

## 2 PRUDENTIAL SUPERVISION OF CREDIT INSTITUTIONS



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### 2.1 Introduction

In 2014 the Banco de España continued to fully exercise its supervisory functions until the start-up of the SSM on 4 November 2014.

During the remainder of the year, in addition to continuing to exercise the direct supervision of less significant institutions, the Banco de España concluded the supervisory actions that were ongoing on 4 November which, according to the arrangements for the start-up of the SSM, were to be completed by each national authority.

The following sections in this chapter refer, first, to the supervision of credit institutions in 2014, indicating the institutions subject to supervision and the actions taken in the year, together with details of the requirement and observation letters sent to institutions as a result of those actions. The following section refers to the authorisations and procedures settled in 2014 and the last section to the procedures followed in exercise of the sanctioning power.

### 2.2 Supervisory activity: inspections and monitoring

Table 2.1 shows the credit institutions operating in Spain at 31.12.2014, with a breakdown between significant and less significant institutions for the purposes of the SSM.

A further 171 other institutions were subject to supervision by the Banco de España.

In 2014 a total of 240 supervisory actions consisting of on-site inspections and continuous monitoring of credit institutions were taken, 61 of which were ongoing or outstanding at 31 December (see Table 2.2).

In addition, a further 497 steps were taken including, inter alia, periodic general monitoring, review of audit reports and yearly review of internal capital adequacy assessment reports.

Following the supervisory actions, 68 letters were sent to credit institutions containing 135 requirements. The main requirements and recommendations – 59% of the total – related to credit risk and internal management and control policies (see Tables 2.3 and 2.4).

The supervisory activity mentioned includes 29 actions taken in the framework of the comprehensive assessment of significant institutions in the euro area prior to the start-up of the SSM. In the domestic sphere, this assessment consisted of an asset quality review and a stress test of a sample of 15 groups making up 90% of the assets of Spanish deposit institutions. This exercise was coordinated by the ECB and conducted in close cooperation with the Banco de España. Of the Spanish institutions assessed, 14 passed comfortably and only one, Liberbank, with 7.8% of common equity Tier 1 capital (CET1), failed to reach the hurdle rate of 8% set for the comprehensive assessment and the stress test baseline scenario. However, before end-2014 Liberbank made a capital increase that allowed it to cover the shortfall comfortably.

The Banco de España has continued to cooperate with other supervisors, both within and beyond the European Union, in the ambit of the colleges of supervisors of banking groups with international activity. In 2014 the Banco de España organised meetings for three supervisory colleges, as the supervisory authority of the parent institution, and participated,

## SUPERVISED SPANISH INSTITUTIONS

TABLE 2.1

Number	Significant institutions of the SSM	Less significant institutions of the SSM	Total registered institutions (a)
Credit institutions	64	76	140
Commercial banks	45	25	70
Savings banks (b)	—	5	5
Credit cooperatives	19	46	65

SOURCE: Banco de España.

**a** Also operating in Spain are the ICO, which has credit institution status, and 86 foreign institutions through a permanent establishment (branch), of which: 7 are from third countries, 11 from EU countries not in the SSM and 68 EU countries in the SSM. The institutions in the second group have the status of "less significant institutions" of the SSM.

**b** Including 3 savings banks in the process of transformation into banking foundations.

## ON-SITE SUPERVISORY ACTIVITY AT CREDIT INSTITUTIONS. ACTIONS

TABLE 2.2

Number	Credit Institutions	2011	2012	2013	2014 (a)
Banks		163	250	280	222
Savings banks		13	9	116	—
Credit cooperatives		23	34	21	17
Foreign branches		—	2	—	1
Specialised lending institutions		5	6	29	(b)
<b>TOTAL</b>		<b>204</b>	<b>301</b>	<b>446</b>	<b>240</b>

SOURCE: Banco de España.

