACCERMA.COM	FCA - UNITED KINGDOM	
02/10/2013	HAMILTON INTERNATIONAL GROUP WWW.HAMILTONINTL.COM	FCA - UNITED KINGDOM	
02/10/2013	HAYES CAPITAL MANAGEMENT	FCA - UNITED KINGDOM	
02/10/2013	CONQUEST PRIVATE EQUITY LLC	SFSA - SWEDEN	
02/10/2013	MR. ARISTIDIS KONSTANTINIDIS	HCMC - GREECE	
02/10/2013	KTI TRADING INC	HCMC - GREECE	
09/10/2013	B.H. GLOBAL FRANCE	FSMA - BELGIUM	
09/10/2013	FOREX PLACE LTD HTTP://WWW.4XP.COM	CYSEC - CYPRUS	
09/10/2013	HOTOPTIONS - HORTENSE HOLDINGS LIMITED	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain on the dispute relating to the British territory of Gibraltar and the local nature of its authorities
09/10/2013	BLOOMFIELD ADVISORY WWW.BLOOMFIELDADVISORY.COM	FCA - UNITED KINGDOM	
09/10/2013	NORTHERN CAPITAL CONSULTANTS WWW.NORTHERNCAPITALCONSULTANTS.COM	FCA - UNITED KINGDOM	
09/10/2013	PACIF FIRST SECURITIES WWW.PACIFICFIRSTSECURITIES.COM	FCA - UNITED KINGDOM	

Date	Company to which the warning relates	Regulator/ Supervisor
16/10/2013	IP INTERNATIONAL SERVICE TRADING CORPORATION BANQ OF BROKER IKKOTRADER TRADER369 AJ BROWDER CAPITAL WWW.BANQOFBROKER.COM WWW.IKKOTRADER.COM WWW.AJBROWDERCAPITAL.COM	FSMA - BELGIUM
16/10/2013	HTTP://WWW.DEPAHOFX.COM/GL/INDEX.HTML	CYSEC - CYPRUS
16/10/2013	REDEVELOPMENT CORPORATION INTERNATIONAL LTD HTTPS://WWW.FOREXPRTI.COM/	MFSA - MALTA
16/10/2013	DT GROUP BUSINESS SOLUTIONS WWW.DTGCONSULT.COM WWW.DTGCONSULT.NET	FCA - UNITED KINGDOM
16/10/2013	ROWE CORPORATE SERVICES WWW.ROWECSG.COM	FCA - UNITED KINGDOM
16/10/2013	WHITNEY COOPER ASSOCIATES WWW.WHITNEYCOOPERASSOCIATES.COM	FCA - UNITED KINGDOM
16/10/2013	WILLIAM WRIGHT	FCA - UNITED KINGDOM
23/10/2013	NRG CAPITAL (CY) LTD HTTP://WWW.NRGBINARY.COM	CYSEC - CYPRUS
23/10/2013	CAPSTONE ALLIANCE GROUP HTTPS://CAPSTONE-ALLIANCEGROUP.COM/	FSA N - NORWAY
23/10/2013	KENDALL MORGAN PARTNERS HTTP://WWW.KENDALLMORGANPARTNERS.COM/	FSA N - NORWAY
23/10/2013	NEW GOLD CAPITAL HTTP://WWW.NEWGOLDCAPITAL.COM/INDEX.HTML	FSA N - NORWAY
23/10/2013	ZENITH FUND SA - SICAV - SIF	CMVM - PORTUGAL
23/10/2013	BREWER CONSULTING GROUP WWW.BREWERCONSULTANTS.COM	FSA - UNITED KINGDOM
23/10/2013	GLOVER CAPITAL GROUP WWW.GLOVERCAPITALGROUP.COM	FSA - UNITED KINGDOM
23/10/2013	STEINBERG MANAGEMENT	FSA - UNITED KINGDOM
30/10/2013	ST. PUBLIUS CORPORATE SERVICES LIMITED HTTP://WWW.STPUBLIUS.COM/	MFSA - MALTA
30/10/2013	SHORE CAPITAL VENTURES HTTP://WWW.SHORECAPITALVENTURES.COM/INDEX.HTML	FSA N - NORWAY
30/10/2013	IPO, S.A.	KNF - POLAND
30/10/2013	ELLIS HARPER & CO LLC WWW.ELLISHARPERCO.COM	FCA - UNITED KINGDOM
30/10/2013	HANOVER GROUP WWW.HANOVER-GROUP.COM	FCA - UNITED KINGDOM
30/10/2013	HOBART ROTH LLC WWW.HOBARTROTH.COM	FCA - UNITED KINGDOM
30/10/2013	HODEN INTERNATIONAL CLEARING WWW.HODENINTERNATIONALCLEARING.COM	FCA - UNITED KINGDOM

Date	Company to which the warning relates	Regulator/ Supervisor	
30/10/2013	QUINN & VOAKES CAPITAL WWW.QVCAPITAL.COM	FCA - UNITED KINGDOM	
30/10/2013	SPECIALIST INVESTOR FUNDS WWW.SPECIALISTINVESTORFUNDS.COM	FCA - UNITED KINGDOM	
30/10/2013	1ST EDGE FINANCIAL BANK OF THE UNITED KINGDOM	SFSA - SWEDEN	
06/11/2013	KOYAL GROUP HTTP://WWW.KOYALGROUP.COM/CONTACT.PHP	DFSA - DENMARK	
06/11/2013	NEWPORT INTERNATIONAL GROUP HTTP://WWW.NEWPORTINTERNATIONALGROUP.COM/	DFSA - DENMARK	
06/11/2013	CAPITALFRANCE	AMF - FRANCE	
06/11/2013	PAN AMERICAN GLOBAL PARTNERS WWW.PANAMERICANGLOBALPARTNERS.COM	FCA - UNITED KINGDOM	
06/11/2013	PICTET PRIVATE WEALTH MANAGEMENT	FCA - UNITED KINGDOM	Unrelated to the duly registered entities Pictet Asset Management Limited and Pictet Investment Company Limited
13/11/2013	FOREX EXPERTS LTD	BFSC - BULGARIA	
13/11/2013	CMBS PORTFOLIO, LLC	EI CBI - IRELAND	
13/11/2013	BOARD OF INTERNATIONAL FINANCE WWW.GOV.BOIF.US	FCA - UNITED KINGDOM	
13/11/2013	GLOBAL CORPORATE PARTNERS WWW.GLOBALPARTNERS.COM	FCA - UNITED KINGDOM	
13/11/2013	STRATEGIC PRIVATE EQUITY LLC WWW.STRATEGICPE.COM	FCA - UNITED KINGDOM	
20/11/2013	DEEP BLUE GROUP HTTP://DEEPBLUEGROUP.COM/	FSA N - NORWAY	
20/11/2013	SOMPO CAPITAL GROUP HTTP://SOMPOCAPITALGROUP.COM/INDEX.HTML	FSA N - NORWAY	
20/11/2013	INFINITY CAPITAL WWW.INFINITYCAPITAL.IN	NBS - SLOVAK REPUBLIC	
20/11/2013	ASPEN CAPITAL LLC WWW.ASPEN-CAP.NET	SFSA - SWEDEN	
20/11/2013	FIRKIN ASSET CONSULTANTS WWW.FIRKINAC.COM	SFSA - SWEDEN	
20/11/2013	FROST CAPITAL PARTNERS WWW.ASPEN-CAP.NET	SFSA - SWEDEN	
20/11/2013	STRATEGIC PRIVATE EQUITY LLC WWW.STRATEGICPE.COM	SFSA - SWEDEN	
27/11/2013	GLOBALEYE	FSMA - BELGIUM	
27/11/2013	FERROFORTIA LTD HTTP://WWW.PLANETOPTION.COM	CYSEC - CYPRUS	
27/11/2013	RAMSEY INVESTMENT PARTNERS HTTP://RAMSEYINVESTMENTPARTNERS.COM/	FSA N - NORWAY	
27/11/2013	EDGE CAPITAL MARKETS WWW.EDGECLTD.COM	FCA - UNITED KINGDOM	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor	
04/12/2013	SYCAMORE OPTIONS LTD HTTP://WWW.SYCAMOREOPTIONS.COM	CYSEC - CYPRUS	
04/12/2013	DYMAN ASSOCIATES HTTP://WWW.DYMANASSOCIATES.COM/	FSA N - NORWAY	
04/12/2013	FROST CAPITAL PARTNERS HTTP://FROSTCP.COM/	FSA N - NORWAY	
04/12/2013	AVA CAPITAL MARKETS WWW.AVACM-LTD.COM WWW.AVACMLTD.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Ava Capital Markets Ltd
04/12/2013	ESTLANDER & RONNLUND CAPITAL MANAGEMENT WWW.EANDRCAPITAL.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity with the same name
04/12/2013	NCP FINANCIALS WWW.NCP-FINANCIALS.CO.UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Northland Capital Partners Ltd
04/12/2013	NEXT FINANCIAL NETWORK WWW.NEXTFINANCIALNETWORK.COM	FCA - UNITED KINGDOM	
04/12/2013	COVER CAPITAL PARTNERS AND BUREAU OF FINANCIAL TRADING WWW.COVERCP.COM	SFSA - SWEDEN	
11/12/2013	GROUPCPI	FSMA - BELGIUM	
11/12/2013	GOLDMAN CAPITAL WWW.GOLDMAN-CAPITAL.COM	AMF - FRANCE	Unrelated to entities belonging to the Goldman Sachs Group
11/12/2013	FOREX WORLDWIDE LTD AND TOROPROFIT WWW.TOROPROFIT.COM	MFSA - MALTA	
11/12/2013	DEVERE GROUP UK	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Devere and Partners (UK) Limited
11/12/2013	FIRKIN ASSET CONSULTANTS WWW.FIRKINAC.COM	FCA - UNITED KINGDOM	
11/12/2013	GE WEALTH MANAGEMENT WWW.GE-MANAGEMENT.COM	FCA - UNITED KINGDOM	
11/12/2013	KSI / KARAMANOF WWW.KARAMANOFINVESTMENTS.COM	FCA - UNITED KINGDOM	Unrelated to the duly registered entity Karamanof Securities & Investment Services, S.A.
11/12/2013	FIRST TRADE EUROPE WWW.FTEUK.COM	FCA - UNITED KINGDOM	
18/12/2013	CORPORATEBONDS.PL SP. Z O.O.	KNF - POLAND	
18/12/2013	PROFESCAPITAL SP. Z O.O.	KNF - POLAND	
18/12/2013	LEIGHTON CORPORATE SERVICES LLC WWW.LEIGHTONCORP.COM	FCA - UNITED KINGDOM	
18/12/2013	JCI ASSET INC WWW.JCIASSET.COM	SFSA - SWEDEN	
26/12/2013	LEIGHTON CORPORATE SERVICES LLC	EI CBI - IRELAND	
26/12/2013	FAST LINE LEGAL SERVICES WWW.FASTLINELEGAL.COM	FCA - UNITED KINGDOM	
26/12/2013	VICTORY LIFE & PENSION ASSURANCE COMPANY LTD WWW.VICTORYLIFE.CH	SFSA - SWEDEN	

Public warnings in respect of non-registered entities (continuation)

III.4

Date	Company to which the warning relates	Regulator/ Supervisor
Other public warnings forwarded by foreign regulators		
16/01/2013	INVERSIONES ATÍPICAS	AMF - FRANCE
11/12/2013	VARIOS FRANCIA	AMF - FRANCE

A. Spanish legislation

A.1 Spanish Securities Market Commission

CNMV Circular 7/2013, of 25 September, regulating the resolution procedure for claims and complaints against companies which provide investment services and for addressing enquiries in the field of the securities market.

