

**PRESS RELEASE**

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The Banco de España approves the Circular on banking foundations

The Governing Council of the Banco de España has approved the Circular setting out the obligations of banking foundations arising from their holdings in credit institutions, pursuant to the authorisation conferred upon it by Law 26/2013 on savings banks and banking foundations, and by the attendant implementing Royal Decree 877/2015. The standard reports on remuneration and corporate governance to be submitted by savings banks that do not issue tradable securities on official markets have likewise been established.

Law 26/2013 stipulates a series of obligations for banking foundations, which become progressively more demanding based on the stake foundations have in a credit institution. Hence, banking foundations must draw up a management protocol and an annual financial plan whenever their stake exceeds 30%. If the holding is equal to or exceeds 50%, or there is control over the institution, the financial plan must be reinforced with an investment diversification and risk management programme, and a reserve fund must be set up or, alternatively, a plan to divest from the credit institution. The minimum amount of this reserve fund, the means of setting it up and the period within which it must be endowed are regulated in Royal Decree 877/2015.

The new Circular completes this regulation with a definition of the obligatory minimum content of the management protocol and financial plan, the financial instruments in which the reserve fund must be kept invested, and the related valuation adjustments, the terms of use of the fund and the particularities applicable to any case where several banking foundations act in concert in the credit institution.

In this respect, concerted action by various foundations with a stake in a single credit institution shall be understood as involving statutory or para-corporate agreements or pacts between them, whether express or tacit, or verbal or written, under which, while allowing the occasional casting of opposing votes on specific aspects of the management of the investee institution, entail the assumption of common, core strategic criteria in respect of the institution's management.

The management protocol is the document defining the strategic criteria which govern the management of the holding in the credit institution. It will include matters such as the purpose of the holding, agreements with other shareholders and the relationship between the governing bodies of the two entities.

The financial plan will analyse the possible capital needs of the investee credit institution under different scenarios, and the funds available to meet those needs. The obligation to set up a reserve fund is in order to be able to meet such potential needs for capital.

Both the management protocol and the related financial plan must be adapted to the minimum requirements set out in the Circular and submitted to the Banco de España for approval within three months from its entry into force.

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