



PRESS RELEASE

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Banco de España approves amendment to the accounting circular for credit institutions to adapt it to European accounting legislation on leases

The Governing Council of the Banco de España has approved the circular amending Circular 4/2017 in order to keep the accounting regime for Spanish credit institutions in line with the European accounting framework formed by the International Financial Reporting Standards adopted in the European Union (EU IFRSs), particularly IFRS 16 on leases.

The main new development is the suppression of the distinction between financial and operating leases for lessees. Under the new rules, the number of contracts that lessees have to record in the balance sheet increases (recognising an asset for the right to use the leased asset and a lease liability for the payment commitments). Only short-term leases or leases of low-value assets may be recorded by the lessee as an expense over the life of the lease.

Additionally, the new circular introduces minor improvements and clarifications into Circular 1/2013 of the Central Credit Register.

The new circular, which has been published today in the Official State Gazette, will come into force on 1 January 2019.