



PRESS RELEASE

Madrid, 31 October 2012

Cost of the Spanish banking sector solvency tests

The cost of the Spanish banking sector solvency tests conducted from 21-30 May amounted (VAT included) to €31,398,929.81. The Banco de España has requested that it be reimbursed for the full cost of these tests by the Credit Institutions Deposit Guarantee Fund, which has agreed.

Background

The Council of Ministers, through the Resolution dated 11 May, instructed the Ministry of Economic Affairs and Competitiveness to have two external evaluation reports drawn up on the capital needs of Spanish banks. This was to be carried out through the attendant service contracts, channelled through the Banco de España, the central bank being the most suitable institution to act as the contracting party, in the exercise of its remit as the supervisor of credit institutions.

In a letter dated 17 May, the Ministry of Economic Affairs and Competitiveness called on the Banco de España to engage forthwith the services of internationally reputable firms to draw up two evaluation reports:

- An overall stress test of bank balance sheets, conducted by two consultancy firms with acknowledged experience in this field.
- The valuation of the credit portfolios of the participating banking groups, to be conducted by audit firms.

To ensure the proper governance of the banking system evaluation programme, a series of bodies were set up. These included a Project Office, comprising the Banco de España and a specialist project management consultancy engaged to this end.

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Following the publication of the overall stress test results on 21 June 2012, the Ministry of Economic Affairs and Competitiveness wrote to the Banco de España on 18 July saying it considered it necessary to conduct, as soon as possible, a further, disaggregated (bottom-up) exercise. Accordingly, the Banco de España was to make the necessary contractual arrangements for:

- The extension of the work by the audit firms.
- The selection of one of the consultancies participating in the overall stress tests to conduct the bank-by-bank evaluation.

Cost of the tests

From 20 May to 31 July the Banco de España awarded, under the emergency procedures provided for in the regulations governing its contractual activity (Internal Circular 3/2007, Art. 24 d)), the following contracts:

Relating to the communication by the Ministry of Economic Affairs and Competitiveness dated 17 May

	Contract no.	Successful tenderer	Date awarded	Contract termination date	Amount (VAT included)
Overall stress test	12/05385	OLIVER WYMAN	21 May	21 June	€1,455,367.
	12/05385	ROLAND BERGER	21 May	21 June	€696,200.
Credit portfolio valuation (1st part)	12/05500	DELOITTE	1 June	31 July	€1,314,520.
	12/05500	ERNST & YOUNG	1 June	31 July	€4,985,500.
	12/05500	KPMG AUDITORES	1 June	31 July	€3,464,704.
	12/05500	PRICE WATERHOUSE	1 June	31 July	€3,513,945.
Advice on the evaluation of the overall stress test	12/05853	PROMONTORY FINANCIAL GROUP	4 June	21 June	€88,500.
Support to Project Office (1st part)	12/06014	BOSTON CONSULTING GROUP	12 June	31 July	€460,200.

Relating to the communication by the Ministry of Economic Affairs and Competitiveness dated 18 July

	Contract no.	Successful tenderer	Date awarded	Contract termination date	Amount (VAT included)
Bank-by-bank evaluation exercise	12/07277	OLIVER WYMAN	19 July	15 Sept	€9,086,226.38
	12/07697	DELOITTE	19 July	31 Aug	€480,260.00
Credit portfolio valuation (extension)	12/07697	ERNST & YOUNG	19 July	31 Aug	€2,387,730.00
	12/07697	KPMG AUDITORES	19 July	31 Aug	€1,165,491.90
	12/07697	PRICE WATERHOUSE	19 July	31 Aug	€1,805,554.34
Support to Project Office (extension)	12/06014	BOSTON CONSULTING GROUP	30 July	30 Sept	€494,730.00

Overall, the cost of performing the solvency tests on the financial sector up to the date on which the results of the bank-by-bank stress tests were made known, on 30 September 2012, was €31,398,929.81.

Consultants at the firms engaged for the stress tests (overall and bank-by-bank) employed a total of 32,000 working hours; the real estate appraisers, 33,000 hours; and the consultants on the Project Steering Committee, around 2,000 hours. The more than 400 auditors of the four firms hired, which are the leaders in the field in Spain, employed 172,000 hours, 40,000 hours of which were overtime. In sum, the performance of the overall exercise from 21 May to 30 September, involved almost 240,000 hours.

According to the Ministry of Economic Affairs and Competitiveness, and under the fourth paragraph of the fifth additional provision of Royal Decree-Law 21/2012 of 13 July 2012, the Banco de España has called on the Credit Institutions Deposit Guarantee Fund to defray the full cost of the work performed.

The Governing Committee of the Credit Institutions Deposit Guarantee Fund considered, on 29 October 2012, *the Banco de España's request and has approved the disbursement of the cost of the solvency tests for its full amount.*

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