This Circular regulates, in the specific field of the securities market, the procedure which Law 2/2011, of 4 March, imposed for addressing claims, complaints and enquiries, and which was subsequently implemented by means of Order ECC/2502/2012, of 16 November.

This function is discharged in the CNMV by the Complaints Service, which, as provided for in the aforementioned legislation, is organised and functions in accordance with the principles of independence, transparency, contradiction, effectiveness, legality, freedom and representation.

The Circular distinguishes two procedures: i) the procedure for addressing, processing and resolving claims and complaints submitted against entities that provide investment services and management companies of collective investment schemes (Chapter II); and ii) the procedure for processing and resolving enquiries submitted by the users of financial services, which are made by means of requests for advice and information and relating to issues of general interest on rights relating to rules on transparency and customer protection, or on the legal routes for exercising such rights (Chapter III).

With regard to the procedure for claims and complaints, it is important to highlight that such claims and complaints may only be submitted by retail customers or their representatives by means of forms which follow the structure of the standard forms contained in Annexes 1 and 2 of the Circular. It is also important to highlight that, as indicated in Rule 14th of this Circular, the reports issued by the Complaints Service are not binding and are not administrative acts against which appeals may be brought. At any event, if the final report on the claim is unfavourable to the entity against which the claim has been made, the entity has a period of one month following notification of the report to expressly communicate its acceptance, or not, of the suppositions and criteria stated therein, as well as to provide documentary evidence that it has rectified the situation with the claimant, as the case may be. Notwithstanding the above, if the processing of the complaint file reveals data which might constitute an indication of punishable conduct – especially if it involves a serious or repeated breach of rules on transparency or customer protection – the Complaints Service will inform the competent department so that it may take appropriate action. Similarly, if any other

possible offence is revealed which falls outside its scope of action, the CNMV will inform the competent body.

Enquiries must be submitted following the structure of the form contained in Annex 3 of the Circular.

CNMV Board Resolution, of 2 October 2013, which amends the CNMV's Internal Regulation.

The amendment introduced in the Internal Regulation by means of this Board Resolution, of 2 October 2013, mainly aims to limit the maximum number of executives of the CNMV to 10, in compliance with the provisions of Royal Decree-Law 451/2012, of 5 March, which regulates the remuneration of senior executives in the public business sector and other entities and in the Order of 12 April of the Ministry of Finance and Public Administration Services, which approves the classification of public business entities and other entities governed by public law.

With this aim in mind, the departments which report directly to the Chairperson's Office have been re-structured. These departments are: the Research, Statistics and Publications Department; the International Relations Department; the Information Systems Department; and the General Secretariat. Similarly, it provides for the creation of two directorates which will also report to the Chairperson's Office: a Deputy Directorate and a Communication Directorate.

The classification of executive, for the purposes of Royal Decree-Law 451/2012, is also given to the heads of the three directorate-generals, the heads of the departments attached to the Board or to the Chairperson's Office, the Director of the Cabinet of the Chairperson's Office and the head of the Department that is designated as Vice-Secretary of the Board and of the other committees of the CNMV.

The articles of the CNMV's Internal Regulation which have been amended are: 6, 27, 32 and 44.

CNMV Board Resolution of 2 October 2013, delegating certain powers.

The powers which correspond to the CNMV pursuant to the provisions contained in Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories are delegated to the Chairperson and Vice-Chairperson of the CNMV indistinctly.

CNMV Resolution of 4 October 2013, which amends Annex I of the Resolution of 16 November 2011, which creates and regulates the CNMV's Electronic Register.

This Resolution once again amends Annex I of the CNMV Resolution of 16 November 2011, which lists the procedures through standardised electronic documents to be submitted to the Electronic Register of the CNMV by means of the CIFRADO/CNMV service. The intention is to incorporate two new procedures: i) filing of the final terms of promissory notes, and ii) the standard forms for the annual report on the remuneration of the directors of listed companies and of the members of the boards of directors and oversight committees of savings banks that issue securities admitted to trading on official securities markets.

The power to authorise the filing of annual corporate governance reports and annual remuneration reports in the CNMV's Electronic Register under the option in PDF format of the "IGC" process of the CIFRADOC/CNMV service is delegated to the Chairperson and Vice-Chairperson of the CNMV indistinctly.

A.2 Primary markets

Royal Decree-Law 4/2013, of 22 February, on measures to support entrepreneurs and stimulate growth and job creation.

With the aim of facilitating the access of Spanish companies to non-bank financing, this legislation raises the limit imposed in Article 405 of the Capital Companies Act, whereby the total amount of a company's issues may not be greater than the paid-up share capital plus reserves. In particular, this limit is raised for investment on multi-lateral trading facilities and for those issues which are aimed at institutional investors.

With this aim, a new Article 30 *quáter* is introduced in Chapter II of Title III of the Securities Market Act 24/1988, of 28 July.

Law 11/2013, of 26 July, on measures to support entrepreneurship and to stimulate growth and job creation.

The measures contained in this Law to support entrepreneurship and stimulate growth and job creation include those aimed at developing the Entrepreneurship and Youth Employment Strategy, as well as those aimed at encouraging business financing through alternative markets and measures to tackle late payment in commercial transactions.

With regard to the measures adopted to encourage business financing, an amendment is made to Title II of the Regulation on the Rules and Supervision of Private Insurance, Royal Decree-Law 2486/1998, so as to allow insurance companies to invest in securities admitted to trading on the Alternative Stock Market or another multilateral trading facility specified by means of a royal decree-law. Similarly, it allows said investments to be considered as suitable as cover for technical provisions providing the investment made in securities issued by each entity does not exceed 3% of the technical provisions to be covered.

Similarly, in Title II it amends the Regulation on Pension Schemes and Funds – Royal Decree-Law 304/2004 – also allowing pension funds to invest in securities admitted to trading on the Alternative Stock Market or another multilateral trading facility specified by means of a royal decree-law provided the investment does not exceed a maximum of 3% of the fund's assets in each entity.

Law 11/2013 also amends the wording of Articles 30 *ter* and 30 *quáter* of the Securities Market Act 24/1988, of 28 July, for the purposes of establishing the regime for issues of bonds or other securities which recognise or create debt.

This Article 30 *quáter* was introduced by Article 19 of Royal Decree-Law 4/2013 and establishes that the limit included in Article 405 of the Capital Companies Act whereby the total amount of the issues of companies may not exceed the paid out share capital plus reserves is not applicable, only in the event that

the issues are aimed at institutional investors or are for amounts greater than 100,000 euros.

Furthermore, it expressly indicates that issues of bonds or other securities which create debt that will be admitted to trading on a multilateral trading facility will not require the execution of a public document or registration in the Companies Registry or publication in the Official Gazette of the Companies Registry.

Finally, it is important to mention that the seventh final provision of this Law amends several articles of the Public Sector Procurement Act. These include Articles 216 and 222, with the aim of specifying the time when late payment interest accrues. It also amends the 16th additional provision of the aforementioned Law so as to exclude electronic invoices issued in procurement procedures from the general regulation on the use of electronic, computer or telematic means. In addition, it includes a new 33rd additional provision which establishes a new itinerary for submitting invoices to the administrative body responsible for public accounting for the purposes of ensuring that the Administration is fully aware of all the debts for which it is liable through the execution of contracts.

Law 14/2013, of 27 September, to support entrepreneurs and their internationalisation.

This Law aims to support entrepreneurs and business activity, fostering their development, growth and internationalisation and to promote both entrepreneurial culture and a favourable environment for economic activity.

To this end, it modifies certain provisions of securities market legislation, among which we can highlight:

- Article 32 of the Law introduces internationalisation bonds and covered bonds as negotiable securities under letter l) of Article 2.1 of the Securities Market Act 24/1988, of 28 July. These are, in reality, fixed-income securities whose speciality lies in the fact that they are guaranteed with loans granted by the issuer linked to the funding of contracts for exporting goods and services or for use in the internationalisation of companies.
- Subsequently, Article 34 of the Law specifies the content and differences between internationalisation bonds and covered bonds, and indicates the credit institutions which are allowed to issue them. Internationalisation covered bonds are characterised by the fact that the principal and interest are especially guaranteed by all the aforementioned credits and loans, i.e. those linked to funding contracts for exporting goods or services and to the internationalisation of companies providing they meet the requirements set by legislation and that at all times they appear as an asset on the issuer's balance sheet (without counting those which are linked to the issue of internationalisation bonds), as well as, should they exist, the substitute assets and the economic flows generated by the derivative financial instruments linked to each issue. A repealing provision revokes their previous regulation under Article 13 *bis* of Law 44/2002.

On the other hand, the principal and interest of internationalisation bonds will be especially guaranteed by the same types of loans and credits referred to in the case of internationalisation-covered bonds, providing they are specifically allocated to the issue pursuant to a public document. As in the previous case,

they are also guaranteed by the substitute assets and by the flows generated by derivative financial instruments linked to each issue which are specifically allocated in a public document.

- Article 33 amends Sections 1 and 4 of Article 13 of Law 44/2002, of 22 November, on Reform Measures for the Financial System on “territorial-covered bonds” so as to specify, with more detailed wording, which types of loans and credits can act as collateral, expressly excluding those loans which are not linked to the funding of contracts for exporting goods or services or to the internationalisation of companies.

It also amends other related rules: for example, Article 31 introduces a new article, Article 71 *bis*, of the Insolvency Act 22/2003, of 9 July, on the appointment by the registrar of an independent expert to verify refinancing agreements; and Article 35, which amends Article 8 of Law 1/1994, of 11 March, on the Legal Regime of Mutual Guarantee Companies, with regard to the minimum share capital of these companies.

