3 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA

3 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA

3.1 International fora

In 2013 the Banco de España played again a highly active role in the work of the various international committees in the areas of supervision, prudential regulation and financial stability.

These committees, although continuing to work on the design of international financial regulation, also focussed their attention on consistent and timely implementation of the new rules in the legal frameworks of each country, so as to avoid regulatory inequalities which could affect the overall effectiveness of the agreed measures.

In the global arena, the Financial Stability Board (FSB) has become increasingly important in the design of prudential legislation, leading numerous regulatory initiatives in coordination with other international committees. As a result, in January 2013 the FSB was endowed with a legal personality and with greater capacity and resources. Notable in 2013 was the considerable progress in the project on the treatment of systemically important institutions (too-big-to-fail). Work was also done to further reinforce the monitoring and regulation of so-called "shadow banking", the monitoring of implementation of remuneration reforms and the reduction of reliance on external credit ratings.

The work of the Basel Committee on Banking Supervision (BCBS) continued to focus on the regulatory framework and on ensuring consistent implementation of Basel III in the various jurisdictions. In 2013 the Basel Committee published an important document setting out a critical analysis of the current regulatory framework and identifying the potential areas where the balance between simplicity, comparability and risk sensitivity can be improved. Additionally, work was completed on the design of the leverage ratio and of the liquidity coverage ratio (LCR) and progress was made on revising the design of the net stable funding ratio (NSFR).

In the European Union, the European Banking Authority (EBA) continued its intense regulatory activity initiated in 2012, centred mainly on drafting numerous technical standards required under the new capital adequacy legislation (CRR and CRDIV). In the supervisory arena, it continued monitoring the activity of the various colleges of supervisors in which it participates actively, promoting best practices and working to ensure that they function effectively, efficiently and consistently. Further, the creation of the Single Supervisory Mechanism brought a series of changes in the EBA: it was assigned new functions, such as the preparation of a supervision manual for the whole of the EU, while other functions, such as those relating to colleges of supervisors and stress testing, were strengthened.

3.1.1 WORK OF THE FINANCIAL STABILITY BOARD (FSB)

The FSB has a mandate from the G20 to promote and preserve global financial stability. To this end, among other activities, it coordinates the work of national financial authorities and of international standard-setting committees and bodies in order to develop and promote effective regulatory and supervisory policies in the global financial system. As well as analysing the main vulnerabilities of the financial system in coordination with the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), and collaborating in early-warning exercises to foment the adoption of early action, the FSB has since its creation in 2009 taken a leadership role in designing and coordinating the reform of international financial regulations undertaken in response to the crisis that broke out in 2007-2008. It has responsibility for overseeing the consistent implementation of the reforms proposed in the various jurisdictions.

ACTIVITY OF SUPERVISORY COMMITTEES IN 2013 — TABLE 3.1

	Meetings (a)	Groups as of 31.12.2013 (b)
European Systemic Risk Board (ESRB)	29	12
European Banking Authority (EBA)	196	48
General Board	9	1
Management Board (c)	7	1
Standing Committee on Accounting, Reporting and Auditing (SCARA)	22	7
Standing Committee on Consumer Protection and Financial Innovation (SCConFin)	18	3
Standing Committee on Oversight and Practices (SCOP)	26	6
Standing Committee on Regulation and Policy (SCRePol)	93	18
Other	21	12
Groups of the Joint Committee of the European Supervisory Authorities (d)	17	6
Financial Stability Committee (FSC)	2	4
Financial Stability Board (FSB)	26	12
Basel Committee on Banking Supervision (BCBS)	86	35
BCBS	4	1
Accounting Experts Group (AEG) (e)	7	2
Policy Development Group (PDG)	49	18
Supervision and Implementation Group (SIG) (f)	16	10
Other	10	4
Joint Forum	9	3
Association of Supervisors of Banks of the Americas (ASBA)	5	1
Senior Supervisors Group (SSG)	7	1
TOTAL	**377**	**131**

SOURCE: Banco de España.

a The number of meetings includes conference calls by the committees and the permanent groups reporting to them ("level 2 groups").
b Sum of the committees and the groups reporting to them in which the Banco de España participates.
c Fernando Vargas has been one of the members of the EBA Management Board since June 2012.
d Joint groups of the three Supervisory Authorities (Banking, Insurance and Occupational Pensions, Securities and Markets).
e Up to July 2013: Accounting Task Force (ATF).
f Up to March 2013: Standards Implementation Group.