**a** Of these actions, 61 were under way at year-end: 56 were at banks, 4 at credit cooperatives and 1 at a foreign branch.

**b** In 2011, 2012 and 2013, SLIs had credit institution status. The entry in force on 1 January 2014 of Royal Decree-Law 14/2013 of 29 November 2013 abolished this status. The 2014 figures for SLIs are in Table 3.1.

as the host supervisory authority, in eight colleges of banking groups with foreign parent institutions. All this, in addition to the usual bilateral contacts with the supervisory authorities of other countries.

Likewise, within the resolution framework for global systematically important financial institutions (G-SIFIs) proposed by the Financial Stability Board (FSB), progress continued in the planning work of the Crisis Management Groups (CMGs), with two meetings held in the year.

In 2014 the Banco de España took two measures relating to intervention and replacement of directors. First, on 14 January 2014, it resolved to temporarily replace the board of directors of Caja Rural de Mota del Cuervo, SCLCA and appointed the FROB provisional administrator. This temporary replacement measure was lifted on 28 March in light of the approval of the Resolution Plan for Caja Rural de Mota del Cuervo which included merger by acquisition of the latter with Caja Rural de Albacete, Ciudad Real y Cuenca (Globalcaja). Second, on 17 January 2014, the Banco de España resolved to temporarily replace the board of directors of NCG Banco, S.A. and appointed the FROB provisional administrator.

## SUPERVISORY ACTIVITY. LETTERS TO CREDIT INSTITUTIONS

TABLE 2.3

Number	Credit institutions	2011	2012	2013	2014
Banks		10	14	26	47
Savings banks		—	5	2	—
Credit cooperatives		8	13	12	21
Foreign branches		—	5	—	—
Specialised lending institutions		1	—	1	(a)
<b>TOTAL</b>		<b>19</b>	<b>37</b>	<b>41</b>	<b>68</b>

SOURCE: Banco de España.

a In 2011, 2012 and 2013, SLIs had credit institution status. The entry in force on 1 January 2014 of Royal Decree-Law 14/2013 of 29 November 2013 abolished this status. The 2014 figures for SLIs are in Table 3.2.

## SUBJECT MATTER OF LETTERS SENT TO SUPERVISED INSTITUTIONS

TABLE 2.4

Number	2011	2012	2013	2014	
				Credit institutions	Other institutions
Credit risk	31	54	62	44	3
Accounting for credit risk, borrower weakness and higher coverage requirements	14	27	31	25	3
Quality of credit risk controls (origination, monitoring and other procedures)	17	27	31	19	—
Management and internal control	21	27	28	35	4
Management and internal control in general	16	22	24	32	4
Capital market activities	5	5	4	3	—
Capital and solvency	5	7	12	11	4
Solvency ratio	5	7	12	11	4
Other regulations	9	23	32	45	7
Failure to comply with rules on transparency and customer relations	—	2	8	4	1
Deficiencies in information reported to the CCR	1	—	—	—	—
Requirements for authorisation of non—credit institutions	—	—	—	—	1
Other	8	21	24	41	5
<b>TOTAL</b>	<b>66</b>	<b>111</b>	<b>134</b>	<b>135</b>	<b>18</b>

SOURCE: Banco de España.

This temporary replacement measure was lifted on 18 June 2014 after the institution was sold in a competitive process.

Throughout 2014 the supervisory services of the Banco de España continued to cooperate actively with the FROB following restructuring of the Spanish financial sector and, specifically, in the execution of the exit strategy and sale of the FROB's holdings. In particular, the resolution plan of Banco CEISS was amended for the purpose of its integration in the Unicaja Group, the sale of NCG Banco was completed, the 7.5% holding in Bankia was sold and Catalunya Banc S.A. was awarded and sold to Banco Bilbao Vizcaya Argentaria (BBVA). In addition, in December 2014, Liberbank was authorised to early redeem the contingent convertible debt issue subscribed by the FROB.

