

REGULATION OF BASIC RULES ON GOVERNING BODIES OF SAVINGS BANKS
Law 31/1985, of 2 August

(Official State Gazette of 9 August)

(Correction of errors, Official State Gazette of 27 March 1986)

Royal Decree 2290/1977, of 27 August, on regulation of the governing bodies of Savings Banks initiated the task of configuring the forms of collective management of Savings Banks on new foundations. However, the experience accumulated since those regulations began to be applied has revealed a series of insufficiencies that have led to important deviations from the proposed objectives. The social mission of Savings Banks and the local ties that are fundamental to the pursuit of their activity demand full democratisation of their governing bodies so that they can express all of the genuine interests of the areas in which the Savings Banks operate.

This democratisation is perfectly compatible with the greater professionalisation needed of institutions which, though run on a not-for-profit basis, must nevertheless operate in ever more competitive financial markets to conserve their savings capacity and the efficacy of their services for the national economy.

In addition, the new territorial organisation of the Spanish state emanating from the Constitution has led to the approval of Statutes of Devolution (Estatutos de Autonomía) which delegate, in accordance with the foundations and regulation of general economic activity and state monetary policy, to some of Spain's regional governments (comunidades autónomas) responsibilities for Savings Banks and powers for statutory development and implementation in the regulation of the credit system, within the framework of the basic state legislation and on the terms laid down in that legislation. Hence the necessity, in accordance with article 149.1.11 of the Spanish Constitution, to establish a basic state framework for the representation, organisation and functioning of decision-making bodies of Savings Banks. This basic framework can be developed by the regional governments to adapt it more closely to the specific characteristics and peculiarities of their respective territories.

This statute pursues the three-fold goal of democratising the governing bodies of Savings Banks, conciliating that democratisation with the demands for effective management which must be met with strictly professional criteria, and establishing regulations according to the principles that inspire Spain's new territorial organisation, at the same time laying the regulatory groundwork for the discipline, inspection and supervision of these institutions.

The application of principles of democratisation is carried out in the highest governing and decision-making body of the Savings Banks, the General Assembly, by stipulating that representation in the General Assembly be accorded to those social groups most closely involved in the activity of the Savings Banks, that is, the municipal Corporations within their radius of action, as elected representatives of the interests of local groups; depositors, as the source of the funds with which Savings Banks operate; employees, whose work is the basis for the normal pursuit and management of the activity in which they are employed, and the founding corporation, as founder, where such entity genuinely exists and remains active.

The Board of Directors is defined as the body attributed exclusive powers for administering and managing operating and financial matters, assuming the functions of the defunct social works commission (comisión de obras sociales), with a composition intended to strike a balance between the groups represented in the Assembly. With the aim of strengthening its professional component, the possibility is allowed of the Board including professionals who

are not members of the General Assembly.

The Control Committee (Comisión de Control) is designed as the body responsible for supervising the management and administration of the institution, regularly scrutinising the Board of Directors' compliance with the objectives and purposes charted by the General Assembly and by financial regulations. The possibility is introduced of including on the Committee a non-voting representative of the regional government for the purpose of achieving full disclosure and giving a genuinely public sense to the monitoring of the activities of the savings bank.

The position of general Manager is defined on the basis of its strictly professional and management component, clarifying the general Manager's relations with the bodies responsible for representing and making decisions in the savings bank.

This statute strengthens the rules on conflicts of interest and ineligibility of General Assembly members and directors and limits their term of office, in order to avoid economic and political interference in the savings bank governing bodies and thus reaffirm their autonomy and independence for the optimum functioning of the institution.

The functions of the confederated bodies of Savings Banks are strengthened considerably and are structured more effectively with respect to the new configuration of financial authorities.

Lastly, the territorial federations are conceived as coordinating and management bodies for their members Savings Banks, along with their functions of advising and informing regional governments. At the national level, the confederation assumes all functions of a genuine Savings Banks central financial coordinator and support organisation, toward which end its organisational structure is subjected to a profound renovation.

Of necessity, a sufficient interim time period is stipulated for the entry into force of this statute, during which the future articles of association and bylaws of Savings Banks can be drawn up in detail and the reconstitution of their governing bodies can be planned meticulously and without omissions during the seventeen months following publications of this statute.

TITLE ONE

On the Governing Bodies of Savings Banks

Article one

The administration, management, representation and control of Savings Banks is vested in the following governing bodies:

First: General Assembly.

Second: Board of Directors.

Third: Control Committee.

