

NON-MANDATORINESS OF EXTERNAL AUDITOR'S REPORT FOR IRB APPROACHES

On commencing the validation processes of IRB approaches in 2005, the Banco de España considered it necessary to request that institutions submit a specific external auditor's report on the quality of the databases used and the existence of an appropriate technological environment. These reports would be updated half-yearly until approval by the Banco de España of the approach applied for. The scope of these reports would be specified in an annex of the IRB File to be provided by institutions so as to enable validation to begin.

Following more than two year work on the validation of the internal credit risk models submitted by the institutions and taking into account the experience gained, the Banco de España considers that it is not necessary to maintain the requirement of the aforementioned reports beyond the December 2007 delivery dates. Nor shall these reports be mandatory for the portfolios of institutions currently in the roll-out phase, for the subsequent monitoring of the models approved, or for the applications for authorisation that may be made in the future by other institutions once the new solvency regulation comes into effect.

21st November 2007