In addition, the second final provision amends Article 50, Section 5, letter c), as well as Article 53.4, paragraphs six and eight, of the Regulation on Private Insurance Planning and Supervision, approved by Royal Decree-Law 2486/1998, of 20 November, so as to introduce the Alternative Fixed-Income Market as a multilateral trading facility. The same is the case with the fourth final provision, which amends Article 70, Section 9, letter d), and Article 72, letter b) of the Regulation on pension schemes and funds, approved by Royal Decree-Law 304/2004, of 20 February.

With regard to the simplification of economic/financial reporting, Article 48 amends Section 2 of Article 48 of the Code of Commerce, and Article 49, with regard to the preparation of abridged annual accounts, amends Section 1 of Article 257 and, regarding the account auditor, Article 263 of the Capital Companies Act.

Similarly, the sixth final provision amends the third additional provision of the consolidated text of the Capital Companies Act, approved by Legislative Royal Decree-Law 1/2010, of 2 July, on the Single Electronic Document (Spanish acronym: DUE).

Order ECC/2515/2013, of 26 December, implementing Article 86.2 of the Securities Market Act 24/1988, of 28 July.

In addition to the power granted to the CNMV pursuant to Article 86.2 of the Securities Market Act 24/1988, of 28 July, in its new wording given by Law 2/2011, of 4 March, on the Sustainable Economy, this Ministerial Order ECC/2515/2013 amends Order EHA/3537/2005, of 10 November, implementing Article 27.4 of the Securities Market Act 24/1988, of 28 July.

The aim of this amendment is to make technical adjustments following the amendments made in Law 24/1988 and in Royal Decree-Law 1310/2005, of 4 November, as a result of the transposition of Directive 2010/73/EU, of the European Parliament and of the Council, of 24 November 2010, amending Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Following this same line, Order 3537/2005, of 10 November, implementing Article 27.4 of the Securities Market Act 24/1988, of 28 July, introduces the definition of financial contracts provided by CNMV Circular 3/2000, of 30 May, which amends for the first time CNMV Circular 2/1999, of 22 April. Similarly, it replaces the format of the national prospectus established for non-standard contracts in Circular 3/2000 by that provided for debt securities or derivatives in European Commission Regulation No. 809/2004, of 29 April 2004.

In accordance with the single repealing provision of this Ministerial Order, the aforementioned CNMV Circular 3/2000 is expressly repealed.

A.3 Secondary securities markets

Order ECC/680/2013, of 8 April, which authorises the amendment of Articles 11 and 12 of the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

This Order amends Articles 11 and 12 of the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Sociedad de Sistemas). Its purpose is to exempt the entities which are trading members of the corresponding stock exchanges or multilateral trading facilities from the obligation to hold, at the same time, the status of participating entity in the Sociedad de Sistemas. As from the entry into force of this Order, these entities will simply need to sign an agreement with a participating entity, which will then be responsible for the registration, clearing and settlement resulting from the dealing performed by the trading member and will be liable for these actions as regards the member and the system.

Order ECC/1556/2013, of 19 July, authorising “MEFF Sociedad Rectora de Productos Derivados, S.A.U.” to separate the functions of trading, counterparty, clearing and settlement which it currently performs.

Firstly, this Order authorises MEFF Sociedad Rectora de Productos Derivados, S.A.U. to separate the trading functions from the counterparty, clearing and settlement functions by assigning the former to the new governing company which will provisionally be called “MEFF Exchange” (under Articles 44 *ter* and 59 of the Securities Market Act). The authorisation establishes that the equity of this company may be no lower than 7,980,000 euros.

The counterparty, clearing and settlement functions of the current MEFF will continue to be provided by “MEFF Clearing” (Article 44 *ter* of the Securities Market Act).

This has required, in turn, authorisation of:

- i) The Regulation of the aforementioned market and the Articles of Association of its governing company.
- ii) The General Conditions of the Set of Contracts of Underlying Financial Assets subject to the operations of “MEFF Exchange”.
- iii) The conversion of MEFF into a central counterparty governed by Article 44 *ter* of the Securities Market Act with regard to the financial instruments for which

MEFF currently provides counterparty, clearing and settlement functions. It now provisionally becomes known as “MEFF Clearing”.

- iv) The Regulation of “MEFF Clearing” and its Articles of Association.
- v) The General Conditions of the Set of Contracts of Underlying Financial Assets, subject to the operations of “MEFF Clearing”, with a stamped copy attached.
- vi) The General Conditions of the Set of Contracts of Underlying Energy Assets, subject to the operations of “MEFF Clearing”, with a stamped copy attached.
- vii) The General Conditions of the Set of Contracts for Trading with Fixed-Income Securities, subject to the operations of “MEFF Clearing”, with a stamped copy attached.

A.4 Collective Investment Schemes

CNMV Circular 2/2013, of 9 May, on the key investor information document and the prospectus of collective investment schemes (Corrigendum published on 4 June 2013).

This Circular aims to adapt CNMV Circular 3/2006, of 26 October, on the prospectus of collective investment schemes (CIS) to two pieces of European legislation in this area: Directive 2009/65/EC, of the European Parliament and of the Council, and Commission Regulation (EU) No. 583/2010. One of the most noteworthy new aspects is the requirement for a key investor information document to replace the previous simplified prospectus. To this end, the aforementioned Circular is repealed, whilst maintaining the qualifications included in the transitory rules.

This Circular thus regulates:

- The form, content and standard forms for the key investor information document and the prospectus of CIS. These documents will be filed with the CNMV electronically.
- The special features which correspond to the key investor information document of non-financial CIS, hedge funds and funds of hedge funds.
- It also provides for the special features for the prospectus and key investor information document when the aim of the CIS is to perform an investment policy which replicates, reproduces or takes as reference a certain stock or debt securities index.
- New requirements are established as regards the amendment or updating of elements of the prospectus and the key investor information which are considered essential and which require registration prior to their entry into force.
- New obligations are established as regards advertising and new circumstances listed which give unit-holders the right to withdrawal or prior notification.
- It establishes other contents of the prospectus relating to the need for efficient management of portfolios and derivative financial instruments, as well as management of the margins relating to these operations.

In addition, it amends various circulars: a) CNMV Circular 5/2007, of 27 December, on significant events of collective investment schemes; b) CNMV Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of collective investment schemes and the statement of position; c) CNMV Circular 6/2010, of 21 December, on derivatives trading by collective investment schemes; and d) CNMV Circular 6/2008, of 26 November, on determination of the net asset value and operational aspects of collective investment schemes.

Law 16/2013, of 29 October, establishing certain environmental tax measures and adopting other tax and financial measures.

The first final provision of this Law gives a new wording to Articles 28.2, 40.3 and 46.1 of Law 35/2003, of 4 November, on Collective Investment Schemes, at the same time as it introduces a fifth additional provision.

The main new aspect introduced by this amendment affects the marketing of units of mutual funds in Spain given that omnibus accounts may be used as from 1 January 2014.

To this end, the new wording of Article 40.3 provides that when the register of a fund's management company contains units in the name of a marketing entity on the account of unit-holders, then that intermediary will be responsible for keeping the register identifying the unit-holders.

However, at the same time, the Law requires that the marketing entity should not simultaneously include a unit-holder of a mutual fund in its unit-holder register and in the register of the fund's management company.

Furthermore, units already registered in favour of unit-holders in the unit-holder register of the collective investment scheme will remain in said register even if the marketing entity and the management company choose to keep the register through omnibus accounts once Law 16/2013 enters into force.

Consequently, when the unit-holders are registered in the marketing entities, it will be those entities which assume the corresponding financial and tax obligations.

The second final provision of this Law 16/2013 adds a 21st additional provision to Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, for the purposes of establishing a tax regime for the Asset Management Company for Assets Arising from Bank Restructuring (Spanish acronym: SAREB).

A.5 Investment firms and credit institutions

CNMV Circular 1/2013, of 30 January, on reporting information relating to investment firms and their parent companies and management companies of collective investment schemes.

This Circular establishes, for investment firms and the management companies of collective investment schemes, the reporting regime, the content of disclosure requirements, the manner in which information is sent and the deadlines for reporting the modifications which may arise in their authorisation conditions.

Royal Decree-Law 256/2013, of 12 April, incorporating guidelines of the European Banking Authority, dated 22 November 2012, on the assessment of the suitability of members of the management body and key function holders into legislation on credit institutions.

This Royal Decree-Law is based on the guidelines of 22 November 2012 on the assessment of the suitability of the persons who effectively manage the activity of credit institutions established by the European Banking Authority in compliance with the mandate conferred by Directive 2006/48/EC, of the European Parliament and of the Council, of 14 June 2006, relating to the taking up and pursuit of the business of credit institutions.

However, for reasons of consistency, it was decided to make the new legislation applicable not only to credit institutions but also to electronic money institutions, payment institutions, appraisal companies, counter-guarantee companies, foreign currency exchange establishments and mixed financial holding companies. This has led to the amendment of various royal decree-laws depending on the entity affected.

Specifically, this Royal Decree-Law introduces the following substantial amendments relating to the assessment of the suitability of members of the management body and key function holders:

- With regard to the commercial and professional reputation requirement for the person holding the office subject to this legislation, the Royal Decree-Law provides for a wide range of criteria to be taken into account by the Bank of Spain, which can be grouped into three main areas: a) professional history; b) existence of convictions for serious criminal offences, minor offences and administrative penalties; and c) existence of material investigations.
- With regard to the knowledge and experience requirement of the person holding the office subject to this legislation, the Royal Decree-Law introduces the following new aspects: a) the requirements of appropriate knowledge and experience for all members of the board; b) the requirement of theoretical knowledge in addition to professional experience; and c) the assessment of the experience of the board of directors as a whole with the aim of ensuring its effective capacity for taking independent and autonomous decisions to the benefit of the institution.
- It adds a new requirement whereby members of the board of directors must be in a position to practice good governance of the institution, which basically translates as broader rules on conflicts of interest.

In addition, this Royal Decree-Law requires that the institutions affected have internal units and procedures to carry out the selection and ongoing assessment of the person holding the office subject to these rules. Similarly, these institutions must identify the key positions for performing the institution's activity and keep a list of the people who hold the positions, which must be available to the Bank of Spain together with documentation supporting the suitability assessment performed by the institution.

The Bank of Spain, for its part, shall assess these criteria at the time of the authorisation and throughout the life of the institution, which may in turn be subject to penalties if it fails to comply with the rules.

CNMV Circular 3/2013, of 12 June, implementing certain obligations to provide information to investment service clients in relation to the assessment of the appropriateness and suitability of financial instruments.

This Circular aims to implement the content of the information obligations incorporated into Article 79 *bis* of the Securities Market Act by means of the amendment introduced by the third final provision of Law 9/2012 on the restructuring and resolution of credit institutions, in relation to the suitability and appropriateness tests which must be applied by credit institutions when offering products and services or when investors directly buy such products, as well as in relation to the up-to-date register of assessed clients and unsuitable products.