The members of these bodies shall discharge their functions for the benefit solely of the interests of the Savings Bank to which they belong and of the fulfilment of their social function and, without prejudice to the provisions of article 8, shall satisfy the commercial and professional repute requirements established by the implementing provisions of this Law. Persons with a record of personal respect for the commercial and other laws that regulate economic activity and business life, as well as good commercial and financial practice, shall be understood to enjoy commercial and professional repute. **(1)**

CHAPTER ONE
The General Assembly

Article two

One. The representation of group interests in the General Assembly shall be carried into effect through the participation of the following groups:

- a) The Municipal Corporations in whose township the Savings Bank has an office open.
- b) The depositors of the Savings Bank.
- c) The individual or corporate founders of the Savings Bank. Individual or corporate founders of the Savings Bank may assign part of their representation to Local Governments who are not founders of other Savings Banks within its area of operation.
- d) The employees of the Savings Bank. **(2)**

Two. The number of members of the General Assembly shall be set by the articles of association of each savings bank, between a minimum of 60 and a maximum of 160, according to its economic size.

The members of the General Assembly shall be called general Councillors (consejeros generales).

Three. The representation of general government and of public law agencies and corporations on its governing bodies, including that corresponding to the founder entity when this has the same nature, shall not, in total, exceed 50 per cent of all the voting rights in each such body, and all such entities and corporations shall necessarily be represented.

For the purposes of their representation on the governing bodies of Savings Banks, the percentage of representation assigned to the group of depositors shall range between a minimum of 25 percent and a maximum of 50 percent of all the voting rights in each of the governing bodies.

The percentage of representation of the group of employees shall range between a minimum of 5 percent and a maximum of 15 percent of the voting rights in each body. **(3)**

When savings banks have offices open in more than one region, the representation of the various groups in the General Assembly, except those that, where applicable, represent the regional governments and those envisaged in paragraph 1 c) and d) of this article, shall, in accordance with the principle of equality, be proportional to the total deposits in the various regions in which they have offices open, within the percentage attributed to each of them. **(3 bis)**

The implementing legislation shall in any case conform to the provisions of this article. **(3 bis)**

Four. The General Assembly shall be presided by the Chairman of the Board of Directors and the deputy Chairman or deputy chairmen of the Board of Directors shall act as vice president or vice presidents of the General Assembly. The secretary of the Board shall also serve as secretary for the General Assembly.

In the absence of the president and vicepresidents, the Assembly shall name one of its members as acting president to conduct the meeting in question.

Article three

One. The general Councillors representing the municipal Corporations in whose townships the savings bank has an office shall be directly appointed by those Corporations

according to the procedures stipulated in the instruments implementing this statute.

Two. Local Corporations who are founders of the Savings Banks that operate wholly or partly within the same area of operation as another Savings Banks shall not appoint representatives in the said other savings bank.

Article four (4)

The general Councillors representing the group of depositors of the Savings Bank shall be elected by delegates from among the depositors.

For the election of delegates, the persons making up the group of depositors shall be set forth in a single list, or in single lists for constituencies, provinces, counties or districts of the major capitals, and shall not appear more than once, regardless of the number of accounts they may hold. When they draw up single lists for constituencies, provinces, countries or districts of major capitals, a strict proportional relation shall be respected between the number of depositors and the number of delegates. The election shall be carried out before a notary public by means of a public draw.

Article five

The general Councillors representing founding persons or entities of Savings Banks, whether public or private institutions, shall be named directly by the founding person or entity.

Article six

One. The general Councillors representing employees shall be elected by the legal representatives of the employees by means of a proportional system. Candidates must have at least two years seniority on the savings bank's payroll.

Two. The employees of the savings bank shall have access to the General Assembly through the employee representative group, and, on an exceptional basis, through the group representing Local Governments.

Three. General Councillors representing employees shall have the same rights as those laid down in article 68.c of the Employees Statute (Estatuto de los Trabajadores) for legal representatives of employees.

Article seven (5)

General Councillors shall fulfil the following requirements; they must:

a) Be a natural person with principal residence in the region or zone in which the Savings Bank carries on its activity.

b) Be of legal age and not be incapacitated.

c) Be a depositor in the Savings Bank to which the appointment relates of at least two years standing at the time of the election, as well as, having either an account movement or an average account balance not less than the levels determined by the regulatory instruments implementing this statute at the time the office is accepted, in the case of general Councillors elected to represent the group of depositors.

d) Be up to date on performance of the obligations assumed with the Savings Bank for their own account or on behalf of other persons or entities. e) Not be affected by conflicts of interest under article 8.

Article eight

The following persons shall not be eligible to hold the office of delegate or general councillor:

A) Bankrupts and debtors subject to insolvency proceedings who have not been rehabilitated, persons sentenced under judgments including disqualification from holding

public office, and those who have been sanctioned for serious infractions.