On 10 March 2015, as a consequence of the intervention of Banca Privada d'Andorra (BPA), an Andorran bank, by the INAF (the Andorran supervisor), the Banco de España resolved to intervene Banco de Madrid, a credit institution wholly-owned by BPA. That precautionary measure was replaced, two days later, when the board of directors of the institution was replaced. Following the court decision to order insolvency proceedings, Banco Madrid is now in the winding-up phase and the Deposit Guarantee Fund has reimbursed deposits up to €100,000.

## 2.3 Authorisations and other procedures

### 2.3.1 GRANTING AND WITHDRAWAL OF LICENCES

Up to 4 November 2014 the power to grant and withdraw credit institutions' licences lay with the Banco de España. Since that date, pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, those powers lie with the ECB. Accordingly, as provided for in Articles 3 and 12 of Royal Decree 84/2015 of 13 February 2015, implementing Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the Banco de España shall submit proposals for authorisation to take up the activity of a credit institution, or for withdrawal of that authorisation, to the ECB. The Banco de España shall also declare authorisations to have lapsed, when the specific activities stipulated in the programme of operations have not begun in the 12 months following notification of the authorisation.

Non-EU credit institutions seeking to operate in Spain through a branch require the authorisation of the Banco de España, as envisaged in Article 6 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions and in Articles 17 and 19(4) of Royal Decree 84/2015 of 13 February 2015.

In 2014 two banks were added to the credit institutions register and 19 institutions were removed, 12 of which as a consequence of the transformation of savings banks into foundations following the entry into force of Law 26/2013 of 27 December 2013 on savings banks and banking foundations. Of the other seven deregistrations, six were due to mergers between credit institutions and one to a change in the form of an institution (giving rise to one of the two registrations mentioned).

One branch of a non-EU credit institution was deregistered in 2014, and in the case of representative offices of non-EU credit institutions, one was added to the registers and another was removed.

### 2.3.2 QUALIFYING HOLDINGS

Pursuant to Chapter III of Title I of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the acquisition of a qualifying holding in a credit institution is subject to authorisation. A qualifying holding is understood to mean a direct or indirect holding representing at least 10% of the capital or voting rights of the institution, or a holding which, without reaching that percentage, enables notable influence to be exerted over the institution.

Since 4 November 2014 that authorisation lies with the ECB, pursuant to Council Regulation (EU) No 1024/2013. The Banco de España shall submit the relevant proposal.

During 2014 the Banco de España processed 14 files relating to the acquisition of qualifying holdings, in all cases in banks.

### 2.3.3 CROSS-BORDER ACTIVITY

Pursuant to Article 11 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, branch openings abroad by Spanish credit institutions re-

quire prior authorisation. Article 11 also provides that Spanish credit institutions must inform the Banco de España if they engage in activities abroad under the freedom to provide services.

In the case of foreign institutions seeking to operate in Spain, Article 13 of Law 10/2014 provides that non-EU credit institutions that wish to operate in Spain through a branch or under the freedom to provide services require authorisation, whereas the operation of EU institutions is governed by the mutual recognition arrangements envisaged in Article 12 of the Law. Pursuant to Article 15 of Law 10/2014, branches in Spain of foreign credit institutions and foreign credit institutions operating in Spain under the freedom to provide services shall be recorded in the register of credit institutions.

The implementing regulations of the cross-border regime are set out in Articles 14 to 19 of Royal Decree 84/2015 of 13 February 2015.

Since 4 November 2014, pursuant to Council Regulation (EU) No 1024/2013, the power to authorise the creation of branches in EU Member States by institutions defined as significant institutions lies with the ECB, while the power to authorise the creation of branches in EU Member States by institutions defined as less significant institutions, and the opening of non-EU branches in Spain, lies with the Banco de España.

In 2014 the Banco de España handled 44 cross-border activity procedures for Spanish credit institutions, as shown in Table 2.5.