With regard to assessing the suitability of clients when providing advisory services, entities must provide their clients with a description in writing or in any other lasting format of how their recommendation matches their characteristics and investment objectives. The Circular requires entities to demonstrate compliance with this obligation. For this purpose, a copy signed by the client of the information received stating on the date when it was delivered, either through a record of the communication by electronic means or through any other certifiable method, will be sufficient.

When entities provide an investment service other than investment advice or portfolio management, but for which they are required to test appropriateness, they must also provide the client with a document describing the assessment. This Circular details the content of the handwritten statements which clients must sign in the following circumstances: i) in the event of insufficient information to assess the appropriateness; ii) in the event of a product or service assessed as unsuitable; iii) in the event of transactions ordered by the client without receiving prior advice. Although entities are required to collect these handwritten statements from their clients two months following entry into force of the Circular, the specific warnings implemented by this legislation will not be enforceable until after three months.

Similarly, this Circular details the requirements of the registers which entities must keep on the assessed clients and unsuitable products, which must be operational three months following entry into force of the Circular and included in the client register referred to in the CNMV Resolution of 7 October 2009. These registers must state, for each client, the date from which the entity generated a negative assessment of a product.

Finally, the Circular provides for compliance with these information obligations where the service is rendered electronically or by telephone.

Royal Decree-Law 14/2013, of 29 November, on urgent measures for adaptation of Spanish law to European Union legislation on supervision and solvency of financial institutions.

The principal aim of this Royal Decree-Law is to conduct the most urgent adaptations of Spanish law to the new aspects deriving from Directive 2013/36/EU, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, and Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012. This Royal Decree-Law also addresses other urgent reforms.

In this regard, the most important legislative adaptations are those aimed at equipping supervisors and financial entities with the legal guarantees necessary for them to operate in accordance with Regulation (EU) No. 575/2013, and to perform the substantial adaptations of Directive 2013/36/EU.

To this end, it directly incorporates, as Spanish control and discipline legislation, Regulation (EU) No. 575/2013, by means of the corresponding amendment to Article 95 of the Securities Market Act 24/1988, of 28 July, and of Article 1 of Law 26/1988, of 29 July, on the discipline and intervention of credit institutions.

Similarly, with the amendment to Law 13/1985, of 25 May, on investment ratios, equity and reporting requirements of financial intermediaries, and to the Securities Market Act, the supervisory functions and powers of the Bank of Spain and the CNMV are extended and adapted to the new powers established under European Union Law. This thus guarantees proper compliance with the obligations deriving from the new European legislation applicable to credit institutions and investment firms.

It also incorporates new aspects relating to corporate governance, to be added to Article 10 *bis* of Law 13/1985, as it establishes a limit to the variable remuneration of certain staff of credit institutions and investment firms. Variable remuneration may not exceed 100% of the fixed remuneration unless approval has been obtained from the shareholders, in which case it may reach a maximum limit of 200%.

In addition, adjustments are made aimed at limiting the scope of application of Regulation (EU) No. 575/2013 so as to avoid undesired effects in Spanish regulation, both relating to the core capital of credit institutions and their groups, and with regard to the transitional regime applicable to specialised credit institutions.

The additional provisions of Royal Decree-Law 14/2013 regulate, *inter alia*, for the first time in Spain, the “Legal Entity Identifier” mandated by the EMIR Regulation, assigning the functions of issuing and managing the identifier in Spain to the Companies Registry. The additional provisions also establish a regime for calculating preferred shares as equity.

Finally, we should highlight the first and fourth final provisions, amending Law 13/1994, of 1 June, on the Autonomy of the Bank of Spain and amending Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, respectively.

The amendment to the Law on the Autonomy of the Bank of Spain increases the powers of the Bank, enabling it to draw up technical guides and respond to binding consultations and providing it with instruments for appropriate interpretation and application of supervisory legislation.

For its part, the aforementioned amendment to Law 9/2012 aims to correct the current asset situation of the Fund for Orderly Banking Restructuring (Spanish acronym: FROB) so as to ensure compliance with its legally attributed functions.

A.6 Transparency on the part of issuers of listed securities

Order ECC/461/2013, of 20 March, which establishes the content and structure of the annual corporate governance report, the annual report on director remuneration

and other disclosure instruments of listed companies, savings banks and other entities which issue securities admitted to trading on official securities markets.

This Order unifies the regulation on certain disclosure obligations of listed companies, savings banks and other entities which issue securities admitted to trading on official secondary markets.

Specifically, the Order establishes the structure and content of the following two reports:

- Annual corporate governance report (ACGR):
 - i) The content of the report for listed companies retains the structure provided for in the previous Order, but the new Order introduces certain new aspects, such as the obligation to include information on the following items: i) securities which are not traded on a regulated EU market; ii) a restriction on the free transferability of securities and on voting rights; and iii) rules applicable to amending the company's articles of association.
 - ii) With regard to savings banks, the Order introduces a reference to the different committees making up the structure of these entities, rules relating to conflicts of interest and a description of the main features of internal risk control and management systems.
 - iii) In addition, listed companies, savings banks and entities which issue securities admitted to trading must include in their corporate governance report information on the number and category of women making up the board and its committees, the measures adopted to integrate women into the boards of directors and, if these have been undertaken, information on the content of these measures.
- Annual report on director remuneration in listed companies and savings banks (as well as the control committee of the latter) which issue securities admitted to trading on official securities markets. It establishes for the first time the content of the reports, which includes:
 - i) Information on the remuneration policies for the current year (fixed and variable components, remuneration in kind, employee benefit systems, information on the decision-making process for the remuneration policy, actions adopted to reduce risks, time limits set for availability of the shares following acquisition of ownership, significant changes in the remuneration policy, conditions in the contracts of those who discharge senior management functions, etc.).
 - ii) General forecast of remuneration policies for the coming years.
 - iii) Summary of the remuneration policies for the previous year.
 - iv) Itemised list of remuneration received during the previous year.

Both reports will be published as a significant event and will be sent to the CNMV, which will publish them on its website.

Another noteworthy new aspect, introduced by the sole additional provision, is the extension of the requirement to publish the annual corporate governance report and the annual report on director remuneration imposed upon savings banks that do not issue securities admitted to trading on an official secondary market.

In addition, the order gives regulatory status to the definitions of the categories of directors included in the Unified Good Governance Code. The main new aspect in this regard is that any director who has held the position of independent director for a term exceeding 12 years can no longer be considered an independent director.

Finally, this Order repeals Order ECO/3722/2003, of 26 December, on the annual corporate governance report and other disclosure instruments of listed companies and other entities and Order ECO/354/2004, of 17 February, on the annual corporate governance report and other disclosures of savings banks which issue securities admitted to trading on official securities markets.

At the same time, the order authorises the CNMV in a period of three months to provide in detail the content and structure of the annual corporate governance report and the annual report on director remuneration, for which purpose it may make use of standardised forms. Meanwhile, CNMV Circulars 1/2004, 4/2007 and 2/2005 on this issue remain in force.

Resolution of 21 May 2013, of the State Secretariat for Economic Affairs and Business Support, appointing the members of the committee of experts on corporate governance.

This Resolution determines the composition of the committee of experts on corporate governance which must submit to the government a study analysing the current framework of corporate good governance in Spain and propose measures to improve it, as well as the possibility of drawing up a Code of Good Practices for unlisted companies.

It appoints the members representing the CNMV, the Ministry of Economic Affairs and Competition, the Ministry of Justice and the private sector.

CNMV Circular 4/2013, of 12 June, establishing the standard forms for the annual report on the remuneration of the directors of listed companies and of the members of the boards of directors and oversight committees of savings banks that issue securities admitted to trading on official securities markets.

Section 3 of the fifth final provision of Law 2/2011, of 4 March, on the Sustainable Economy, introduced Article 61 *ter* of the Securities Market Act, which requires listed firms to file an annual remuneration report (ARR) relating to their directors and senior managers. This Article also requires savings banks to draw up an annual report on the remuneration of the members of their board of directors and oversight committee.

This obligation was implemented by Order ECC/461/2013, of 20 March, setting out the content and structure of the annual corporate governance report, the annual remuneration report and other reporting mechanisms for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets. This Order authorises the CNMV to define the content and structure of the remuneration reports by means of standard models or forms which the affected entities must make public.

Accordingly, as a result of this authorisation, the CNMV establishes the standard form for the ARR of the directors of listed companies in Annex I of the Circular, and the ARR of members of the board of directors and the oversight committee of savings banks that issue securities admitted to trading on official securities markets in Annex II. These reports will be subject to a vote in the ordinary general shareholders' meetings or ordinary general assemblies which are held as from 1 January 2014 and must be published as significant events.

CNMV Circular 5/2013, of 12 June, establishing the standard forms for the annual corporate governance report of listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets.

Order ECC/461/2013, of 20 March, setting out the content and structure of the annual corporate governance report, the annual remuneration report and other reporting mechanisms for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, which implements the requirements established in Article 61 *bis* of the Securities Market Act 24/1988, of 28 July, and in Section 23 of Article 3 of Royal Decree-Law 11/2010, of 9 July, on governing bodies and other aspects of the legal regime of savings banks, authorised the CNMV to set out the content and structure of corporate governance reports through standard models or forms which the affected entities must make public.

In accordance with this authorisation, this CNMV Circular establishes the following forms:

- i) Annex I: Form of the annual corporate governance report of listed companies. Companies which do not meet certain recommendations of the Unified Good Governance Code of Listed Companies will not be required to complete certain sections of the Annex, without prejudice to the fact that they may have to clarify why they do not follow, or only partially follow, the recommendations (in Chapter G).
- ii) Annex II: Form of the annual corporate governance report of other entities – other than savings banks – that issue securities traded on official markets.
- iii) Annex III: Form of the annual corporate governance report of savings banks that issue securities admitted to trading on official securities markets. Savings banks which do not issue *cuotas participativas* (participation shares) traded on official securities markets are not required to complete certain sections of the Annex.

These forms must be included in the annual corporate governance reports which entities must file as from 1 January 2014.

Furthermore, it is important to take into account that this Circular repeals the following provisions: i) Rules 1.1, 1.2 and 2 in relation to the provisions established for the annual corporate governance report, and Rules 3, 4, 5 and 6 of CNMV Circular 1/2004, on listed companies and other entities issuing securities admitted to trading on official secondary securities markets, and other reporting mechanisms for listed companies; ii) CNMV Circular 4/2007, amending the form of the annual corporate governance report of listed companies; and iii) Rules 1.1, 1.2, 2, 3, 4 and 5, and the first and second additional provisions of CNMV Circular 2/2005 on the annual

corporate governance report and other information of savings banks that issue securities admitted to trading on official secondary markets.

CNMV Circular 6/2013, of 25 September, on accounting standards, annual accounts, public financial statements and confidential statements of statistical information on Bank Asset Funds.