For these purposes, serious infractions (infracciones graves) shall be those which by law are expressly considered as such and which have been found by competent administrative courts or agencies.

B) The chairmen, directors, Managers, executives, advisors or other similar officers at another credit entity or institution of any kind, or of Corporations or entities that support, sustain or guarantee credit or financial entities or institutions, or persons in the service of the state or regional administration charged with functions directly relating to the normal activities of Savings Banks.

C) Persons with ties to the savings bank, or to a company in which Savings Banks hold equity interests in the manner specified in the regulations implementing this statute, under contracts for works, service, supplies or remunerated work for the period in which such circumstance applies and two years thereafter, at least, reckoned from the end of such ties, except for the employment relation in the circumstances provided for in article 6.2.

D) Persons who for their own account or in representation of other persons or entities:

a) Maintain at the time they are elected to office debts due and payable of any kind with the savings bank.

b) During the discharge of office of councillor have incurred in a breach of obligations undertaken to the savings bank in relation to credit facilities or loans or for nonpayment of debts of any kind with the savings bank.

Article nine

One. General Councillors shall be appointed for a term that shall be indicated in the articles of association, which shall be not less than four years and not more than six. Notwithstanding, the articles of association, in accordance with the implementing provisions of this Law, may provide for the possibility of re-election for another term of the same duration, if the requirements laid down in article 7 are still fulfilled, in accordance with the provisions of paragraph three of this article. For the purposes of calculation of the term of re-election, the period between the end of the original term and the new appointment shall count, even if it is several years.

The duration of the whole term of office shall not exceed twelve years, whatever the type of representation. A general Councillor may be elected again, on the terms laid down in this Law, when eight years have elapsed from the date of termination of a continuous and uninterrupted twelve-year term of office. (6)

Two. Renewal of general Councillors shall be undertaken one half at a time, respecting the proportionality of the representations comprised in the General Assembly.

Three. The procedure and conditions for renewal, re-election and filling of vacancies of general Councillors shall be determined in the regulatory instruments implementing this statute.

Article ten

Until the expiry of the term for which they were appointed, other than in cases of resignation, death or presumption of death or legal absence, the appointment of the Councillors shall be irrevocable save, exclusively, in the event of supervening conflict of interest, when the requirements for their appointment are no longer satisfied and when a resolution for their removal, for which there is just cause, is adopted by the General Assembly.

Just cause shall be deemed to exist when the general Councillor fails to perform the duties inherent in his office, or prejudices by his actions, whether public or private, the prestige,

good name or activity of the Savings Bank. (7)

Any person who has been a member of a governing body of the savings bank shall not establish with the savings bank contracts for works, supplies, services or remunerated work for a minimum of two years reckoned from departure from the governing body, except for the employment relation of employees of the savings bank.

Article eleven

Without prejudice to its general powers of governance, the following functions specifically rest with the General Assembly:

One. Appointment of members of the Board of Directors and members of the Control Committee within its competence, as well as the adoption of appropriate resolutions to remove from office in accordance with the provisions of article 18. (8)

Two. Approval and modification of the articles of association and bylaws.

Three. Winding-up and liquidation of the institution or its merger with others.

Four. Annually defining the general contours of the plan of action for the savings bank to serve as basis for the work of the Board of Directors and Control Committee.

Five. Approval, or otherwise, of the Board of Directors' management performance, annual report, balance sheet and profit and loss account, and of the application of profits to the purposes apropos to the savings bank.

Six. Creation and dissolution of charitable-social works, and approval of their annual budget and the management and liquidation of the same.

Seven. Any other matters submitted to its consideration by the bodies authorised to do so.

Article twelve

One. General Assemblies may meet on an ordinary or extraordinary basis.

The ordinary assemblies shall be held twice a year, once within each calendar halfyear period.

Extraordinary assemblies shall be held as many times as expressly convened, but may only transact on the matters for which they were called.

Meetings of the General Assembly shall be called by the Board of Directors, with the call published in the *Boletín Oficial del Estado* (Spanish Official State Gazette) and in the official gazette of the region where the savings bank has its headquarters, as well as in the newspapers with the largest readership in that same region, at least fifteen days in advance of the meeting. The call shall set out the date, place and agenda, along with the date and time the meeting would be held on second call.

A quorum for the General Assembly meeting shall exist on the presence of a majority of its members at first call. The General Assembly meeting shall be quorate at second call irrespective of the number of members in attendance. Councillors may not be represented at the meeting by another councillor or any other natural or legal person.

