

How to set up an Investment Firm in Spain



Spanish Investment Firms (*Empresas de Servicios de Inversión*) render investment services to third parties on a professional basis. They may benefit from the EU passport and render cross-border services in other EU Member States by means of establishing a branch, through the freedom to provide services or appointing tied agents.

Authorisation procedure

The application for the creation of a Investment Firm must be submitted with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* or *CNMV*). The process may legally take a maximum of 6 months since the application form is completed. If no official reply is formulated within such period, the application will be deemed to be rejected.

Authorisation is accorded by the Minister of Economy and Finance prior favourable CNMV's report.

Once the authorisation is granted, the Investment Firm must be incorporated into the Spanish Mercantile Registry (*Registro Mercantil*). Afterwards it must be incorporated into the Special Registry of the CNMV.

Supervision and Regulatory Framework

The ESI are supervised by the CNMV.

The legal conditions governing the establishment of an Investment Firm in Spain are laid down in the Royal Decree 217/2008, of 15 February, on Investment Firms.

Type of Investment Firms

- Broker Dealers (*Sociedades de Valores*)
- Broker which only operates on behalf of third parties (*Agencias de Valores*)
- Portfolio Management Firms (*Sociedades Gestoras de Carteras*)
- Investment Advisers (*Empresas de Asesoramiento Financiero*) (see EAFI Factsheet)

Capital and shareholders

- Broker Dealer: 2,000,000 Euros.
- Broker: (i) 500,000 Euros (if member of the regulated markets or adhered to the clearing and settlement house or acts as depository of financial instruments) (ii) 120.000 Euros/civil liability insurance (if just reception and transmission of orders is carried out) or (iii) 300.000 Euros (rest of cases).
- Portfolio Management: 100,000 Euros.
- Investment Advisers: 50,000 Euros/ civil liability insurance/ combination of both.

Requirements to carry out their activity

Investment Firms will be incorporated as a public limited company (*Sociedad Anónima*). They will have sound administrative and accounting organisation. Defined procedures and adequate internal control processes are required.

Leaving aside Investment Advisors, Investment Firms must adhere to the Investments Guarantee Scheme (*Fondo de Garantía de Inversiones*).

Central administration

The registered seat and central administration of an Investment Firm must be in Spain.

Members of the Board of Directors (at least 3) must evidence their commercial and professional honorability. Likewise they must be experienced and have adequate knowledge to carry out their functions. These requirements will be applicable as well to general managers.