In 2013 the FSB promoted major steps forward to complete the regulatory agenda in response to the crisis. Along with Basel III, the project on the treatment of systemically important financial institutions (SIFIs) is vital to this regulatory reform. This project, also known as "too-big-to-fail", sets additional prudential and supervisory requirements for financial institutions identified as systemically important to reduce the likelihood of them failing and, in particular, to ensure that, if they do come close to failing, they can be subjected to an internal resolution process which prevents State injections of public funds into them and shocks to the financial system.

In November 2013, as it has done each year since 2011, the FSB published an updated list of global systemically important banks (G-SIBs) indicating the capital surcharge corresponding to each on the basis of its systemicity. In 2013 the FSB extended the scope of its work under this project beyond the banking sector. Specifically, the FSB published for the first time a list of global systemically important insurers (G-SIIs) and worked together with IOSCO (International Organisation of Securities Commissions) to promote a methodology for identifying non-bank and non-insurer financial institutions with global systemic importance. Among these entities, it has been assessing the systemicity of large finance companies, broker-dealers, investment firms, etc. not consolidated in global systemically important banking or insurance groups.

Noteworthy within this project is the headway made in the resolution of financial institutions. The “Key Attributes of Effective Resolution Regimes for Financial Institutions” published by the FSB in 2011 are the keystone of, for example, the EU’s bank resolution directive. To flesh out its Key Attributes, in 2013 the FSB prepared various guidelines (on matters such as the possible resolution strategies to be adopted by systemically important groups or the identification of critical functions of these groups, the continuity of which should be ensured in the event of resolution), specific sectoral annexes for insurers and infrastructures, and a methodology for assessing implementation of the Key Attributes in the various jurisdictions (so that such implementation can be assessed by the IMF or the World Bank in their periodic examinations of countries’ financial systems).

As a result of the G20 Leaders Summit in Saint Petersburg, the FSB published, among other documents, a detailed description and assessment of the progress made and matters yet to be developed, by way of ending the too-big-to-fail project. In September the FSB gave a commitment to the G20 to develop a proposal in 2014 on the additional loss absorbing capacity which systemically important institutions should have in resolution so that authorities do not have to inject public funds. This is the so-called GLAC (gone-concern loss absorbing capacity) project.

Other projects in which the FSB made notable headway in 2013 were those relating to the monitoring and, where appropriate, regulation of so-called “shadow banking” and to the reduction of inter-connectedness of financial institutions through extensive reform of the OTC derivatives markets.

The FSB also worked in other areas such as the enhanced transparency of institutions’ risk disclosures, the work needed to avoid reliance on external credit ratings, the remuneration policies of financial institutions and the monitoring of revision of benchmark interest rates.

Through its Standards Implementation Committee, and in coordination with other international committees, the FSB promotes exhaustive monitoring of implementation of agreed reforms. It carries out two types of review, namely progress reports and peer reviews, which are related to each other and complementary. The former are prepared on regulatory reform areas identified as priority (those published in 2013 relate to implementation of OTC derivative market reforms, remuneration practices, improvements in disclosure, etc.) and the latter are either thematic (cross-country) reviews or country reviews. In 2013 thematic peer reviews were published on risk governance, resolution regimes and reducing reliance on credit rating agency ratings, while country peer reviews were issued on the financial systems of South Africa, the United Kingdom and the United States.

Lastly, in view of the broad mandate granted by the G20 to the FSB and its considerable work load, the FSB’s governance was revised to ensure it has the appropriate levels of resources and autonomy, while maintaining its close links with the BIS in Basel. In this revision, the FSB was endowed with a legal personality, being transformed from a mere international committee into an “association” under Swiss law, although it continues to be financed by the BIS and headquartered in Basel. To extend the scope and legitimacy of its actions in other countries, in 2013 it continued to strengthen its interaction with non-member jurisdictions through so-called “regional consultative groups”.