Two. General Assembly resolutions shall be adopted by a simple majority of the votes cast, except in relation to the matters referred to in paragraphs two and three of article eleven, which shall in all events require attendance by a majority of the members and, in addition, the favourable vote of two thirds of the members in attendance.

Each general councillor shall be entitled to one vote, and the person chairing the meeting shall have the casting vote. Validly adopted resolutions are binding on all general Councillors, including those who dissented or were absent.

The general Manager of the savings bank shall attend General Assembly meetings, with the right to participate in the General Assembly but not vote.

Three. The rest of the conditions for the call and functioning of General Assemblies shall be determined in the regulatory instruments implementing this statute.

CHAPTER II

The Board of Directors

Article thirteen

One. The Board of Directors is the body responsible for administering and managing the finances and charitable-social works of the savings bank for the achievement of its purposes.

Two. The Board of Directors shall consist of no less than thirteen and no more than seventeen members, and shall include representatives of municipal Corporations, depositors, founding persons or entities and employees of the savings bank.

Three. Directors who resign or are removed before completing their term of office shall be substituted for their remaining term of office by their designated alternates. For each representative group there shall be named, for these purposes only, as many alternates as directors and by the same procedure as for the latter.

Article fourteen

Collective interests shall be represented in the Board of Directors by means of participation by the same groups and in the same proportion and characteristics as stipulated in article 2.3 for members of the General Assembly, with the following peculiarities:

a) Appointment of Board of Directors members representing municipal Corporations that do not hold status as public entity founder of the savings bank shall be made by the General Assembly at the proposal of the general Councillors representing those Corporations.

Candidates may be nominated by one tenth or more of the general Councillors representing this group.

The appointments may fall to general Councillors representing municipal Corporations or to a maximum of two outside persons who meet adequate requirements of professionalism.

b) The appointment of the members representing depositors shall be made by the General Assembly from among the depositors.

However, a maximum of two persons may be appointed who meet the appropriate requirements of professionalism but are not general Councillors. (9)

c) The appointment of the members representing employees of the savings bank shall be made by the General Assembly at the proposal of the general Councillors for this group and from amongst those general Councillors.

d) The appointment of the members representing the founding persons or entities shall be made by the General Assembly at the proposal of the general Councillors for this group and from amongst these general Councillors.

Article fifteen (10)

Members of the Board of Directors must meet the same requirements as set out in article 7 for general Councillors, and be younger than seventy years of age at the time they take up their post, unless the regulatory instruments implementing this statute establish a different age limit.

Members of the Board of Directors with executive duties shall also possess sufficient knowledge and experience to perform their duties.

Article sixteen

One. The following shall be considered grounds for ineligibility for appointment and

for conflict of interest for holding a seat on the Board of Directors of Savings Banks:

a) The ones established in article eight, in relation to delegates and general Councillors.

b) Membership in the Board of Directors or equivalent body of more than four commercial companies or co-operative entities. Calculation of the number of such positions shall not include offices held in the Board of Directors or equivalent body of entities in which the candidates, their spouses, ancestors or descendants are jointly or separately owners of a number of shares equal to or greater than the result of dividing the share capital by the number of seats on the Board of Directors. The same rule shall apply in the case of legal representative of minors, absent or incapacitated persons. In any event, the total number of Directors shall not surpass eight.

Two. Members of Boards of Directors, and their spouses, ancestors or descendants and the companies in which the said persons own a majority equity stake, whether separately or jointly, or in which they serve as Chairman, director, president, Manager, chief executive or in similar offices, shall not be able to obtain loans, surety bonds or guarantees from the respective savings bank or transfer to the savings bank properties or securities owned by them or issued by the said entities, without a prior resolution to such effect from the Board of Directors of the savings bank and express authorisation from the Bank of Spain or the respective regional government, as applicable. This prohibition shall not apply to loans, surety bonds or guarantees granted by the savings bank for home purchases if the party in question provides sufficient collateral and shall, in all events, extend not just to transactions carried on directly by the aforesaid persons or entities, but also to those in which there participate one or several legal or natural persons acting as nominees. Nor shall the prohibition apply with respect to employee representatives, with respect to whom the extension of credit shall be governed by the collective bargaining, upon prior report from the Control Committee.

Article seventeen

One. The term of office of members of the Board of Directors shall be that indicated in the articles of association, subject to a minimum of four years and a maximum of six. Nevertheless, the articles of association may provide for the possibility of re-election, in accordance with the regulatory instruments implementing this statute, subject to the same conditions, requirements and procedures as for the initial appointment.

For the purposes of calculation of the term of re-election, the period between the end of the original term and the new appointment shall count, even if it is several years.

The duration of the whole term of office shall not exceed twelve years, whatever the type of representation.

