



PRESS RELEASE

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Updating of Directorate General Banking Supervision procedures

At its sitting on Friday 20 September 2013, the Executive Commission of the Banco de España approved the new Internal Circular of Procedures applied in the Directorate General Banking Supervision (Internal Circular 2/2013), updating that currently in force (Internal Circular 7/2011). The new Circular has been drawn up on the basis of the review of supervisory procedures carried out by an In-House Committee chaired by the Council Member of the Banco de España, Mr Ángel Luis López Roa, in compliance with the provisions laid down in section 24 of the Memorandum of Understanding entered into by the Spanish and European authorities on 20 July 2012.

These procedures shall be mandatory in supervisory procedures undertaken from 2014; as far as possible, however, the Directorate General Banking Supervision will adopt them over the remainder of this year. Significantly, moreover, these procedures will have to be updated once more when the supervisory procedures of the Single Supervisory Mechanism (SSM), which are currently in the course of being devised, become known in detail.

The most relevant changes in the approved Internal Circular are as follows:

1 Formal documenting of on-site continuous monitoring and remote monitoring.

On-site and remote monitoring are to be formerly documented in a periodic report, similar to the inspection report, which will address the key aspects of the various notes made. The aim is that all supervisory procedures should result in letters of recommendation to or requirements of institutions, even if the institution has redressed the shortcomings detected by the inspection team.

In the case of institutions subject to on-site continuous monitoring, a letter communicating the start of such monitoring will be sent at the beginning of each year, a prior note shall be drafted with the scope of the work to be performed and the related mandates will be delivered to the inspection team, in a similar way as has been the case so far with inspection visits.

For institutions subject to remote monitoring, the start of such monitoring shall be communicated at the beginning of each year and the related prior note with the scope of the work to be performed shall be drafted. In this case there are no mandates, since the teams do not visit the institution.

2 Greater speed of supervisory procedures.

So that institutions should correct the shortcomings detected by inspection teams at the earliest possible opportunity, once the on-site work has been completed the person responsible for the inspection, following approval by the Head of Division, shall submit a summary letter of the situations observed (either whether they require correction or whether they have been corrected at the behest of the inspectors) in order to expedite compliance with the recommendations and requirements that will foreseeably be made by the Executive Commission.

3 Greater detail in regulating the procedure of verification of compliance with requirements letters.

The procedure for verifying compliance with the letters of requirements made of institutions has been regulated in greater detail. A six-month deadline has been set for the duration of extraordinary supervisory procedures, and a specific report at the end of these procedures along with periodic information from the Director General of Banking Supervision to the Executive Commission on the outcome of these procedures are both required.

4 Simplification of tasks and improved resource allocation.

The Departmental Report referred to in Article 17 of Internal Circular 7/2011 is eliminated since it merely reproduces the report to the Executive Commission and does not provide additional relevant information to the Director General.

In order to use more efficiently the resources available for non-deposit taking institutions and at those deposit-taking institutions where the volume of deposits raised on the retail market is not material, simplified remote monitoring is envisaged based on quarterly warnings, drawing on the information in the confidential returns and in the Central Credit Register. The aim here will be to detect potential future problems of liquidity, solvency and profitability.

5 Formal documenting of discrepancies in the opinion-forming process.

The discrepancies, if any, that might arise in the process of forming an opinion on the institution's situation (already envisaged in Circular 7/2011) will be detailed in a specific section of the report to the Executive Commission. To date, when these discrepancies arose, they were included in a separate report attached to the rest of the supervisory documentation.

6 Nature of the inspection reports and the monitoring notes.

The reports, as currently occurs, will always bear two signatures (that of the individual responsible for the work and that of the Head of Division responsible for supervising the institution). The other documents and drafts generated during the supervisory procedures (including the monitoring notes) are deemed working papers.

7 Annual review of the type of supervision to be applied to the various institutions the following year.

Each year, the supervisory framework will list the institutions to which each type of supervision will be applied over the following year: on-site continuous monitoring, remote monitoring and simplified remote monitoring.

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