3.1.2 WORK OF THE BASEL COMMITTEE ON BANKING SUPERVISION (BCBS)

In 2013 the Banco de España continued to be closely involved in the work of the Basel Committee on Banking Supervision (BCBS). This work continues to address the weaknesses in prudential banking regulation highlighted during the crisis and focuses on reinforcing the regulatory framework and ensuring its consistent implementation. In addition, the Committee is enhancing the transparency of its functioning and work programmes. Evidence of this is the publication of its Charter, which establish its basic functioning.

The Committee's work gave priority to completing the Basel III framework, with a focus on concluding the design of the two new regulatory tools, i.e. a leverage ratio and two liquidity ratios, now undergoing an observation period. As regards the leverage ratio, the treatment of some exposures (OTC derivatives, securities transactions and off-balance-sheet operations) was revised and formats were designed to ensure uniformity in the market disclosures which will become compulsory from 2015. The short-term liquidity ratio was revised in January, the main changes being as follows: (i) broadening of the liquid asset base (addition of a new category), and (ii) modification of the implementation timetable, moving towards a gradual approach starting at 2015, with an initial ratio of 60% and 10% increments each year until 2019, when it will come fully into force. Also, the market disclosure framework for this ratio was defined and liquidity indicators based on market data were set. The design of the long-term liquidity ratio was revised and a consultative document published in January 2014. The purpose of the revision was to reduce sharp changes in long-term financing, align it better with the short-term liquidity ratio and change its calibration, paying closer attention to short-term sources of financing, which are potentially more volatile.

Also, the Committee worked in other areas of prudential regulation:

- In 2012 a Task Force was set up to analyse the current regulatory framework and assess whether a suitable balance had been achieved between risk sensitivity, simplicity and comparability. In July 2013 the initial conclusions of the analysis were published. They found that it was important for regulation to be risk sensitive, but that it was also necessary to have a simple and comparable framework across institutions. Achieving this balance is one of the objectives set by the Committee. The work done by this Task Force will foreseeably mark the Committee's strategy in the coming years.

- Principles for risk data aggregation were published, since the crisis made it apparent that many banks were unable to aggregate suitably their risks and properly identify risk concentrations. For the time being these principles are addressed to systemically important institutions.

- Considerable progress has been made in revising the recommendations for treatment of large risks. In March a consultative document was published which defines a large exposure, sets an overall limit of 25% (of CET1 or Tier 1, yet to be determined) and sets a stricter limit for systemically important institutions (pending final decision, but between 10% and 15%). The final proposal was published in April 2014 and specifies that the overall limit will be based on Tier 1 and that the specific limit will be 15%.

- Work proceeded on revision of the treatment of trading book exposures with the publication of a new consultative document which reviews the frontier between the trading book and the banking book, aligns the standardised approach and the internal models approach, and requires institutions applying internal models to calculate their requirements using the standardised method and disclose the results.

– Also published were consultative documents on: revision of the treatment of securitisations (changing the order of application of the methods used to calculate capital requirements, revising the calibration and setting a single floor of 15%); revision of the treatment of exposures to central counterparty clearing houses; and the new method for calculating capital requirements for counterparty risk not based on internal models, known as the non-internal model method.

– Lastly, the work on the setting of margin requirements for derivatives transactions was completed; the rules for calculating the capital requirements associated with investments in funds were tightened; and work commenced in two new areas: a comprehensive revision of the standardised method and the treatment of interest rate risk in the banking book.

The Committee continued to put special emphasis on the importance of consistent implementation of its measures. In this respect, it continued to analyse the effective and consistent transposition of Basel III in the various jurisdictions, examine possible deviations and review the practical application of specific items. This exercise is known as RCAP (Regulatory Consistency Assessment Programme). In 2013 the Committee analysed transposition of the Basel framework in Singapore, Switzerland, China and Brazil. Regarding the review of specific items, the Committee published the findings of analyses of the risk weighted assets outcomes for banks that have adopted internal models, which show a high level of dispersion.