Members may be elected again, on the terms laid down in this statute, when eight years have elapsed from the date of termination of a continuous and uninterrupted twelveyear term of office. **(11)**

Two. Renewal of the members of the Board of Directors shall be undertaken one half at a time, respecting the proportionality of the representations comprised in the Board.

Three. The procedure and conditions for renewal, re-election and filling of vacancies of Board of Directors members shall be determined in the regulatory instruments implementing this statute, without there being allowed the possibility of making provisional appointments.

In all events, the appointment and re-election of Directors must be notified to the Ministry of Economy and Finance, through the Bank of Spain, or to the regional government, as applicable, for their information and records.

Article eighteen (12)

The appointment of members of the Board of Directors shall be irrevocable, subject to the same exceptions provided for in the case of general Councillors in article 10 of this statute.

Article nineteen (13)

One. The Board of Directors shall represent the institution in regard to all matters relating to its operations and business, as well as litigious issues.

Discharge of Board functions shall be governed by the provisions of the articles of association and resolutions approved by the General Assembly.

Two. The Board of Directors may delegate one or more of its powers of management to the governing bodies of entities that constitute and make up alliances between Savings Banks or those created for the purpose within the Confederación Española de Cajas de Ahorros, in order to reduce the operating costs of the institutions involved, to increase their efficiency without jeopardising competition in the domestic markets or to participate with sufficient volume in international capital markets. Such delegation shall remain in force during the period of the alliance or until the institutions resolve to amend it through the procedure that they have previously established for the purpose. This delegation shall not extend to the duty to oversee the delegated activities or to the Control Committee's powers over such activities.

Article twenty

One. The Board of Directors shall appoint from amongst its members a Chairman of the Board, who shall also be president of the savings bank and of the General Assembly, and a secretary. The Board may also elect one or more deputy chairmen.

Two. The Board shall meet as often as necessary for the proper pursuit of the institution's activity. It may act in plenum or delegate functions to an executive committee or to the general Manager, except for those relating to the bringing of proposals before the General Assembly or involving powers specifically delegated to the Board, unless the Board has been expressly authorised to delegate the same.

Resolutions shall be adopted by a majority of the attending Directors.

Board meetings shall be attended by the general director, with the right to participate but not vote in the meeting.

Three. Board of Directors deliberations and resolutions shall be considered secret and breach of their secrecy shall constitute a serious infraction for purposes of the ineligibility referred to in article 8.A above and without prejudice to such other liability as may be enforceable for such breach.

Four. Members of the Board of Directors who are not general Councillors shall attend General Assemblies with the right to participate in the meeting but not vote.

Article 20 bis. The Savings Bank Remuneration Committee. (14)

The Board of Directors of a Savings Bank shall set up a Remuneration Committee, whose task shall be to report on the general policy with respect to remuneration and incentives for directors and management. The committee shall have no more than three members, who shall be appointed by the Board of Directors from among its members.

The terms of reference of the Remuneration Committee shall be laid down by the articles of association of the Savings Bank and by its own rules of procedure.

Article 20 ter. The Savings Bank Investment Committee. (15)

The Board of Directors of a Savings Bank shall set up an investments committee, made up of no more than three members, whose task shall be to report to the Board on the

investments and divestments of a strategic and stable nature made by the bank, whether directly, or through entities belonging to the same group, as well as on the financial viability of such investments and how well they accord with the budgets and strategic plans of the institution. The members of the committee shall be appointed on the basis of their technical capacity and professional experience by the Board of Directors from among its members.

The investments committee shall annually submit a report to the Board of Directors, which shall include, at least, a summary of such investments. The annual report shall also include a list and description of the reports issued by the Committee. This annual report of the investments committee shall be included in the institution's corporate governance report.

Acquisitions and sales of significant holdings in any listed company or of a stake in a business project, when the bank has a presence in the management or in its governing bodies, shall be deemed to be strategic.

The terms of reference of the investments committee shall be laid down by the articles of association of the Savings Bank and by its own rules of procedure.

CHAPTER III The Control Committee

Article twenty-one

The purpose of the Control Committee is to ensure that the Board of Directors management directives are followed with the utmost efficacy and accuracy, within the general lines of action stipulated by the General Assembly and the guidelines emanating from financial laws and regulations.

Article twenty-two

One. The members of the Control Committee shall be elected by the General Assembly from among the general Councillors who are not members of the Board of Directors, the same groups or sectors that are represented in the General Assembly being represented in the same proportions as they are in the latter body.

