



PRESS RELEASE

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The Banco de España approves the Circular on supervision and solvency of credit institutions

The Governing Council of the Banco de España has approved the Circular on supervision and solvency, which completes the adaptation of Spanish law to the European rules deriving from the Basel III Accord – following enactment of Law 10/2014 and its implementing legislation, Royal Decree 84/2015 – and repeals Banco de España Circular 3/2008 of 22 May 2008 to credit institutions on the determination and control of minimum own funds.

The international financial crisis prompted a radical change in financial regulation, the chief exponent of which was the “Global regulatory framework for more resilient banks and banking systems” (Basel III), which was incorporated into European Union legislation through two fundamental regulations: Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Their transposition into Spanish law is now complete.

The circular regulates the regime governing branches and the free provision of services in Spain by credit institutions with headquarters in non-European Union countries, it establishes one of the regulatory options envisaged in Regulation (EU) No 575/2013 – regarding the possibility of exposures to certain public sector entities being assigned the same risk weighting as the government of which they form part – and it comprehensively sets out the capital buffer requirements. The circular also includes various provisions on the internal organisation and remuneration policy of credit institutions, the internal capital adequacy assessment process to be implemented by institutions, and the supervisory review process to be conducted by the competent authority. Lastly, it also includes a number of specific details on the treatment of certain types of risk and on certain aspects of the supplementary supervision arrangements for financial conglomerates, together with transparency rules for credit institutions and their reporting obligations with the Banco de España.

The new circular, which has been published today in the Official State Gazette (BOE), comes into force on the day following publication.

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