The procedures indicated in Table 2.6 relating to the activity of foreign credit institutions in Spain were handled.

#### 2.3.4 SUITABILITY

Chapter IV (Articles 24 to 27) of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions governs the suitability assessment regime for board members, managing directors and similar officers and for other persons responsible for key functions and control functions at credit institutions and their parent institutions. Article 25(2) provides as follows: “The assessment of suitability requirements shall be both by the credit institution itself and, where appropriate, by its promoters, or by the acquirer of a qualifying holding, if this were the case, and, when appropriate, by the Banco de España”. The Banco de España makes the suitability assessment: 1) when authorisation is granted for the creation of a credit institution; 2) when a qualifying holding is acquired giving rise to new appointments; 3) when new prospective appointments are notified; and 4) when there is sound evidence pointing to the need to assess the continued suitability of persons already belonging to the boards of directors or management of institutions.

Board members must remain suitable while they remain board members. The above-mentioned Law establishes that the Banco de España may require that the institution temporarily suspend or definitively remove from office any person who fails to meet the suitability requirements envisaged therein. It also provides that if the institution does not comply with that requirement, the Banco de España may resolve to temporarily suspend or definitively remove from office the person concerned, without prejudice to the imposition of any penalties that may be in order.

In 2014 a total of 336 suitability assessment procedures for senior managers of credit institutions were handled, mostly as a consequence of new appointments, of which 239 at banks (including branches of non-EU credit institutions) and 97 at credit cooperatives and

**SUPERVISORY ACTIVITY. PROCEDURES RELATING TO CROSS-BORDER  
ACTION. SPANISH CREDIT INSTITUTIONS**

**TABLE 2.5**

Number

	Registrations	Deregistrations and changes in conditions	Total
Branches in the European Union	—	7	7
Branches in third countries	2	6	8
Freedom to provide services	7	22	29
<b>TOTAL</b>	<b>9</b>	<b>35</b>	<b>44</b>

FUENTE: Banco de España.

**SUPERVISORY ACTIVITY. PROCEDURES RELATING TO CROSS-BORDER ACTION. FOREIGN CREDIT  
INSTITUTIONS**

**TABLE 2.6**

Number

	Registrations	Deregistrations and changes in conditions	Total
Branches of European Union credit institutions	5	10	15
Branches of third—country credit institutions	—	1	1
Freedom to provide services by European Union credit institutions	31	34	65
Freedom to provide services by third-country credit institutions	1	—	1
<b>TOTAL</b>	<b>37</b>	<b>45</b>	<b>82</b>

SOURCE: Banco de España.

savings banks. In addition, 21 suitability assessment files for directors of parent institutions of credit institutions were handled.

Following the start-up of the SSM, since 4 November 2014 the power to decide on the suitability of board members of credit institutions classed as significant institutions lies with the ECB.

**2.3.5 LOANS TO SENIOR  
OFFICERS**

Article 26.55 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions obliges credit institutions to request authorisation to grant loans and guarantees to members of the board of directors, general managers or similar officers.

In 2014 the Banco de España processed 33 requests for authorisation of loans and guarantees to senior officers of credit institutions, all of which were banks.

**2.3.6 MODEL VALIDATION**

Part III of Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms imposes the obligation of prior permission for using internal models to calculate the capital requirements for credit, counterparty, trading book and operational risk. Material changes to these models are also subject to prior permission.

As from 4 November 2014, Regulation (EU) No 1024/2013 grants these powers to the European Central Bank in respect of institutions defined as significant.



In 2014 19 requests relating to the authorisation of internal models were processed, 18 of them relating to credit risk and one to operational risk. Six of these requests were for authorisations of new models, seven for changes to models already validated, and the other six for changes to roll-out plans.

### 2.3.7 OWN FUNDS INSTRUMENTS

The regulatory capital of credit institutions may include certain preference debt instruments and subordinated debt. The supervisory authorities verify whether these financial instruments issued by credit institutions themselves or by their special purpose vehicles or other subsidiaries are eligible as own funds under the applicable legislation.