Candidates shall be nominated according to the procedure provided for members of the Board of Directors.(16)

Two. The Control Committee may also include a representative elected by the regional government of the region in which the savings bank headquarters are located from amongst persons with adequate skills and technical preparation. This representative shall attend committee meetings with the right to participate in the meeting but not vote.

Three. With the exception of the regional government representative indicated in the preceding paragraph, any member who resigns, is removed or revoked prior to the end of his term of office shall be replaced for the remainder of the term by the respective designated alternate. For each representative group there shall be named, for these purposes only, as many alternates as Directors and by the same procedure as for the latter.

Four. The Control Committee shall name a Chairman from amongst its members.

Five. Whenever so required by the Control Committee, the general Manager shall attend its meetings with the right to participate but not vote.

Article twenty-three

Committee members must fulfil the same requirements and shall be subject to the same grounds for ineligibility, conflicts of interest and the same restrictions as members of the Board

of Directors, except for the regional government representative, who shall only be subject to the same grounds for ineligibility and conflicts of interest and to the same restrictions.

Article twenty-four

One. For the achievement of its purposes, the Control Committee shall be delegated the following functions:

1st) Analysis of the savings bank's economic and financial management, submitting half-yearly reports on the same to the Bank of Spain, regional government and General Assembly.

2nd) Studying the audits of the accounts that summarise the management effected for the year and consequent submission to the General Assembly of the report reflecting this examination.

3rd) Informing the General Assembly on the budgets and allocation to charitable social works, and endeavouring to ensure compliance with the projected investments and expenditure.

4th) Reporting appointments and removals of the general Manager to the Ministry of Economy and Finance and to the regional government.

5th) Proposing the suspension of the effects of resolutions of the savings bank Board of Directors when the Committee believes that they violate current law or cause grave and unfair effects for the financial situation, earnings or credit quality of the savings bank or of its depositors or customers. These proposals shall be submitted to the Ministry of Economy and Finance and to the regional government, who shall resolve on them within the scope of their respective powers, without prejudice to such other actions as may be available.

6th) Reporting on specific issues or situations at the request of the General Assembly, Ministry of Economy and Finance and the regional government.

7th) Monitoring the election and appointment of members of the governing bodies.

8th) Requesting the Chairman to call extraordinary meetings of the General Assembly in the event provide for in subparagraph 5 above.

Two. For purposes of discharging these functions, the Committee may request from the Board of Directors all such information and facts as it deems necessary.

Three. The Chairman of the Control Committee shall report to the Ministry of Economy and Finance and to the respective regional government on the matters set out in subparagraph 7 of paragraph one of this article.

Article twenty-five

For the discharge of the functions of the members of the governing bodies of the savings bank, with the exception of the Chairman of the Board of Directors, no emoluments shall accrue other than the per diem fees payable for attending meetings and travel.

TITLE II The General Manager

Article twenty-six

The general Manager or comparable officer shall be appointed by the Board of Directors of the savings bank from amongst persons with sufficient capacity, technical skills and experience for performing the functions proper to the office. The General Assembly convened for such purpose shall confirm the appointment.

The general Manager or comparable officer shall be removed for reasons of retirement on reaching the age of seventy-five years. The said officer may also be removed from office:

a) By resolution of the Board of Directors, which shall be notified to the relevant agency of the central administration or of the regional government, as appropriate, for its information.

b) As a result of a disciplinary investigation conducted by the Bank of Spain or the regional government. In the former case, together with the proceeding, a proposed resolution shall be submitted to the competent authority.

Article twenty-seven

Discharge of the office of general Manager or comparable office and Chairman of the Board of Directors, in the event a salary has been assigned thereto, of a savings bank shall require full-time dedication and shall therefore be incompatible with any remunerated activity in the public or private sector, except for the administration of the said officers' own assets and those activities carried on as representative of the savings bank. In the latter case the revenues obtained, other than per diems for attending Board of Directors meetings or similar ones, shall be assigned to the savings bank for whose account the said activity or representation is pursued.

TITLE III

Confederated Organisations of Savings Banks

Article twenty-eight

The Confederación Española de Cajas de Ahorro (Spanish Confederation of Savings Banks), composed of the Savings Banks belonging to that organisation now or in the future, grouped into federations or not, has the following principle objectives:

a) Act as individual or collective representative of confederated Savings Banks vis-à-vis government authorities, promoting the participation of these institutions in the economic and social policy actions of the national government.

b) Act, similarly, as representative of Savings Banks internationally and, in particular, with respect to the International Institute of Savings Banks and other international organisations.

c) Offer the financial services which the Savings Banks deem appropriate, promoting and stimulating the creation of the technological infrastructure that allow the optimum organisation and the most effective provision of those services.

d) Provide information services, technical and financial advising, and operating coordination services.

e) Cooperate with financial authorities in strengthening, improving the management and complying with the financial regulations of Savings Banks.

f) Facilitate the activity of Savings Banks abroad, offering such services as they may require.

