

8 INTERNAL AUDIT REPORT SPECIFIED IN THE CONSOLIDATED TEXT OF THE  
SECURITIES MARKET LAW, APPROVED BY LEGISLATIVE ROYAL DECREE 4/2015  
OF 23 OCTOBER 2015  
2015



## **1. Introduction**

The Tenth Additional Provision of the Consolidated Text of the Securities Market Law, approved by Legislative Royal Decree 4/2015 of 23 October 2015, establishes that the Banco de España shall prepare an annual report on its supervisory function in relation to the actions and procedures performed in relation to this matter, from which information can be deduced on the effectiveness and efficiency of those procedures and actions. It also establishes that the report shall include a report of the internal control body on how well the decisions adopted by its governing bodies comply with the procedural rules applicable in each case. That report must be approved by the Governing Council of the Banco de España and shall be submitted to the Spanish Parliament and the Spanish Government.

This Provision has replaced what was previously envisaged in the Second Additional Provision of Law 44/2002 on Financial System Reform Measures.

The 2016 Internal Audit Plan of Banco de España, approved by the Governor on 22 December 2015 and acknowledged by the Executive Commission on 15 January 2016, includes the preparation of the report provided for in the aforementioned Securities Market Law, for its inclusion in the Banco de España Annual Report on its supervisory function, as referred to above.

## **2. Objective, scope and methodology of the report**

This report is limited to the legal mandate of the Tenth Additional Provision of the Securities Market Law. As mentioned above, that Provision sets out the scope of the report, with reference to three basic elements:

- 1) The supervisory function of the Banco de España.
- 2) The decisions adopted by the governing bodies in exercising the aforementioned function.
- 3) Whether the aforementioned decisions are in line with the procedural rules applicable.

From a timing point of view, the report refers to the decisions taken by the Executive Commission in 2015, and the decisions taken by delegation of which the Executive Commission was informed in the same year.

From a material standpoint, the report addresses the decisions taken by the Banco de España's governing bodies within the scope of competence of the Directorate General Supervision, the Directorate General Financial Stability and Resolution<sup>1</sup> and the General Secretariat.

The applicable legislation taken into account was as follows: the supervisory powers and procedures contained in Law 13/1994 of 1 July 1994 on Autonomy of the Banco de España and in the Banco de España's Rules of Procedure, together with those established by the legislation relating to the Single Supervisory Mechanism (basically, Council Regulation (EU) No. 1024/2013 of 15 October 2013, and Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014). Also, the Executive Commission established through the Resolution of 8 April 2014 the procedural rules for the proposals on the matters within the competence of the Directorate General Supervision. In addition, it approved through the

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<sup>1</sup> Formerly Directorate General Regulation and Financial Stability until 20 April 2015

Resolution of 30 June 2006 the procedural rules for the proposals in relation to the matters within the competence of the former Directorate General Regulation and Financial Stability, and through the Resolution of 29 September 2014 the procedural rules for the proposals on the matters under the powers of the General Secretariat to the Executive Commission, which were updated through the Resolution of 20 February 2015.

On 2 November 2012 rules were issued on the submission of matters to the Executive Commission by all the directorates general of the Banco de España. These rules are complementary to those of the aforementioned directorates general.

Similarly, through the Resolution of 18 December 2009, the Executive Commission approved the regime for the delegation of powers, which was published in the Official State Gazette on 5 January 2010 and envisages the possibility of proxy signatures as well as the taking back of delegated powers. The aforementioned Resolution has been the subject of successive amendments, the relevant ones for 2015 being those of 5 December 2014 (Official State Gazette of 10 December 2014) and 12 February 2015 (Official State Gazette of 16 February 2015). Lastly, through the Resolution of 22 May 2015 (Official State Gazette of 2 June 2015), the Executive Commission approved new arrangements for the delegation of powers, rendering ineffective the Resolution of 18 December 2009 and its subsequent amendments.

In order to review the decisions adopted by the Executive Commission, stratified sampling was conducted on the decisions adopted by the Directorate General Supervision, the Directorate General Financial Stability and Resolution and the General Secretariat. Different sampling fractions were applied to those strata depending on the relative importance, numerical volume and internal homogeneity of each stratum.

The work was performed in accordance with the Internal Audit Manual, which includes the International Standards for the Professional Practice of Internal Auditing, approved by the Institute of Internal Auditors, including those referring to the Code of Ethics.

### 3. Opinion

In our opinion, the decisions adopted by the governing bodies of the Banco de España in 2015 in the performance of its supervisory function were adopted by bodies with sufficient held or delegated powers, in accordance with the rules established by the Rules of Procedure of the Banco de España and the provisions agreed by its Executive Commission, and they comply, in all material respects, with the current procedural rules applicable in each case.

Madrid, 16 March 2016  
Director, Internal Audit Department,

Juan González Gallegos

GOVERNOR OF THE BANCO DE ESPAÑA  
DEPUTY GOVERNOR OF THE BANCO DE ESPAÑA