3.2 European fora

3.2.1 WORK OF THE EUROPEAN BANKING AUTHORITY (EBA)

In its third year of operations the EBA engaged in intense regulatory work on the Single Rulebook for all European Union countries (see Box 3.3 of the 2012 *Report on Banking Supervision in Spain).* In 2013 the Board of Supervisors of the EBA, which is the main decision-making body of the Authority, approved a large number of regulatory products, specifically: 23 binding technical standards (13 implementing technical standards and 17 regulatory technical standards), 18 consultative papers and 4 recommendations. Notable among the technical standards were those relating to own funds, remittance of supervisory reporting, credit risk, market risk, liquidity risk, remuneration policies and home-host relationships.

The recommendations issued by the EBA refer to the supervisory review of activities relating to bank participation on the Euribor panel, the development of recovery plans and the assets quality review. Deserving a separate mention is the recommendation on the preservation of capital published in July 2013. The recommendation, which replaced a previous one dating from December 2011, seeks to ensure that the institutions affected maintain at all times the amount of capital required to them by the 2011 recommendation. That is to say, a nominal floor or fixed amount of capital is required, unlike under the previous recommendation which required sufficient high-quality capital to meet a ratio of 9% plus an additional buffer to cover sovereign risk. National supervisors may exempt institutions from having to comply with the recommendation if they meet the final capital requirements set in the Directive and Regulation (CRR, CRDIV) or if they are subject to a restructuring plan or specific “de-risking” programme.

The draft Bank Recovery and Resolution Directive adopted the G-20's suggestions for strengthening cross-border convergence and cooperation in the area of bank recovery and resolution, entrusting the EBA with drafting various technical standards specifically focussing on bank recovery. For this purpose, in 2013 the EBA stepped up its activity in this area, working in anticipation of the final text of the Directive and drawing up the draft technical standards assigned so far along with certain consultative documents. In the field of home-host cooperation and supervision of cross-border banking groups, the EBA completed and delivered to the Commission 5 technical standards contributing to the Single Rulebook for supervisory cooperation, including most notably those relating to joint decisions on capital and liquidity and to passport notifications allowing credit institutions of Member States to operate in other EU countries under the freedom to provide services. Further, in 2013 the EBA made considerable headway in the principles which will govern the next European framework for the Capital Revision Process.

In July 2013 the EBA launched jointly with the Commission a question and answer system (Single Rulebook Q&A process) with a view to ensuring that the new regulatory framework is consistently and effectively applied in the Single Market and to contributing to the creation of the Single Rulebook in banking. The tool provides a one-stop interface for national supervisory authorities, institutions and their associations, and other stakeholders so that they can send their questions about the practical implementation of the Capital Requirements Directive and Regulation, the related technical standards and EBA guidelines.

Lastly in the regulatory arena, the EBA participated in the work of the Basel Committee as an observer. At the end of 2013, the European revision of the implementation of Basel III was commenced as part of the aforementioned RCAP being carried out by the Basel Committee, with the Commission representing the European Union in this revision exercise. The EBA is supporting the Commission, particularly as regards the more technical aspects of regulation and quantitative assessment of the regulatory framework.

In the supervisory area, the EBA remained very active in fostering convergence and cooperation. Colleges of supervisors continue to be essential for the supervision of cross-border banking groups and the EBA has been closely involved in monitoring their activities, while working to ensure that they function effectively, efficiently and consistently. It has played an active role in the 43 colleges of supervisors subject to special surveillance because of their size and extensive presence in the Internal Market, participating both in meetings and in other organised activities. Regarding supervisory cooperation in management of the crisis, the EBA also extended its activities, participating in nearly all meetings of the crisis management groups of the larger European banks. Also, it verified that the colleges discussed the recovery plans of the 39 cross-border groups to which the EBA addressed its recommendation on recovery plans.

As regards risk and vulnerability monitoring, work proceeded on the development of the infrastructure needed to accommodate regulatory reporting data submitted regularly, as well as other data needed to prepare the numerous regular reports made by the EBA and the ad hoc analyses requested by the Board of Supervisors, the ESRB, the Commission, the Council and Parliament. From the data provided quarterly by 55 European Economic Area banking groups, the EBA prepares a risk dashboard summarising conditions in the European banking sector. Although these data were used only internally in 2012 and 2013, a quarterly report first published by the EBA in the last quarter of 2013 includes a risk dashboard with aggregate data. Also published is a half-yearly report on risks and vulnerabilities in the European banking sector.