The obligation to obtain prior permission for issuances of instruments eligible as common equity tier 1 is set out in Article 26(3) of Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms. This Regulation does not prescribe an authorisation procedure for issuances of other eligible instruments, although Recital 75 provides that the competent authorities can maintain pre-approval processes. The Banco de España made use of this option through the first additional provision of Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions.

The reduction, repurchase or redemption of instruments eligible as capital of any level requires permission pursuant to Article 78 of Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

From 4 November 2014, Regulation (EU) No 1024/2013 assigns these powers to the ECB wherever significant institutions are involved.

Regarding issuances of equity instruments, the difficulties in tapping the capital markets due to the international financial crisis persisted in 2014, although signs of improvement were discernable. Thus the total amount of issues increased by 43% with respect to the previous year.

Of the six issues in 2014, four (totalling €5,735 million) were preference debt instruments contingently convertible into shares. They accounted for nearly 70% of the total issued in that year and were concentrated in just two institutions.

Perpetual instruments convertible into shares are gaining weight among equity instruments, in line with the regulatory trend to endow equity instruments with loss absorption mechanisms.

If a trigger event were to reduce a bank's solvency (particularly through a fall in common equity tier 1), the loss absorption mechanism could act through a conversion into shares or through a total or partial haircut or reduction of the nominal value of the instrument involved. So far in Spain, only instruments with loss absorption through conversion into shares have been issued.

Financing of a subordinated nature gave rise to two transactions, in which the issuance amount of €2,500 million was 16% higher than in 2013.<sup>1</sup>

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<sup>1</sup> Although specialised lending institutions lost their credit institution status when Royal Decree-Law 14/2013 of 29 November 2013 came into force, it should be noted that in 2014 five subordinated loans were also granted to a single credit financial intermediary for a total of €115 million, to replace other subordinated loans which were nearing their maturity dates.

## Yearly data

(€m)

	Número				Importe			
	2011	2012	2013	2014	2011	2012	2013	2014
<b>TOTAL (b)</b>	<b>16</b>	<b>13</b>	<b>17</b>	<b>6</b>	<b>9,012</b>	<b>13,411</b>	<b>5,776</b>	<b>8,235</b>
Subordinated debt (b)	9	5	7	2	2,984	9,011	2,154	2,500
Standard fixed-term	9	4	7	2	2,984	4,511	2,154	2,500
Commercial banks and savings banks	9	4	5	2	2,984	4,511	2,129	2,500
Credit cooperatives	—	—	—	—	—	—	—	—
SLIs	—	—	2	(b)	—	—	25	(b)
<i>Of which: loans</i>	3	—	2	(b)	21	—	25	(b)
Standard with no agreed maturity	—	—	—	—	—	—	—	—
Undated	—	1	—	—	—	4,500	—	—
Commercial banks and saving banks	—	1	—	—	—	4,500	—	—
Preference shares	1	—	2	4	200	—	1,588	5,735
Commercial banks and saving banks	1	—	2	4	200	—	1,588	5,735
Mandatory convertible debt	6	8	8	—	5,828	4,400	2,034	—
Commercial banks and saving banks	6	8	8	—	5,828	4,400	2,034	—

SOURCE: Banco de España.

- a Does not include issues subscribed by the FROB since, in accordance with Article 33.1.c. of Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution, when the FROB subscribes or acquires capital or convertible instruments, the limits established in law for eligibility as own funds and as core capital or, in general, the limits set from time to time relating to solvency requirements will not apply to it.
- b The 2011, 2012 and 2013 totals include issuances of SLIs. The entry in force on 1 January 2014 of Royal Decree-Law 14/2013 of 29 November 2013 abolished the credit institution status of SLIs, so the 5 SLI issuances (loans) amounting to €115 in 2014 are not included in the 2014 total.