Article twenty-nine (17)

The governing bodies of the Confederación Española de Cajas de Ahorro shall comply with:

a) The provisions of this Title.

b) Its articles of association, approved by the Minister of Economy.

c) This statute, supplementarily, insofar as it may be applicable to them, given their particular nature.

Article thirty(18)

Article thirty-one

One. Savings Banks may organise themselves into territorial federations for the purpose of unifying their representation and collaboration with local government authorities, as well as for providing common technical and financial services to the Savings Banks within the territorial scope of their organisation.

Two. The federations shall be composed of a general council and general secretariat.

Three. The general council is the highest governing and decision-making body of the federation and shall be composed of two representatives from each affiliated savings bank and two representatives from the government of the region or regions covered by the federation.

Four. The general secretariat is the administrative management and coordination office and shall be responsible for discharging the functions entrusted to the federation pursuant to the guidelines established by the general council.

Five. Without prejudice to the provisions of this Title, Savings Banks may, by a resolution of their Board of Directors, enter into agreements for collaboration or cooperation and alliances with other Savings Banks. **(19)**

ADDITIONAL PROVISIONS

First. One. The Ministry of Economy and Finance and the Bank of Spain, within their respective areas of power, shall discharge regulatory, inspection and enforcement functions for Savings Banks:

First. In matters of state competence, and in particular in those relating to monetary, financial, solvency and security policy.

Second. **(20)**

Two. Regional governments shall discharge regulatory, inspection and enforcement functions in respect of the Savings Banks in their territorial limits, and of the activities pursued in the same, for the matters within their authority.

Three. In regulatory and inspection matters, the Bank of Spain may establish agreements with the regional governments.

Second (21) For Savings Banks whose articles of association, upon the entry into force of this Law, include the Catholic Church or public law entities thereof as a founding entity, the procedure for appointment and the term of office of the representatives of the founding entity in the governing bodies shall be governed by the terms of its articles of association or, where the latter are silent, by the provisions of this Law and its implementing instruments.

Third. An exception from the provisions of this statute is made for the Caja Postal de Ahorros, which shall be governed by its own regulations.

Four. The conflicts of interest and grounds for ineligibility laid down in article 8.B above shall not apply to presidents of regional or provincial governments who at the effective date hereof hold status by virtue of that office as permanent member of the governing organs of the Savings Banks based in their respective territory.

Fifth. (22) In the event of a merger between Savings Banks with headquarters in different regions, authorisation for the merger shall have to be agreed jointly by the regional governments concerned.

The act authorising the merger shall determine the proportions corresponding to general

government and the public law agencies and corporations of each regional government in the governing bodies of the Savings Bank resulting from the merger.

TRANSITIONAL PROVISIONS

First. Within six months after publication of the legislative implementation by the regional governments of the basic norms of this statute and, in all events, within ten months after publication hereof, Savings Banks and the Confederación Española de Cajas de Ahorros shall proceed to adapt their articles of association and bylaws to the provisions contained in the same, and submit them to the Ministry of Economy and Finance or to the respective regional government for approval within three months.

Second. The General Assembly elected according to the rules laid down herein shall be constituted within four months following the approval of the articles of association and bylaws of the Savings Banks and shall appoint the members of the Board of Directors and members of the Control Committee.

Once the new governing bodies of the confederates Savings Banks have been constituted, the confederation shall constitute its own governing bodies within two months.

Third. Until the new General Assembly has been constituted, the governance, representation and administration of Savings Banks shall continue to be delegated to their current governing bodies, who, consequently, shall adopt the necessary resolutions properly to execute and comply with the provisions laid down in this statute.

Fourth. The present members of savings bank governing bodies shall cease to discharge the functions of their offices at the time there are formed the new bodies constituted according to the provisions of this statute.

Nevertheless, during the first year after the constitution of the new General Assembly, one half of the present members of Board of Directors shall continue to hold their Directorships, together with all of the members of the new Board of Directors. Two of the Directors who thus remain in office shall be the present Board Chairman and secretary, and the rest shall be chosen by the luck of the draw from amongst those who have not held such office more than eight years, complying to the fullest possible extent with the proportions and groups stipulated in Royal Decree 2290/1977 of 27 August 1977.

Fifth. Where a member of the governing bodies of a savings bank who has held that office prior to the effective date of this statute is once again elected, the reckoning of his total term of office, which in no event shall exceed eight years, shall take into account the time in which the office was held previously.