Circular 6/2013 was passed in order to implement the powers contained in Royal Decree-Law 1559/2012, of 15 November, establishing the legal regime for asset management companies. It authorises the CNMV to collect from Bank Asset Funds (Spanish acronym: FAB) the additional information which it considers necessary to discharge its duties, to determine the form and content for submitting certain information, to establish reporting requirements in the annual report of FAB and to determine the special features applicable to FABs with regard to the accounting standards of the Code of Commerce and the Spanish General Chart of Accounts (Spanish acronym: PGC) when drawing up annual accounts and accounting reports.

With these objectives, the Circular establishes the standard forms for the public half-yearly statements which must be submitted to the CNMV, which include, in addition to the financial statements provided for by the PGC adapted to the nature of FABs, certain statements which include additional breakdowns of the assets and liabilities of FABs with the aim of providing greater transparency and information to investors. Similarly, it regulates the deadlines for submitting these half-yearly statements.

With regard to annual accounts, it also provides for certain breakdowns of minimum information to be included in the notes to the annual accounts which result from the specific nature of the FABs and which are in addition to those required by the PGC.

Furthermore, the Circular regulates the management report which must be included in the annual and half-yearly reports and the standard forms for quarterly statistical information to be submitted by the management companies of FABs.

With regard to the special accounting features applicable to FABs referred to in Royal Decree-Law 1559/2012, of 15 November, the Circular only provides for those transactions and events which, as a result of their special features, are not sufficiently regulated with the accounting standards and principles provided in the Code of Commerce and in the PGC.

Order ECC/2515/2013, of 26 December, implementing Article 86.2 of the Securities Market Act 24/1988, of 28 July.

In addition to the power granted to the CNMV pursuant to Article 86.2 of the Securities Market Act 24/1988, of 28 July, in its new wording given by Law 2/2011, of 4 March, on the Sustainable Economy, this Ministerial Order ECC/2515/2013 amends Order ECC/461/2013, of 20 March, which determines the content and structure of the annual corporate governance report, the annual remuneration report and other reporting instruments of listed public limited companies, savings banks and other entities which issue securities admitted to trading on official securities markets.

The aim of this amendment is to clarify the functioning of the second transitional provision of the aforementioned Order ECC/461/2013, with regard to the mandate of independent directors.

A.7 Market infrastructures

Amendment to the Regulation of the Alternative Stock Market (MAB)

The CNMV Board, on 27 February 2013, approved the amendment to the Regulation of the Alternative Stock Market (Spanish acronym: MAB) with the aim of incorporating shares and other negotiable securities treated as shares or which give the right to acquire shares and securities equivalent to shares, issued by SOCIMIs (Spanish REIT companies) and by foreign companies with a similar regime, among the negotiable securities which may join the MAB by means of Article 4 of its Regulation.

This amendment is a consequence of the obligation introduced by the eighth final provision of Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and to boost economic activity, pursuant to which the shares of SOCIMIs shall be admitted to trading on a regulated market or multilateral trading facility in Spain or in any other Member State of the European Union or the European Economic Area, or on a regulated market of any country or territory with which there is effective sharing of tax information on an uninterrupted basis throughout the tax period.

Following this line, Circular 2/2013, of 15 February, of the Alternative Stock Market, on the regime applicable to SOCIMIs whose securities join the alternative stock market, creates an *ad hoc* segment for SOCIMIs on the MAB, regulating the procedures for these negotiable securities to join the stock market, the rules of trading, the information which must be disclosed to the Market and the application of the regime of the registered adviser. In the aspects not specifically regulated, the regime being applied to companies trading in the growth stock segment will be applicable.

Regulation of the Alternative Fixed Income Market (MARF)

On 22 May 2013, the CNMV Board authorised the Regulation of the Alternative Fixed-Income Market (Spanish acronym: MARF).

The MARF is a multilateral trading facility (MTF) whose purpose is business financing through capital markets, by means of fixed-income negotiable securities which are issued by entities whose circumstances require them to seek out a particular or alternative channel to the official secondary markets. The securities are aimed at qualified investors, as defined by Spanish securities legislation.

Order ECC/2515/2013, of 26 December, implementing Article 86.2 of the Securities Market Act 24/1988, of 28 July.

The aim of this Ministerial Order is to provide the CNMV with the authority referred to in Article 86.2 of the Securities Market Act 24/1988, of 28 July, in its new wording given by Law 2/2011, of 4 March, on the Sustainable Economy. It authorises the CNMV, following a report from the Institute of Accounting and Auditing, to establish and modify, with regard to the entities referred to in Article 84, section 1, the accounting standards and forms which their annual and interim financial statements must follow, as well as those relating to any ratios which may be established. Similarly, it authorises the CNMV to regulate the registers, internal databases or statistics and documents which must be kept by these entities and which must be kept by credit institutions with regard to their trading on the securities market.

Furthermore, it updates the current legal framework of the Order of the Ministry of Economy and Finance, of 26 July 1989, regarding the developments in account auditing which have taken place as a consequence of the new Spanish General Chart of Accounts, approved by Royal Decree-Law 1514/2007, of 16 November, and other implementations of the Code of Commerce and of the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, on the Standards for the Preparation of Consolidated Annual Accounts, approved by Royal Decree-Law 1159/2010, of 17 September.

Similarly, its final provisions include amendments which affect two ministerial orders:

- Firstly, an amendment is made to Order EHA/3537/2005, of 10 November, which implements Article 27.4 of the Securities Market Act 24/1988, of 28 July.
- Furthermore, an amendment is made to Order ECC/461/2013, of 20 March, which determines the content and structure of the annual corporate governance report, the annual report on director remuneration and other disclosure instruments of listed companies, savings banks and other entities which issue securities admitted to trading on official securities markets.

In accordance with the single repealing provision of this Ministerial Order, the Order of the Ministry of Economy and Finance, of 26 July 1989, and CNMV Circular 3/2000 are expressly repealed.

A.8 Other legislation

Royal Decree-Law 3/2013, of 22 February, which amends the fee regime for the Administration of Justice and the free legal aid system.

Among other measures, in line with what has been happening in previous years, this legislation amends Royal Decree-Law 10/2008, of 12 December, adopting financial measures to improve the liquidity of small- and medium-sized enterprises and other complementary economic measures aimed at increasing flexibility with regard to the time aspect of the legal grounds for capital reductions and dissolution due to losses.

It also amends Law 9/2012, of 14 November, on restructuring and resolution of credit institutions so as to clarify that the acquisitions of assets by the Asset Management Company for Assets Arising from Bank Restructuring (Spanish Acronym: SAREB) will not be subject to the regime for economic concentrations provided in Chapter II of Title I of Law 15/2007, of 3 July, on the Defence of Competition, even if some of them may exceed the thresholds for notification established in said law as they are transactions performed in execution of a legal mandate.

Royal Decree-Law 6/2013, of 22 March, on the protection of holders of certain savings and investment products and other financial measures (Corrigendum published on 4 April 2013).

Article 1 of this Royal Decree-Law regulates the creation, composition and operating procedures of the Monitoring Committee for hybrid capital instrument and subordinated debt. This is a decision-making body under the Ministry of

Economic Affairs and Competition through the Office of the State Secretariat for the Economy and Business Support. Its main objective is to analyse the factors behind judicial and non-judicial claims as a result of the marketing of hybrid capital instruments and subordinated debt by credit institutions in which the Fund for Orderly Bank Restructuring (Spanish acronym: FROB) has a shareholding. It will also be responsible for making proposals relating to the marketing of these products as well as determining the criteria by which certain claims may be submitted to arbitration.

In addition, this Royal Decree-Law requires that, one month after it is established, the Committee must submit a report to the Spanish Lower House of Parliament on the basic characteristics of the marketing of hybrid capital instruments and subordinated debt to retail customers over recent years. In addition, it must submit a quarterly report on the elements underlying the claims mentioned in the previous paragraph.

The Committee will comprise: a) the Chairperson of the CNMV (who, in turn, will chair this Committee); b) the Deputy Governor of the Bank of Spain (as Vice-Chairperson); c) the General Secretary for Health and Consumer Affairs; d) the General Secretary for the Treasury and Financial Policy; and e) the Chairperson of the Consumer and User Council.

Secondly, Article 2 amends the fifth additional provision and adds an additional section to Royal Decree-Law 21/2012, of 13 July, on liquidity measures of public authorities and the financial sector, empowering the Deposit Guarantee Fund (Spanish acronym: FGD) to perform the following operations:

- Acquisition of shares or subordinated debt instruments issued by the Asset Management Company for Assets Arising from Bank Restructuring (Spanish acronym: SAREB).
- In the context of managing hybrid capital instruments and subordinated debt within the framework of Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, acquisition of unlisted shares, delivered as mandatory swaps for the previous instruments in the financial institutions in which the FROB has a holding, at market prices.

Furthermore, with the aim of strengthening the assets of FGD, the member institutions are required to make a special one-off contribution of an additional 0.3% of eligible deposits at 31 December 2012.

In addition, Royal Decree-Law 6/2013 includes a series of additional and final provisions of particular importance. These are:

- The first additional provision amends Article 51.3 of Law 16/2009, of 13 November, on payment services, in order to comply with the mandate contained in Regulation (EU) No. 260/2012, of the European Parliament and of the Council, of 14 March 2012, establishing technical and business requirements for credit transfers and direct debits in euros and amending Regulation (EC) No. 924/2009. To this end, the Minister for Economic Affairs and Competition is authorised to grant authorisations and exemptions in the cases and under the terms provided for in the Regulation. Similarly, the Bank of Spain is designated as the competent authority responsible for ensuring compliance.

- The second additional provision establishes that the customer service department and ombudsman of the financial institutions will address the claims relating to the commitment undertaken by credit institutions in the framework of the function of the Government provided in the sole additional provision of Royal Decree-Law 27/2012, of 15 November, on urgent measures to strengthen the protection of mortgage debtors and pursuant to which the Social Housing Fund was created.
- The first final provision amends Law 44/2002, of 22 November, on financial system reform measures, which allows the Bank of Spain to set different thresholds for disclosure to its Central Credit Register according to the disclosure purpose (supervision or data recording). This reform was in response to the commitment to reforms undertaken by Spain in the framework of the Memorandum of Understanding signed for European financial assistance for the recapitalisation of credit institutions.
- The second final provision amends the consolidated text of the Private Insurance Regulation and Supervision Act, approved by Royal Legislative Decree 6/2004, of 29 October, to allow Spanish insurance companies to use underwriting agencies to arrange insurance.
- The third final provision amends Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions as follows:
 - i) The loans transferred to SAREB will not be classed as subordinated in the event of the debtor's possible bankruptcy proceedings, even if SAREB is a shareholder of the debtor company. However, if the loan had already been classed as subordinated before it was transferred, it will retain that status.
 - ii) In respect of the loans acquired by SAREB after the declaration of bankruptcy proceedings, it will be entitled to adhere to proposed agreements presented by any legitimate party and the right to vote at the shareholders' meeting.
 - iii) SAREB may be the beneficiary of any of the *hipotecas de máximo* (mortgages securing multiple debts or obligations up to a set maximum amount) provided for in Article 153 *bis* of the Mortgage Act that exist or that may subsequently be arranged on any assets transferred pursuant to this Law.
 - iv) The contractual netting and financial collateral arrangements regime contained in Chapter II of Royal Decree-Law 5/2005 will apply to SAREB.
 - v) Amendment of the wording of Article 44.2, letter b) of this Law empowering the FROB so that when it resolves that an institution should buy back the securities concerned, it may determine that the buyback price be reinvested, not only to buy back the institution's own shares but also to acquire shares of other credit institutions owned by that institution, or that said payment be made in kind through the delivery of shares or *cuotas participativas* (non-voting equity units in savings banks) directly or indirectly available under treasury stock of the institution or the credit institution in which it has a holding.