CHANGES IN THE EBA AS A RESULT OF THE ENTRY INTO FORCE OF THE SINGLE SUPERVISORY MECHANISM

BOX 3.1

On 1 January 2011 the European System of Financial Supervision (ESFS) came into operation. It has a macroprudential pillar – for which the European Systemic Risk Board (ESRB) was created – and a microprudential structure consisting of the national supervisors and three newly created European supervisory authorities for, respectively, insurance, securities markets and banking, the latter known as the European Banking Authority (EBA). At that time it was envisaged that every three years from January 2014 the European Commission was to prepare a report suggesting possible ways of improving the functioning of the ESFS.

Also, October 2013 saw the adoption of the regulation establishing the Single Supervisory Mechanism (SSM), which will start operating in November 2014. With the creation of the SSM, the ECB became a new supervisory authority, taking on the direct and indirect supervision of the credit institutions of all euro area countries and of other EU countries which apply for membership.

This box sets out some thoughts on the future role of the European Banking Authority (EBA) against the backdrop of this three-yearly review and the establishment of the SSM.

First, it should be pointed out that the only change in the structure of the EBA in its first three years of operation was due precisely to the creation of the SSM which, as is well known, arose as part of the project to set up a European Banking Union. The creation of the SSM, far from eroding the functions of the EBA, brought the assignment of new tasks and the extension of existing ones, such as for example the power to initiate, jointly with the ESRB, yearly Europe-wide stress tests. These changes are intended to set in place common regulation and supervisory practices throughout the European Union (EU-28), rather than just in the SSM countries. Indeed, the change in the EBA's voting systems (a minimum agreement both among the SSM countries and among the non-SSM countries is now necessary) ensures a Europe-wide harmonisation for all countries.

As regards revision of the functioning of the EBA, an examination of the recently approved changes give some clues as to what the future EBA will look like.

– The EBA will retain, and foreseeably extend, its role as the main body responsible for developing the single rule book (for more details, see Box 3.3 of the 2012 *Report on Banking Supervision in Spain).* In this respect it should be noted that technical regulations are increasingly being entrusted to the EBA by European co-legislators (Council and Parliament), not only in its natural field of activity (regulation and prudential supervision), but also in new respects such as credit institution resolution and market infrastructure.

– Regarding eminently supervisory matters, it is considered that the EBA will act as a "guardian" of the convergence of best supervisory practices, focusing on methodological development of a technical nature, rather than on carrying out supervisory tasks. The development of a Supervisory Handbook and of revamped guides on the supervisory review and evaluation process may be the keystone which complements the legislative work. The reinforcement of the EBA's role in the functioning of colleges of supervisors, where it promotes, for example, the performance of inspections conducted jointly by various national authorities (in which the EBA could participate) clearly indicates this desire for supervisory convergence in the EU-28.

– In its other tasks, the EBA will foreseeably involve itself more in the resolution of conflicts, whether by monitoring possible non-compliances with European regulations or by helping to settle disagreements in matters of cross-border supervision. The growing number of joint decisions which have to be made by the European supervisors involved in the supervision of banking groups with a presence in various EU countries helps to explain the significant role assigned to the EBA in colleges of supervisors. These joint decisions began with cooperation in validating internal models and subsequently spread to matters relating to capital and liquidity analysis, and in the future they will extend to other areas such as the review of recovery plans.

Lastly, it should be noted that, whatever changes are made to the functioning of the EBA, their underlying rationale should be to properly align the powers assigned to the EBA with those responsibilities that it may be called on to assume.