Both issues were by commercial banks, one directly and the other through a special-purpose subsidiary. They were targeted at wholesale investors in the international market. The maturity of both was ten years.

Regarding reductions, repurchases and redemptions, in 2014 the Banco de España processed one application to repurchase preference debt instruments and three to repurchase subordinated debt. All these applications were by banks except for one redemption of subordinated debt requested by a credit cooperative.

### 2.3.8 OTHER PROCEDURES RELATING TO OWN FUNDS

Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms prescribes other authorisation processes for capital and liquidity requirements, apart from the authorisations for capital instruments and model validations. From 4 November 2014, Regulation (EU) No 1024/2013 confers on the ECB competence in this area for institutions defined as significant.

In 2014 the Banco de España processed 22 applications in this area, 16 from banks, five from credit cooperatives and one from a branch of an EU institution. Five applications were for exemption from the deduction regime envisaged in Articles 36, 56 and 66 of the aforementioned Regulation and three were for authorisations relating to the scope of capital requirements. Also processed were seven applications to adopt joint decisions on capital adequacy, as prescribed by Article 20 of the Regulation.

2.3.9 STRUCTURAL CHANGES	<p>Under the twelfth additional provision of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the Minister for Economic Affairs and Competitiveness is responsible for authorising mergers, spin-offs or global or partial transfers of assets and liabilities involving a bank. Before that authorisation is granted, a report must be requested from the Banco de España.</p> <p>In 2014 the Banco de España processed five applications for structural changes in credit institutions.</p>
2.3.10 ACQUISITION OF CREDIT INSTITUTIONS IN THIRD COUNTRIES	<p>Under Article 4.2.b of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the Banco de España is responsible for authorising the creation of foreign credit institutions or the acquisition of a qualifying holding in an existing institution by a Spanish credit institution.</p> <p>In 2014 three applications for authorisation in this respect, all from banks, were processed. Two related to the creation of credit institutions and one to the acquisition of a qualifying holding.</p>
2.3.11 AMENDMENTS OF ARTICLES OF ASSOCIATION	<p>Banking law stipulates that credit institutions have to send to the Banco de España their updated articles of association for inclusion in the Special Register of Articles of Association whenever any applicable administrative authorisation has been obtained.</p> <p>In 2014, 138 entries relating to credit institutions were made in the Special Register of Articles of Association. Most noteworthy in this regard was that: i) 92 entries related to commercial banks, and of these, more than half (52%) to capital increases, ii) 18 entries were due to deregistrations of institutions, of which iii) 12 were due to transformations of savings banks into foundations.</p>
2.3.12 OTHER	<p>In 2014 the Banco de España implemented other procedures envisaged in current legislation, including most notably the preparation and remittance of reports and communications to other Spanish and foreign authorities.</p>
2.4 Exercise of sanctioning power	<p>The sanctioning power exercised over the financial institutions whose control and inspection are the responsibility of the Banco de España is the final step in its supervisory activity. It is intended as a means of ensuring compliance with the regulatory and disciplinary regulations applicable to institutions operating in the financial sector. And indeed, as established in the preamble to Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions (in force since 28 June 2014), the full effectiveness of these regulations requires the appropriate sanctioning mechanisms.</p> <p>The exercise of this sanctioning power is directed at all individuals, institutions and markets subject to supervision by the Banco de España and includes not only credit institutions, but also their directors and managers, who can be sanctioned separately for infringements when these are attributable to wilful misconduct or negligence. Also, sanctions can be imposed on the owners of qualifying holdings in Spanish credit institutions and on Spanish nationals that control a credit institution of another EU Member State.</p> <p>In this regard, Law 10/2014 and Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España vest various bodies of the Banco de España with powers to bring, conduct and</p>

**PROCEEDINGS INITIATED AGAINST CREDIT INSTITUTIONS, BY THE  
BANCO DE ESPAÑA (a)**

**TABLE 2.8**

Número	Institutions	2011	2012	2013	2014
Commercial banks		—	—	1 (d)	5
Savings banks		—	1	—	—
Branches of EU foreign credit institutions		—	—	—	—
Owners of significant holdings in credit institutions		1 (b)	1 (c)	—	—
Non-compliance with ECB minimum reserve requirements		1	—	1	—
Credit cooperatives		—	—	—	2
<b>TOTAL</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>7</b>

SOURCE: Banco de España.

