

Communication Department

PRESS RELEASE

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The Banco de España makes two sets of amendments to Circular 4/2017 to credit institutions on financial reporting rules

The Governing Council of the Banco de España has approved two sets of amendments to Circular 4/2017 to credit institutions on public and confidential financial reporting rules. First, [Circular 3/2020](#), introducing changes as regards the credit-risk classification of forborne exposures, has been approved. Second, [Circular 2/2020](#) has been approved; this Circular increases the reporting requirements of banks in respect of non-performing and forborne exposures and foreclosed collateral, supplements the information on operating and administrative expenses, and incorporates minor changes to the data to be reported on leases as a result of the entry into force of International Financial Reporting Standard (IFRS) 16 Leases.

Against the current economic background of the COVID-19 health crisis, banking regulators and supervisors worldwide have recommended that appropriate use be made of the implicit flexibility of the regulatory framework, without detriment to the proper identification and coverage of credit risk.

In step with these recommendations, the new Circular 3/2020 is intended to prevent automaticity and allow greater flexibility in applying expert judgement for the credit-risk classification of forborne exposures. Specifically, the new Circular allows rebuttal of the presumption hitherto in place that the granting of these loans would always result in a significant increase in credit risk. Henceforth, banks may rebut this presumption and classify these loans as performing, if they consider that there has been no significant increase in credit risk, notwithstanding the requirement that they be identified as forborne exposures for their proper monitoring and risk management.

The fundamental aim of the new Circular 2/2020 is to incorporate the changes relating to the reporting requirements applicable to credit institutions, which were introduced by Commission Implementing Regulation (EU) 2020/429 and Regulation (EU) 2020/605 of the European Central Bank.

In order to comply with the Recommendation of the European Systemic Risk Board on closing real estate data gaps, it introduces changes to the information required of credit institutions on (commercial and residential) real estate loans. Moreover, with a view to enhancing transparency, the dissemination of public financial statements is conferred on the Banco de España, although they may also be released

by associations of credit institutions, as has been the case until now. The Banco de España will begin to circulate information on public financial statements of credit institutions relating to 2020 Q2.


Lastly, the Circular incorporates the latest developments in IFRSs and other standards adopted or approved by the European Union (notably the new definition of a business under IFRS 3), simplifies some of the reporting requirements for credit institutions and updates the information required in the different financial statements.

The two circulars, published today in the Official State Gazette, will enter into force tomorrow.

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