In 2013 the EBA also worked on a number of tasks aimed at protecting consumers and monitoring the risks resulting from financial innovation. Regarding customer protection, the EBA focussed on mortgages, about which it published two opinions, one on good practices for responsible mortgage lending and the other on the treatment of borrowers in mortgage payment difficulties. The EBA also published a consultative paper with a draft technical standard on the minimum monetary amount of the professional indemnity insurance or comparable guarantee for mortgage credit intermediaries. Further, the EBA issued two warnings, one on the risks deriving from buying, holding and trading virtual currencies such as bitcoins, while the other, issued jointly with the ESMA, was to retail investors on the dangers of investing in contracts for differences.

Finally, as a result of the entry into force of the Single Supervisory Mechanism (SSM), the forms of voting in the EBA were changed and it was assigned new functions and others were strengthened (see Box 3.1 for more information).

3.2.2 WORK OF THE EUROPEAN SYSTEMIC RISK BOARD (ESRB)

The main objective of the ESRB is to prevent or mitigate systemic risks that may affect the financial system of the EU. Its functions include most notably collecting information on the EU financial system, identifying and prioritising potential systemic risks, issuing warnings and recommendations, and monitoring compliance with those recommendations.

As part of its systemic risk monitoring tasks, in 2013 the ESRB continued its work on identifying risks and vulnerabilities in the financial system. Some of this work is incorporated, for example, into the Risk Dashboard, a quarterly publication of the RSRB which compiles quantitative indicators of different areas of financial stability, such as, for example, interconnectedness, credit risk and liquidity risk. Moreover, this work allows the collection of standardised information on a number of indicators for EU countries.

In addition, the ESRB made three recommendations in 2013. The first was a recommendation on money market funds (MMFs). Given the potential systemic risks deriving from MMFs, the ESRB recommended compulsory conversion to variable net asset value funds and suggested measures in relation to liquidity, disclosure to the public and exchange of information. Second, the ESRB made a recommendation on credit institution funding which includes measures relating to the monitoring and assessment of funding risks, to the monitoring and management of risks deriving from asset encumbrance and to transparency requirements. Finally, with regard to macroeconomic policy, the ESRB made a recommendation on intermediate objectives and instruments of macro-prudential policy. This recommendation organises conceptually a list of possible macro-prudential instruments according to five intermediate objectives: i) mitigate and prevent excessive credit growth and leverage; ii) mitigate and prevent excessive maturity mismatch and market illiquidity; iii) limit direct and indirect exposure concentrations; iv) limit the systemic impact of misaligned incentives with a view to reducing moral hazard; and v) strengthen the resilience of financial infrastructures. In the same document, the ESRB also recommends the EU macro-prudential authorities to define a policy strategy that makes for proper implementation of macro-prudential instruments and allows for periodic review of the recommended intermediate objectives and the available instruments.

Also within the area of macro-prudential policy, in 2013 the ESRB progressed in operationalising the macro-prudential instruments contained in the CRDIV/CRR. This task has been addressed by setting up working groups entrusted with analysing the various types of instruments included in European prudential banking legislation. The general strategy has been, first, to analyse the conceptual and legal framework of these instruments and, second, to undertake empirical work on possible indicators and policy rules to guide the use of the instruments under a “guided discretion” approach. This guided discretion approach combines the use of quantitative indicators, qualitative information and expert judgement for the purpose of taking decisions on macro-prudential instruments, such as, for example, on their activation and de-activation.

In its analysis work, the ESRB also participated in the economic valuation of the package of measures undertaken by the European Insurance and Occupational Pensions Authority (EIOPA) within the development of the new Solvency II prudential framework, and supported the main conclusions reached. Other areas of analysis in which the ESRB worked include the systemic risks in connection with central counterparties (CCPs), risks arising from interconnectedness in the financial system and the possible consequences of the Single Supervisory Mechanism (SSM) on the European macro-prudential policy framework. To all this must be added the ESRB's analysis work done in response to various enquiries on prudential matters. Finally, the ESRB started analysing two structural matters made apparent by the recent financial crisis: the size of the financial system in relative terms compared with the economy and the concentration of losses in certain segments.

Part of the technical analysis conducted by the ESRB is disseminated in various regular publications, such as Macroprudential Commentaries, ESRB Staff Notes and the Occasional Papers series. In 2013 the subjects addressed included, among others, contagion risk in the credit default swaps (CDS) market, systemic risk in US dollar financing and the standardisation of Pillar 3 reporting requirements.