- a** In 2011, 2012 and 2013 SLIs were credit institutions and no proceedings were brought against them in those years. The entry in force on 1 January 2014 of Royal Decree-Law 14/2013 of 29 November 2013 abolished the credit institution status of SLIs.  
**b** Extension to two parties of a proceeding initiated in 2010.  
**c** Proceedings recommenced following a stay to avoid prejudicing criminal proceedings.  
**d** Stayed by an agreement of the Governing Council of the Banco de España of 24 May 2013.

**PROCEEDINGS RESOLVED AGAINST CREDIT INSTITUTIONS, BY TYPE  
OF INFRINGEMENT (a)**

**TABLE 2.9**

Number		Sanctioning procedures								Participaciones significativas
Numbers of proceedings	Against supervised institutions			Intruders						
	Infringement			Commercial banks	Savings banks	Credit cooperatives	Specialised lending institutions (a)	ECB: Minimum reserve requirements		
	Very serious	Serious	Minor							
Against credit institutions										
2011	3	3	1	—	—	1	—	1	1	—
2012	—	—	—	—	—	—	—	—	—	—
2013	2	—	1	—	—	—	—	—	1	1
2014	—	—	—	—	—	—	—	(a)	—	—
Against owners of qualifying holdings and directors										
2011	47	60	21	—	—	40	—	7	—	—
2012	—	—	—	—	—	—	—	—	—	—
2013	6	—	2	—	—	—	—	—	—	6
2014	—	—	—	—	—	—	—	(a)	—	—

SOURCE: Banco de España.

- a** In 2011, 2012 and 2013 SLIs were credit institutions. The entry in force on 1 January 2014 of Royal Decree-Law 14/2013 of 29 November 2013 abolished the credit institution status of SLIs, so the proceedings against these institutions resolved in 2014 are reflected in Table 3.4.

decide disciplinary proceedings against the aforementioned parties, notwithstanding the sanctioning powers of the ECB pursuant to Article 18 of Council Regulation (EU) No 1024/2013 of 15 October 2013.

**2.4.1 PROCEEDINGS INITIATED  
IN 2014**

In 2014 the Executive Commission of the Banco de España decided to initiate seven disciplinary proceedings, six against credit institutions and the seventh against the directors and managers of another credit institution, as detailed below.

First, the Executive Commission decided to initiate six proceedings against six credit institutions (five commercial banks and one credit cooperative) for alleged breaches of the rules on transparency in credit institutions' dealings with their customers, specifically in relation to the extension of mortgage loans to individuals for house purchase.

Second, sanctioning proceedings were also brought against ten directors and managers of a credit cooperative owing to the presumed detection of (i) deficiencies in risk control and management mechanism; (ii) incorrect definition of economic groups and non-compliance with the limit on large exposures; and (iii) accounting deficiencies.

#### 2.4.2 PROCEEDINGS RESOLVED IN 2014

No sanctioning proceedings against credit institutions were resolved in 2014.

A proceeding brought in 2012 against a savings bank, its directors and managers and the members of its control committee and a proceeding brought in 2013 against a commercial bank and its directors and managers were suspended. These proceedings were suspended because the facts investigated in them were intimately related to the ones examined in criminal cases in progress. The suspension was applied pursuant to Article 2<sup>2</sup> of Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions, to avoid prejudicing criminal proceedings.

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2 This provision is now contained in Article 117 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, which repealed Law 26/1988.