



PRESS RELEASE

Madrid, 8 January 2013

Statement by the Executive Commission of the Banco de España

In recent days articles and comments have appeared in the press referring to a document drawn up by the Association of Inspectors of Credit Institutions of the Banco de España, in relation to the preparation by an Internal Committee of a report on banking supervision organisation and procedures. The drafting of this report was envisaged in the Memorandum of Understanding (MoU) agreed between the Spanish and European authorities on 20 July 2012.

Regarding these articles and comments, the Executive Commission has approved the following statement in its sitting today:

1.- The Executive Commission deeply regrets the fact that the dissemination of some of the claims in this document, given their vagueness and nature, may call into question the supervisory function of the Banco de España, which has constantly sought to meet the best international standards of rigour, independence and technical quality, at a particularly delicate time for the implementation of the single European supervisory arrangements.

2.- The Executive Commission notes that none of the claims referred to above correspond to potential irregularities relating to specific supervisory measures that have been identified by the Association. The Executive Commission wishes to reaffirm the constancy of the Inspectorate and of the Banco de España in respect of their full and absolute cooperation with the Courts of Law and the Public Prosecutor's Office regarding the prosecution of potentially criminal conduct in the area of their remit.

3.- The Report on the supervisory procedures of the Banco de España has been drafted by a Committee chaired by its Council Member Mr Ángel Luis López Roa, with the participation of a team drawn from the Directorate General Banking Supervision, the Directorate General Banking Regulation and Financial Stability, and the Internal Audit Department of the Banco de España, and including two representatives from European supervisory authorities.

The Report was delivered within the deadline set by the MoU late last October, and its content and recommendations are being analysed by the Banco de España and the European authorities.

4.- The aim of the Report, which takes up several proposals and suggestions in the document submitted by the Association of Inspectors of Credit Institutions, is to make a diagnosis of the supervisory procedures of the Banco de España in order to identify shortcomings and to formulate

proposals for reform.

The Report details the Committee's scope and the way in which it has worked, the contributions it has used (including the recommendations of independent third parties and the recent work in various international fora on best supervisory practices), the analysis of innovative changes recently made to the supervisory procedures of the Banco de España and the specific work performed by the Committee itself.

The Internal Committee proposes, inter alia, improvements in the following areas:

- Establishment of a standardised framework for the adaptation of supervisory measures based on the risk profile of credit institutions.
- On-site continuous monitoring at relevant banks.
- Formalisation of supervisory conduct.
- Binding microprudential supervision to macroprudential supervision.

5.- Regarding the formalisation of supervisory conduct, the following key recommendations, among others, are made:

- It is proposed that, once the corresponding on-site supervisory action has been concluded, the inspection team, with the approval of the Head of Division, should deliver to the institution under inspection a summary document of the situations observed that require correction or that have been corrected during the inspection. Although the final document is the official letter of observations/requirements, approved by the Executive Commission, the aim is to anticipate situations so that corrective measures may be undertaken without delay.
- For on-site continuous monitoring, it is proposed that a summary Report on the work performed be drawn up half-yearly, including all the adjustments and shortcomings observed. On the basis of this Report, the related letter of requirements or observations will be proposed to the Executive Commission, and will include all the adjustments and shortcomings detected in the half-year period, including those already redressed.
- It is proposed that the information to the Executive Commission on the potential discrepancy between the inspection Report, on one hand, and the information and proposal to the Executive Commission, on the other, be included in a specific section of the Reports to which articles 17.1 and 18.2 of Internal Circular 7/2011 refer; that is to say, the Report to the Executive Commission by the Directorate General Banking Supervision and the Report by the Department for the Director-General of Banking Supervision.

Previously, in October 2011, the Banco de España had amended its procedures to ensure that any discrepancy was reported to senior line managers, and also to the Executive Commission. Greater formality is now given to this requirement.

- It is proposed strengthening planning procedures for inspections and the procedures for

monitoring compliance with letters of requirements and observations.

6.- The [Report's recommendations can be found on the Banco de España website](#).

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