Noteworthy in the ESRB's activities in 2013 was the contribution by a high-level group comprising three members of the ESRB Steering Committee to the "Review of the ESRB" envisaged for 2013 in the regulation which gave rise to the ESRB. Although not suggesting basic changes in legislation, it supports the idea of making the ESRB's mandate more specific so as to focus on medium- and long-term threats to financial stability and vulnerabilities throughout the financial sector. It is argued that this will serve to delimit the ESRB's mandate with respect to that of other institutions, particularly the Single Supervisory Mechanism.

Finally, as regards processes, the ESRB continued working to improve the coordination of macro-prudential decision-making and published a manual explaining the process by which its recommendations are monitored. With regard to the monitoring of measures, the ESRB published a Monitoring Report on the 2011 Recommendation on lending in foreign currencies (Recommendation ESRB/2011/1). This report assesses the progress made in implementing the ESRB's recommendations, thereby closing the circle of "risk identification", "recommendation of policy measures" and "monitoring of implementation of the recommendation".

3.3 Work carried out jointly by banking, securities and insurance authorities

In the inter-sectoral arena, the Banco de España continued working at global level in the Joint Forum, and at European level in projects of the supervisory authorities in banking (EBA), securities (ESMA) and insurance (EIOPA) through their Joint Committee.

In the global inter-sectoral framework, the Banco de España participated in the work of the Joint Forum, an international group that draws together banking, securities and insurance supervisors and of which it has been an official member since 2012. In addition to pursuing further the work on various matters relating to review of the principles of supervision of financial conglomerates, the Joint Forum published recommendations on financial system weaknesses which were evidenced by the crisis or are now beginning to emerge. Notable among the former are the recommendations on the insurance contracts concluded by insurers with banks and other entities covering the credit risk associated with mortgages originated by them (mortgage insurance) and the consultative document on the minimum information which institutions must provide to investors at the point of sale of certain financial products (point of sale disclosure). The latter recommendations include most notably the analysis and recommendations published on longevity risk transfer markets. This risk is transferred from insurers and pension funds to other parts of the financial sector and is beginning to grow considerably in advanced countries.

In the European arena, the Joint Committee began to operate in 2011, taking on the task of inter-sectoral coordination to ensure the consistency of supervisory and regulatory practices. Its work is carried out basically through four sub-committees, the Banco de España being a member of those on financial conglomerates, anti-money laundering and analysis of inter-sectoral risk. The latter sub-committee drafts a half-yearly report on risks and vulnerabilities of the EU financial system which is submitted to the Financial Stability Table and to the Economic and Financial Committee (a Council group reporting directly to ECOFIN).

Also, the Banco de España participates in the Senior Supervisors Group, which basically consists of banking supervisors and some securities supervisors from the countries where the most systemically important banks are headquartered. It is a forum basically for the exchange of supervisory experiences, analysing from a practical standpoint those issues considered to be important. In 2013 work focused on: counterparty risk associated with derivatives, since this is an indicator of the interconnectedness of large entities, which are the only players in these markets; corporate governance issues, particularly as regards the interaction of supervisors with corporate senior management; IT security; and collateral management.

3.4 Other regional fora

3.4.1 WORK OF THE ASSOCIATION OF SUPERVISORS OF BANKS OF THE AMERICAS (ASBA)

The ASBA is a high-level forum in which the heads of the banking supervision and regulation bodies of 35 countries of the Americas are represented. Its main aims are to develop and promote banking supervision practices in line with international standards and to support the development of banking supervision skills and resources through the organisation of training courses and the coordination of technical cooperation services.

The Banco de España has been a collaborator member of the ASBA since its creation, and since 2006 it has been the only non-regional associate member, participating actively in the governing bodies of the Association, in its working groups and training plans.

The Banco de España continued to support Latin American supervisors both within the framework of the ASBA and bilaterally. In 2013 the Banco de España participated actively in ASBA working groups on matters relating to stress testing, liquidity and corporate governance. It also made significant efforts in the area of supervisor training through seminars in the region and in Spain.