FINAL PROVISIONS

First. The national government is authorised to adopt the measures and dictate the provisions needed for implementing this statute.

Second. The powers delegated to the General Assembly in relation to the articles of association and bylaws of the savings bank are to be construed without prejudice to the subsequent approval thereof by the Ministry of Economy and Finance or the regional

government, which may in all events order modification of those provisions that do not conform to the rules or principles of this statute.

Third. All relations between Savings Banks and the Confederación Española de Cajas de Ahorro with the Ministry of Economy and Finance in respect of the matters regulated herein shall be pursued through the Bank of Spain.

Fourth. One. Within the framework of the basic law of the state, of which this statute forms part, and within the scope of their powers, the regional governments may implement the following specific aspects of this statute:

- a) Development of the procedure for electing and appointing members of the General Assembly and Board of Directors, in particular, the procedure for selecting the municipal Corporations and electoral process for depositor representatives.
- b) Rules of procedure and conditions for renewal, re-election and filling of vacancies of general Councillors and Board of Directors members.
- c) Conditions for calling and holding General Assemblies.
- d) Constitution and functioning of the executive Committee as a delegate body of the Board of Directors.
- e) Criteria inspiring the drafting of the bylaws for the procedure regulating the system of appointing members of savings bank governing bodies.

Two.(23)

Three. The following provisions of this statute shall not be considered basic provisions:

- Article 2.2, paragraph 1;
- Article 4;
- Article 6.1;
- Article 9.2, insofar as it requires half of the members of the General Assembly to be renewed at a time;
- Article 12.1, except for paragraphs 1 and 4;
- Article 13.2, insofar as it refers to the minimum and maximum number of members of the Board of Directors, and article 13.3;
- Article 14, insofar as it establishes the mechanism relating to the form and requirements for provision of members of the Board of Directors;
- Article 20.2, final paragraph;
- Article 26, second paragraph, as regards the age of retirement of the general Manager;
- Articles 31.3 and 31.4;
- The fourth transitional provision;
- The fifth transitional provision. (24)

Fifth. For the purposes of this statute, the powers of the regional governments are understood to be circumscribed to the Savings Banks which have their registered office within the territorial limits of the region and for the activities pursued within those same limits.

..... (25)

Sixth. The regional governments shall submit to the Ministry of Economy and Finance the information obtained on the activity they carry on in the discharge of their functions in respect of Savings Banks in order to allow execution of state monetary and financial policy and safeguard compliance with basic state regulations.

Seventh. This Law shall enter into force on the day following its publication in the *Boletín Oficial del Estado*.

REPEALING PROVISION

Royal Decree 2290/1977, of 27 August , except for the provisions laid down in chapters II and III thereof, is hereby repealed, along with all provisions of equal or lower ranking opposed to the terms of this statute.

- (1) Paragraph redrafted according to Law 44/2002, of 22 November.*
- (2) Redrafted according to Law 44/2002, of 22 November.*
- (3) Redrafted according to Law 44/2002, of 22 November. (3 bis) Paragraph incorporated by Law 62/2003, of 30 december.*
- (4) Amended by Law 44/2002, of 22 November.*
- (5) Amended by Law 44/2002, of 22 November.*
- (6) Redrafted according to Law 44/2002, of 22 November.*
- (7) Paragraph redrafted according to Law 44/2002, of 22 November.*
- (8) Paragraph redrafted according to Law 44/2002, of 22 November.*
- (9) Redrafted according to Law 44/2002, of 22 November.*
- (10) Amended by Law 44/2002, of 22 November.*
- (11) Paragraph redrafted according to Law 44/2002, of 22 November.*
- (12) Amended by Law 44/2002, of 22 November.*
- (13) Amended by Law 44/2002, of 22 November.*
- (14) Redrafted according to Law 62/2003, of 30 december. (15)Redrafted according to Law 62/2003, of 30 december.*
- (16) Paragraph redrafted by Law 44/2002, of 22 November.*
- (17) Amended by Law 24/2001, of 27 December.*
- (18) Repealed by Law 24/2001, of 27 December.*
- (19) Paragraph amended by Law 44/2002, of 22 November.*
- (20) Paragraph declared null and void by Spanish Constitutional Court on 22 March 1988.*
- (21) Amended by Law 5/2005, of 22 April.*
- (22) Incorporated by Law 44/2002, of 22 November.*
- (23) Paragraph declared null and void by Spanish Constitutional Court on 22 March 1988.*
- (24) Paragrph redrafted according to Law 44/2002, of 22 November.*
- (25) Paragraph declared null and void by Spanish Constitutional Court on 22 March 1988.*