Law 1/2013, of 14 May, on measures to strengthen protection of mortgage debtors, debt restructuring and social rent (Corrigendum published on 23 May 2013).

This Law aims to strengthen the framework of protection for those debtors who, as a result of exceptional circumstances resulting from the current economic and financial crisis in Spain, are in a financial or asset situation which deserves special protection.

Therefore, Chapter I of the Law establishes an immediate two-year moratorium on evictions of families especially at risk of social exclusion.

Chapter II contains a series of measures which affect the mortgage market. To this end, it amends the Mortgage Act – Decree of 8 February 1946 – by introducing measures including the following: i) placing limits on late payment interest on primary residences to three times the statutory interest rate; ii) banning the compounding of late-payment interest; and iii) improvements in the non-judicial procedure (for example by holding one single electronic auction).

It also amends Law 2/1981, of 25 March, on regulation of the mortgage market. Noteworthy among the new aspects are: i) strengthening of the independence of appraisal companies (*inter alia*, audit of annual accounts, significant holding of 10%); and ii) mortgage loans used to finance acquisition, construction or reform of a primary residence may only be eligible assets for the issuance of mortgage-covered bonds if they have a maximum term of 30 years.

However, it should be taken into account that the ninth transitional provision does not require this limit with regard to the term of mortgage loans prior to this law for them to continue to be eligible for the purpose of issues of mortgage-covered bonds. In addition, it deletes the third paragraph of Article 5, which stated, “If, for reasons related to the market or for any other circumstances, the value of the mortgaged asset decreases below the initial valuation by more than 20%, the financial institution can demand to extend the mortgage to other assets, unless the debtor opts to repay the loan in its totality or pay the part of the loan exceeding the amount resulting from applying the percentage which originally determined the amount of the loan to the current valuation”.

Finally, Chapter III includes amendments in the Civil Procedure Act which affect mortgage executions and Chapter IV amends Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgage debtors with no means of support. This last chapter states that compliance with the Code of Good Practices – relating to the professional granting of mortgage loans – by adhering institutions will be supervised by a control committee made up of 11 members, one of which will be designated by the CNMV.

Law 8/2013, of 26 June, on urban renewal, regeneration and rehabilitation.

Of particular interest are the 14th, 15th and 17th final provisions which amend, respectively: Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgage debtors with limited resources; Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions; and Law 1/2013, of 14 May, on measures to strengthen protection of mortgage debtors, debt restructuring and social rent, so as to include technical enhancements in all three cases.

Particularly noteworthy is the 15th final provision, which amends the 21st final provision of Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions with the aim of extending the application of Chapter VII of said law on the management of hybrid capital instruments and subordinated debt until 31 December 2013.

Royal Decree-Law 8/2013, of 28 June, on urgent measures to tackle late payment by public authorities and to assist local authorities with financial problems.

The fifth final provision of this Law amends the consolidated text of the Public Sector Procurement Act, approved by Royal Legislative Decree 3/2011, of 14 November, with the aim of moving forward with the administrative restructuring process in accordance with the guidelines established by the Commission for Public Administration Reform, which set as a priority the promotion and extension of the centralised public sector procurement system.

Constitutional Law 6/2013, of 14 November, on the creation of an Independent Fiscal Responsibility Authority.

The aim of this Constitutional Law is to ensure effective compliance with the objectives of budgetary stability, public debt and rules on spending, introducing new supervision and transparency mechanisms in the fiscal policies of the Spanish Public Administration Services.

In order to achieve this aim, the Constitutional Law establishes the creation of the Independent Fiscal Responsibility Authority as a public law institution with its own legal personality and full public and private capacity. The Authority will aim to ensure strict compliance with the principles of budgetary stability and financial sustainability by ongoing assessment of the budgetary lifecycle and public debt, and an analysis of economic forecasts.

Law 19/2013, of 9 December, on transparency, access to public information and good governance.

This Law aims to extend and strengthen the transparency of public activity and to regulate and ensure the right of access to information relating to said activity and to establish the good governance obligations which must be met by public officials, as well as the consequences of a failure to comply. This regulation fills the loopholes and corrects the deficiencies of the previous legislation in force on the right of access to public information and, at the same time, creates an up-to date legal framework which is in line with the public's interests.

The scope of application of this Law covers a wide range of subjects, including all Public Administration Services, the bodies of the legislative and judicial branches with regard to their activities subject to Administrative Law, as well as other constitutional and statutory bodies. The Law will also be applicable to certain entities which, as a result of their special public relevance or the fact that they receive public funds, will be forced to strengthen the transparency of their activities.

Firstly, it regulates and increases the transparency of the activities of all those who provide public services or exercise administrative powers. To this end, it establishes a series of "active publicity" obligations which principally consist of disclosing

certain institutional, organisational, planning, legal, economic, budgetary and statistical information without waiting for a specific request from the public.

Secondly, it provides a broad definition of the public's right of access to public information which may be exercised without the need for a request, being only limited by the nature of the information itself or because the information enters into conflict with other protected interests.

With regard to good governance, Law 19/2013 provides strength and legal status to the ethical and conduct principles which should govern the work of public officials. It also establishes a penalty regime applicable in the event of a failure to comply with these principles.

This Law also creates and regulates the Transparency and Good Governance Council as a supervision and control body aimed at guaranteeing correct application of the law.

Law 20/2013, of 9 December, guaranteeing market unity.

The complex territorial structure of the Spanish State leads to market fragmentation, which implies costs and obstacles that hinder business activity. These difficulties, among other consequences, discourage investment and reduce productivity, competitiveness, economic growth and job creation. It is therefore considered necessary to establish basic economic principles to be applied in a standard manner throughout Spanish territory.

Based on this idea, Law 20/2013 seeks to establish the basic principles and rules which, respecting the authority of the Autonomous Regions and local entities, ensure market unity, thus creating a favourable environment for competition and investment. In particular, it aims to guarantee the integrity of the economic system and make it easier to take advantage of economies of scale and the scope of the market through the free access, practice and expansion of economic activities throughout Spain, and to guarantee supervision of this market unity.

The principles established in this Law are mandatory for all Public Administration Services when performing their acts and provisions and for all economic activities, especially those that are significant for the economy.

In accordance with the above, this Law establishes an efficient regulatory framework for economic activities which simplifies current legislation in that it eliminates unnecessary regulations, establishes faster procedures and minimises administrative burdens.

Constitutional Law 9/2013, of 20 December, on the control of trade debt in the public sector (Corrigendum published on 27 December 2013).

This Constitutional Law aims to control trade debt and eradicate late payments by Public Administration Services.

Following on from the report by the Commission for the Reform of Public Administration Services, the new legislation introduces an automatic instrument, which is easy to apply and understandable for the general public and the Public Administration Services, which allows an effective cross-the-board control. This instrument is the average payment period as an expression of trade debt so that, as a consequence

of the transparency principle, all Public Administration Services must publish their average payment period. Similarly, this Constitutional Law contributes towards reducing this payment period, establishing a structural, progressive and automatic system of measures.

To this end, Constitutional Law 9/2013 is structured into two articles:

- The first amends Constitutional Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability in order to extend the principle of financial sustainability so as to include trade debt control. It therefore prevents the budgetary stability and sustainability of public finances being placed at risk.
- The second article amends Constitutional Law 8/1980, of 22 September, on Financing the Autonomous Regions, by establishing a new, more flexible, limit to the monthly withholdings or deductions of resources which the State may make from the financing system in the event of a failure to comply with the established average period of payment to suppliers.

Law 26/2013, on 27 December, on savings banks and bank foundations (Corrigendum published on 8 March 2014).

With the aim of creating stability and one single legislative text, this Law brings together the future legal regime for savings banks. It is structured into two Titles, the first of which establishes the legal regime applicable to savings banks, and the second establishes the regulation relating to bank foundations.

With the aim of guaranteeing stability of the financial system, Title I aims to prevent savings banks from reaching a size which makes them systemic. To this end, it introduces the requirement for savings banks to perform their actions locally and to maintain a small size.

The scope of the activities of savings banks is confined to the single Autonomous Region where they are located so that the social function of the entity is linked to a geographic area with common characteristics, unique features and needs, and hence they may not operate at a national level.

Similarly, savings banks are expressly forbidden from having a sufficiently large size for them to become systemic and so any savings banks which grow above the permitted limits will lose their banking licence and must transfer their financial activity to a credit institution and be transformed into bank foundations.

Furthermore, the Law also focuses on professionalising the governing bodies of savings banks. It extends the requirement for knowledge and experience necessary to perform their functions to all the members of the board of directors, and it also introduces significant modifications to the composition of the general assembly, by reducing the percentage of participation of the Public Administration Services and strengthening the role of depositors by providing for a new mechanism for designating their representatives.

Title II is aimed at addressing the basic regulation of bank foundations and starts by establishing the definition of bank foundations as those foundations which have a holding of at least 10% in a bank. It therefore regulates the regime for converting both savings banks and bank foundations into a bank foundation.

It also introduces rules relating to the governing bodies of bank foundations and the regime for the holdings of bank foundations in credit institutions, as well as obligations on corporate governance and transparency.

Finally, Law 26/2013 establishes a series of provisions, which include those relating to amendments to the Securities Market Act 24/1988, of 28 July, and Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions.

The sixth final provision makes changes to several articles of the Securities Market Act: it amends Article 61 *ter*, relating to the annual report on director remuneration, it eliminates letter z) *sexies* of Article 100 and it amends the second paragraph of Article 104 and letter f) of Article 106 *ter*.

The ninth final provision adds a new Section 10 to the seventh additional provision of Law 9/2012 so as to determine the specific features applicable to the Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A. (SAREB) in relation to the preparation of its annual accounts.

B European legislation

B.1 Issuers and listed companies

Commission Regulation (EU) No. 301/2013, of 27 March 2013, amending Regulation (EC) No. 1126/2008, adopting certain International Accounting Standards in accordance with Regulation (EC) No. 1606/2002, of the European Parliament and of the Council, as regards Annual Improvements to International Financial Reporting Standards, 2009-2011 Cycle.

On 17 May 2012, the International Accounting Standards Board (IASB) published the Annual Improvements to International Financial Reporting Standards (IFRS) 2009-2011 Cycle, with the aim of streamlining and clarifying the standards. Three of the improvements, namely the amendments to Appendix D of IFRS 1, International Accounting Standard (IAS) 16, and IAS 34, are clarifications or corrections of the respective standards. The other three improvements, namely the amendments to IFRS 1, IAS 1, and IAS 32, involve changes to the existing requirements or additional guidance on the implementation of those requirements. This Regulation incorporates the amendments into Regulation (EC) No. 1126/2008 on International Accounting Standards.

Commission Delegated Regulation (EU) No. 759/2013, of 30 April 2013, amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities.

This Regulation establishes the following points with regard to information requirements applicable to convertible and exchangeable debt securities:

- The share registration document schedule should be applicable to shares and other transferable securities equivalent to shares but also to other securities giving access to the capital of the issuer by way of conversion or exchange where the underlying shares are not already admitted to trading on a regulated market.
- Where the issuer of the underlying shares belongs to the same group as the issuer of the convertible or exchangeable debt securities but the underlying

shares are not admitted to trading on a regulated market, the share registration schedule should be applicable to those underlying shares.

- Where securities with warrants or derivative securities give the right to acquire the issuer's or group's shares and those shares are not admitted to trading on a regulated market, the relevant information set out in the securities note schedule for derivative securities should be provided to investors.
- Where debt securities are convertible or exchangeable into shares which are or will be issued by the issuer of the security or by an entity belonging to its group and these underlying shares are not already admitted to trading on a regulated market, investors should also be provided with a working capital statement and a statement of capitalisation and indebtedness of the issuer of the underlying shares.
- Where the underlying shares are issued by a third party and are not admitted to trading on a regulated market, the additional building block describing the underlying share should be added to the combinations used for drawing up the securities note of the prospectus.
- It is necessary to clarify, in the table set out in Annex XVIII to Regulation (EC) No. 809/2004, how schedules and building blocks should be combined when drawing up a prospectus, including where only certain information items of schedules and building blocks are required, where certain information items may not be applicable due to specific combinations of schedules and building blocks in particular cases, and where the issuer, offeror or person asking for admission to trading on a regulated market may choose between different schedules and building blocks according to specific thresholds, such as the minimum denomination of debt securities, or conditions set out in Regulation (EC) No. 809/2004.
- Convertible or exchangeable debt securities can provide access to issuer's new shares when the right to subscribe is exercised by their holders. Accordingly, rights issues of convertible or exchangeable debt securities into issuer's new shares should also be able to benefit from the proportionate disclosure regime set out in Article 26 *bis* of Regulation (EC) No. 809/2004 provided that the underlying shares are new shares issued by the same entity issuing debt securities. The prospectus for the offer or admission to trading on a regulated market of debt securities convertible or exchangeable into issuer's shares issued by small- and medium-sized enterprises and companies with reduced market capitalisation also includes the combination of schedules and building blocks applicable to rights issues of debt securities convertible or exchangeable into issuer's shares or to convertible or exchangeable debt securities issued by small- and medium-sized enterprises and companies with reduced market capitalisation in Annex XVIII.

Regulation (EU) No. 1075/2013, of the European Central Bank, of 18 October 2013, concerning statistics of the assets and liabilities of financial vehicle corporations engaged in securitisation transactions.

The aim of providing information on financial vehicle corporations is to give the European Central Bank (ECB) adequate statistics on the financial activities of the sub-sector of financial vehicle corporations in the Member States whose cur-

rency is the euro. This Regulation establishes a series of definitions and rules for consistent, complementary and integrated reporting of financial vehicle corporations and monetary financial institutions. The method of integrated reporting and the exemptions included in this Regulation aim to minimise the reporting burden for reporting agents and to avoid duplication.

Commission Regulation (EU) No. 1174/2013, of 20 November 2013, amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002, of the European Parliament and of the Council, as regards International Financial Reporting Standards 10 and 12 and International Accounting Standard 27.

This Regulation amends International Financial Reporting Standard (IFRS) 10, IFRS 12 and International Accounting Standard (IAS) 27. It therefore amends Commission Regulation (EC) No. 1126/2008, of 3 November 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002, of the European Parliament and of the Council.

The amendment made to IFRS 10 aims to better reflect the business model of investment entities. To this end, it requires investment entities to measure their subsidiaries at fair value through profit or loss rather than consolidate them.

IFRS 12 has been amended in order to require specific disclosure about subsidiaries of investment entities.

The amendment to IAS 27 removes the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements.

The amendments to the above three standards imply amendments to other standards in order to ensure consistency between International Accounting Standards.

B.2 Collective investment schemes and venture capital firms

Regulation (EU) No. 345/2013, of the European Parliament and of the Council, of 17 April 2013, on European venture capital funds.

This Regulation aims to regulate European venture capital funds (EuVECA) in such a way that they are able to provide financing to innovative small- and medium-sized enterprises in the European Union which are anchored in the real economy.

To this end, it imposes on the managers of collective investment schemes with the designation “EuVECA” the requirement to market qualifying venture capital funds with a series of uniform requirements (sufficient funds, organisation, filing of annual reports, conflicts of interest or delegation of functions, etc.).

This Regulation also establishes a set of uniform rules so that qualifying venture capital funds may be marketed among eligible investors throughout the European Union. Noteworthy among these rules are:

- i) The assets of the portfolios of investment funds “with a passport” must not exceed 500 million euros.

- ii) The investors must exclusively be institutional or qualified retail investors who are committed to investing a minimum of 100,000 euros.
- iii) 70% of their aggregate capital contributions and uncalled committed capital must be invested in the qualifying assets. Qualifying investments should be in the form of equity or quasi-equity instruments.
- iv) The use of leverage is not permitted.
- v) The instruments of incorporation of these funds should contain provisions on the valuation of assets.
- vi) In order to use the designation “EuVECA”, the qualifying European venture capital firms must, as a first step, be established in the European Union.

In addition, the European Securities and Markets Authority shall maintain a central database listing all managers of qualifying venture capital funds registered in the European Union and the qualifying venture capital funds that they market, as well as the countries in which those funds are marketed.

This Regulation shall apply as from 22 July 2013, with the exception of Article 9, point 5, which shall apply as from 15 May 2013. Supervision of compliance with this Regulation shall correspond to the competent authorities of the home Member States.

Regulation (EU) No. 346/2013, of the European Parliament and of the Council, of 17 April 2013, on European social entrepreneurship funds.

The aim of this Regulation is to support the growth of social undertakings in the European Union by facilitating their financing through primary investment.

To this end, it imposes a series of uniform requirements throughout the territory of the European Union that must be met by those managers of collective investment schemes which use the designation “EuSEF” to market qualifying European social entrepreneurship funds. These requirements relate to sufficient funds, filing of annual reports, conflicts of interest, delegation of functions and procedures for measuring their positive social impact.

This Regulation also establishes a set of uniform rules so that social entrepreneurship funds may be marketed to eligible investors throughout the European Union. Noteworthy among these rules are:

- i) These funds must invest at least 70% of their aggregate capital contributions and uncalled committed capital in assets that are qualifying investments.
- ii) The instruments which must be used by these funds when making investments are defined (equity and quasi-equity instruments, debt instruments, investments into other qualifying social entrepreneurship funds, secured or unsecured loans, and grants).
- iii) They may only be marketed to professional customers or qualified retail customers who are committed to investing a minimum of 100,000 euros.

In addition, the European Securities and Markets Authority shall maintain a central database listing all managers of qualifying social entrepreneurship funds, and the qualifying social entrepreneurship funds that they market.

This Regulation shall apply as from 22 July 2013, with the exception of Article 3, point 2, Article 10, point 2, and Article 14, point 4, which shall apply as from 15 May 2013. Supervision of compliance with this Regulation shall correspond to the competent authorities of the home Member States.

Directive 2013/14/EU, of the European Parliament and of the Council, of 21 May 2013, amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Tradable Securities (UCITS) and Directive 2011/61/EU on Alternative Investment Fund Managers in respect of overreliance on credit ratings.

The aim of this Directive is to amend the three aforementioned Directives so as to integrate into their articles the general principle of rejecting overreliance on credit ratings in the risk management processes and systems of institutions for occupational retirement provision, management and investment companies with regard to UCITS and alternative investment fund managers, and to adapt this principle to their particular features.

Regulation (EU) No. 1073/2013, of the European Central Bank, of 18 October 2013, concerning statistics on the assets and liabilities of investment funds.

The European System of Central Banks (ESCB) requires high-quality statistical information on the activities of investment funds. The aim is to provide the European Central Bank (ECB) with a full statistical overview of the investment fund sector in the Member States whose currency is the euro. This Regulation establishes a series of standardised definitions and rules applicable to the statistical information which national central banks, reporting agents or the ECB must provide in this respect, such as general statistical reporting requirements, revaluation adjustments or transactions and minimum standards to be applied by the actual reporting population.

B.3 Credit rating agencies

Regulation (EU) No. 462/2013, of the European Parliament and of the Council, of 21 May 2013, amending Regulation (EC) No. 1060/2009 on credit rating agencies.

This Regulation amends European legislation on credit rating agencies (Regulation (EC) No. 1060/2009) with the aim of improving the integrity, transparency, responsibility, good governance and independence of credit rating activities. To this end, it establishes conditions for issuing credit ratings and rules relating to the organisation and operations of credit rating agencies so as to avoid conflicts of interest and to increase consumer and investor protection.

Noteworthy among the new measures are the following:

- With the aim of reducing financial institutions' over-reliance on external credit ratings, it requires the institutions to perform and perfect their credit risk assessments and not to automatically use credit ratings to assess the credit

quality of the entity or financial instrument. It also introduces limits to the use of credit ratings by the European Supervisory Authorities and the European Systemic Risk Board.

- With regard to conflicts of interest, it introduces new rules relating to investments in credit rating agencies. The shareholders or members of credit rating agencies with 5% of the capital or the voting rights (or in a company which has the power to exercise control or dominant influence over the credit rating agency) shall be prohibited from, *inter alia*, holding 5% or more of the capital or the voting rights of any other credit rating agency.
- Credit rating agencies shall not issue credit ratings on new resecuritisations with underlying assets in the same originator for a period exceeding four years. It also introduces new information requirements for structured finance instruments.
- It introduces rules which aim to improve the quality of the sovereign ratings of Member States. For example, credit rating agencies must set in their calendar, with a maximum of three dates that must fall on a Friday, publication of unsolicited sovereign ratings. Investors and Member States will receive information on the reasons for each rating.
- It introduces a Title on the civil liability of credit rating agencies. They are held liable in the event of committing intentionally, or with gross negligence, infringements of the rules on credit rating agencies.

In addition to this Regulation, legislation in this area includes Directive 2013/14/EU, of the European Parliament and of the Council, of 21 May 2013, amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision; Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Tradable Securities (UCITS); and Directive 2011/61/EU on Alternative Investment Fund Managers in respect of over-reliance on credit ratings.

B.4 Central counterparties

Commission Delegated Regulation (EU) No. 876/2013, of 28 May 2013, supplementing Regulation (EU) No. 648/2012, of the European Parliament and of the Council, with regard to regulatory technical standards on colleges for central counterparties.

This Commission Delegated Regulation ensures consistent and coherent functioning of colleges for central counterparties throughout the European Union in order to facilitate the exercise of the tasks specified in Article 18 of Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (procedure for granting and refusing authorisation of central counterparties, extension of activities and services, review of models, stress testing, back testing and interoperability arrangements). The issues which it addresses include operational organisation, participation, governance, exchanging information between authorities, delegation and voluntary entrustment of tasks.

B.5 ESMA guidelines and recommendations

Guidelines on the exemption for market-making activities and primary market operations under Regulation (EU) No. 236/2012, of the European Parliament and the Council, on short selling and certain aspects of Credit Default Swaps (European Securities and Markets Authority, 2 April 2013).

These guidelines aim to assist the notifying entity in the notification process, by specifying and describing the content of the written notification and providing a template notification form.

At the same time, the guidelines develop a common approach to submitting the notification form, assessing eligibility of the notifying entity's activities for the exemption and monitoring of the conditions of eligibility once the exemption is used.

Guidelines on remuneration policies and practices (MiFID) (European Securities and Markets Authority, 11 June 2013).

These guidelines aim to ensure the consistent and improved implementation of the existing MiFID on conflicts of interest and conduct of business requirements in the area of remuneration.

These guidelines apply to the investment firms defined in Article 4, section 1, point 1 of the MiFID including credit institutions when providing investment services, UCITS management companies and external Alternative Investment Fund Managers, when they are providing the investment services of individual portfolio management or non-core services. They are also applicable for competent authorities.

The European Securities and Markets Authority believes that these guidelines strengthen investor protection as they contribute towards ensuring that firms comply with regulatory standards.

Guidelines and Recommendations for establishing consistent, efficient and effective assessments of interoperability arrangements (European Securities and Markets Authority, 10 June 2013).

These guidelines and recommendations establish in five points what the National Competent Authorities have to analyse in order to assess an interoperability arrangement.

The first point establishes how the National Competent Authority (NCA) should assess that the arrangement is clearly defined, transparent, valid and enforceable in all relevant jurisdictions and that a central counterparty has put in place a framework to assess these factors before entering into an interoperability arrangement and on a regular basis.

The second point establishes how an NCA should assess that the interoperability arrangement ensures non-discriminatory access and that denial or restrictions on entering into an interoperability arrangement are only based on risk grounds.

The third point establishes how the NCA should assess that a central counterparty has put in place a general framework to identify, monitor and manage, before

entering into an interoperability arrangement and on a regular basis, the potential risks arising from the interoperability arrangement.

The fourth point addresses the deposit of collateral so that the NCA should assess that an interoperable central counterparty deposits collateral in a way that it is protected from the default of any interoperable central counterparties.

Finally, the fifth point establishes the type of cooperation that should be in place during the assessment phase of an interoperability arrangement with sharing of information throughout the process and sharing of their respective risk assessment reports before they are finalised and submitted to the respective colleges.

It also promotes arrangements for cooperation between the NCA and the relevant third-country authority when the interoperability arrangement is between an authorised central counterparty and a recognised central counterparty.

Guidelines on sound remuneration policies under the AIFMD (European Securities and Markets Authority, 3 July 2013).

These guidelines aim to ensure common, uniform and consistent application of the provisions on remuneration in Articles 13 and 22.2, letters e) and f) of Directive 2011/61/EC, of the European Parliament and of the Council, of 8 June 2011, on Alternative Investment Fund Managers, as well as of Annex II to said Directive.

Noteworthy among the issues addressed are the following:

- It specifies what remuneration falls within its scope of application.
- It indicates how to identify the categories of staff to which it is applicable.
- It establishes the proportionality principle which must be applied.
- It indicates which Alternative Investment Fund Managers (AIFMs) form part of a group and what their financial situation is.
- It establishes guidelines on corporate governance of remuneration and the general remuneration policy, including the pensions policy.
- It provides specific requirements for risk alignment.
- It establishes guidelines relating to transparency.

Guidelines on key concepts of the AIFMD (European Securities and Markets Authority, of 13 August 2013).

These guidelines aim to ensure common, uniform and consistent application of the concepts that comprise the definition of alternative investment funds (AIFs) in Article 4, point 1, letter a) of Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (AIFMD). It does this by clarifying each of these concepts and explaining in detail the characteristics which may lead to a vehicle being considered an AIF, without altering in any way the provisions of the AIFMD.

It is important to remember that the content of these guidelines should only be considered as relevant for the purposes of the AIFMD. The aim is not therefore to affect the meaning of any other similar concept used in any other European legislation (particularly, Directives 2009/65/EC and 2010/73/EU).

Guidelines and Recommendations regarding written agreements between members of CCP colleges (European Securities and Markets Authority, 3 October 2013).

Regulation (EU) No. 648/2012, of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (known as EMIR) mandates the establishment of colleges to facilitate the exercise of the tasks established in Articles 15 (extension of activities and services), 17 (procedure for granting or refusing authorisation), 49 (review of models, stress testing and back testing), 51 (interoperability arrangements) and 54 (approval of interoperability arrangements) of the Regulation. The college shall consist of: the European Securities and Markets Authority (ESMA), the central counterparty's competent authority, the competent national authorities involved, members of the European System of Central Banks (ESCB) and central banks.

These guidelines and recommendations establish the requirements applicable to national competent authorities with regard to establishing, managing and presiding over CCP colleges in accordance with EMIR. Firstly, the guidelines state that when establishing a CCP college, the national competent authority should propose a standard written agreement (Annex I). It also clarifies how the written agreement should be adopted by college members.

The national competent authorities affected by these guidelines and recommendations should inform ESMA whether they have adopted them or intend to adopt them, indicating the reasons for not doing so, in a period of two months following their publication.

Guidelines on the model MoU concerning consultation, cooperation and exchange of information related to the supervision of AIFMD entities (European Securities and Markets Authority, 18 July 2013).

The purpose of these guidelines is to ensure consistent application of the provisions of the delegated act adopted by the European Commission regarding the supervisory cooperation arrangements that are required in accordance with Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (AIFMD).

Composition of the CNMV Board as at 30 April 2014

Chairperson	Ms María Elvira Rodríguez Herrer
Vice-Chairperson	Ms Lourdes Centeno Huerta
Board members	Mr Íñigo Fernández de Mesa Vargas (Secretary General of the Treasury and Financial Policy)
	Mr Fernando Restoy Lozano (Bank of Spain Deputy Governor)
	Mr Luis Pedroche y Rojo
	Ms Ana Isabel Fernández Álvarez
	Mr Oriol Amat i Salas
Secretary	Mr Fabio Pascua Mateo

Composition of the CNMV Executive Committee as at 30 April 2014¹

Chairperson	Ms María Elvira Rodríguez Herrer
Vice-Chairperson	Ms Lourdes Centeno Huerta
Board members	Mr Luis Pedroche y Rojo
	Ms Ana Isabel Fernández Álvarez
	Mr Oriol Amat i Salas
Secretary	Mr Fabio Pascua Mateo

¹ The creation, constitution and functions of the Executive Committee are regulated by Section 18 of the Securities Market Act 24/1988, of 28 July, as amended by Law 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee as at 30 April 2014²

Chairperson	Ms Lourdes Centeno Huerta
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Secretary	Mr Fabio Pascua Mateo
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Technical Secretary	Mr Víctor Rodríguez Quejido
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Members

Representatives of market infrastructures

Member	Mr Jaime Aguilar Fernández-Hontoria
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Alternate	Mr Jorge Yzaguirre Scharfhausen
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Member	Mr Francisco Oña Navarro
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Alternate	Mr Ignacio Solloa Mendoza
-----------	---------------------------

Member	Ms Ana Ibáñez Díaz-Bustamante
--------	-------------------------------

Alternate	Ms Aránzazu Ullivarri Royuela
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Representatives of issuers

Member	Mr Vicente Santamaría de Paredes Castillo
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Alternate	Mr Rafael Mateu de Ros Cerezo
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Member	Mr Salvador Montejo Velilla
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Alternate	Mr Rafael García de Diego Barber
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Representatives of investors

Member	Mr Mariano Rabadán Forniés
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Alternate	Mr Ángel Martínez-Aldama Hervás
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Member	Mr Antonio M ^a Malpica Muñoz
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Alternate	Mr José Manuel Pomarón Bagües
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Member	Mr Manuel Pardos Vicente
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Alternate	Mr Daniel Araque Galván
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Member	Mr Jofre Farrés Roselló
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Alternate	Mr Santiago Pérez Beltrán
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Representatives of credit institutions and insurance companies

Member	Mr Javier Rodríguez Pellitero
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Alternate	Mr Juan Basurto Solaguren-Beascoa
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Member	Mr José María Méndez Álvarez-Cedrón
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Alternate	Mr Antonio Jesús Romero Mora
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Member	Pending appointment
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Alternate	Ms Carmen Motellón García
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Member	Ms Pilar González de Frutos
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Alternate	Ms María Aránzazu del Valle Schaan
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Representatives of professional associations

Member	Mr Rafael Cámara Rodríguez-Valenzuela
Alternate	Mr Valentín Pich Rosell
Member	Mr Javier Méndez Llera
Alternate	Mr Alfredo Jiménez Fernández
Member	Mr Fernando Vives Ruiz
Alternate	Ms María Gutiérrez Urtiaga

Representatives of the Investment Guarantee Fund

Member	Mr Ignacio Santillán Fraile
Alternate	Mr José Ignacio García-Junceda Fernández

Representatives of the Autonomous Regions with an official secondary market

Basque Country

Member	Mr Juan Miguel Bilbao Garai
Alternate	Ms Zuriñe Embid Zubiria

Catalonia

Member	Mr Jordi Óliva Ritort
Alternate	Mr Josep María Sánchez i Pascual

Valencia

Member	Mr Enrique Montes Estellés
Alternate	Mr Roberto Esteve Carbonell

CNMV organisational chart

