

4 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA IN 2009

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In light of the growing internationalisation of the financial sector, one of the Banco de España's strategic objectives in recent years has been to heighten its influence in the international fora where decisions are taken on regulatory and supervisory matters. This globalisation has meant that financial stability has also assumed a global dimension, as the crisis that began in the summer of 2007 has shown. Whereas in 2008 the focus was on the need to analyse the causes and consequences of the crisis and the lessons to be drawn, and on the search for appropriate solutions to ensure that a crisis of that nature could not be repeated in the future, in 2009 it turned to the design and implementation of these solutions in the areas of supervisory architecture and banking regulation, both within Europe and worldwide.

Thus one key development at the global level was the transformation of the Financial Stability Forum into the Financial Stability Board (FSB), admitting as new members the G20 countries that were not previously included, together with Spain and the European Commission (see Box 4.1). The FSB's mandate is set by the G20 Heads of State and focuses on promoting financial stability, developing supervisory and regulatory policies for the financial sector. The role of the FSB is to identify the vulnerabilities of the financial system and to coordinate the response of the national authorities and the different international fora in this respect. Another significant development at the global level was the regulatory reform on capital and liquidity that was announced by the Basel Committee in July 2009 and presented in a consultative document in December.

At the European level, 2009 was marked by the work undertaken to implement the recommendations of the Larosière group, which called for significant changes in the EU supervisory framework and in the area of financial regulation. Particularly noteworthy was the design of a new supervisory framework, organised around the European Systemic Risk Board (ESRB) and the European System of Financial Supervisors (ESFS), the latter made up of the national financial supervisors and three supervisory authorities, created drawing on the existing sectoral European supervisory committees (see Box 4.2).

Mention should also be made of the ECOFIN roadmap on financial supervision, stability and regulation, which refers not only to the future European supervisory framework described above, but also to the design of a framework for the prevention, management and resolution of banking crises, an issue that will mark the European agenda in the immediate future.

The following sections of this chapter describe the work of the international committees of regulators and supervisors in which the Banco de España participates. Also included is a description of the work undertaken jointly by the committees of bank, securities and insurance supervisors, and an account of the financial stability work carried out in the ECB and by the ASBA.

Table 4.1 gives information on the number of committees and of their working groups and subgroups (more than 90 at end-2009), and on the number of meetings held over the last three years attended by representatives of the Banco de España (278 in 2009).

A final, but no less important, point to note is the increase in the work undertaken to support international technical cooperation in supervision matters. This included receiving and attend-

ACTIVITY OF SUPERVISORY COMMITTEES IN 2009

TABLE 4.1

Number (a)

	GROUPS	MEETINGS
Financial Stability Board (FSB) (b)	7	4
Committee of European Banking Supervisors (CEBS)	112	35
Committee	4	1
Groupe de Contact (GdC)	33	10
Expert Group on Prudential Regulation (EGPR)	32	7
Expert Group on Financial Information (EGFI)	29	9
Other	14	8
3L3 Groups (c)	16	4
Banking Supervision Committee (BSC)	37	11
Committee	4	1
Working Group on Macroprudential Analysis (WGMA)	11	2
Working Group on Banking Developments (WGBD)	12	3
Other	10	5
Basel Committee on Banking Supervision (BCBS)	96	36
Committee	4	1
Policy Development Group (PDG)	52	15
International Liaison Group (ILG) (d)	1	1
Standards Implementation Group (SIG) (e)	13	6
Accounting Task Force (ATF)	11	8
Other	15	5
Joint Forum	10	3
TOTAL	278	93

SOURCE: Banco de España.

- The numbers for each committee include the individuals in the groups reporting to the committee and the committee members.
- The Banco de España joined the Board in May 2009.
- Groups established jointly by the Level Three committees of supervisors (CEBS, CEIOPS and CESR).
- The group was disbanded in May 2009, following the expansion of the membership of the BCBS.
- Until december 2008: Accord Implementation Group (AIG).

ing to delegations of foreign supervisors, and participation by Banco de España members as speakers at national and international seminars for supervisors from other countries.

4.1 Work of the Financial Stability Board

At the London summit held in April 2009, the G20 leaders agreed to transform the Financial Stability Forum into the Financial Stability Board (see Box 4.1). The work initiated by the FSB in 2009 and that is still in progress covers, inter alia, the following issues.

First, the moral hazard represented by systemic institutions. This work is scheduled to be completed in October 2010 for the G20 summit in South Korea, and covers various aspects: reducing the likelihood of collapse, and the impact in the event of collapse, of a systemic financial institution; improving the capacity to bring about orderly resolution of a systemic financial institution; and strengthening the main infrastructures and markets to reduce the degree of interconnectedness between institutions.

One of the key developments in the international arena in 2009 was Spain's inclusion in the newly-created Financial Stability Board (FSB), where it is represented at the highest institutional level by the Banco de España and the State Secretary for Economic Affairs of the Ministry of Economy and Finance.

The FSB was born from the re-establishment of its predecessor – the Financial Stability Forum (FSF) – following the political decisions taken by the G20 to increase the number of member jurisdictions and endow it with a broader mandate and with enhanced capacity:

- At the Washington summit held in November 2008, the G20 leaders agreed that the FSF should admit new members, granting entry to representatives of emerging economies. The “enlarged” FSF was mandated to lead various actions related to the necessary reform of financial regulation, in response to the financial crisis.
- In March 2009, the FSF resolved to expand its membership, admitting all the G20 countries that were not previously included (Argentina, Brazil, China, India, Indonesia, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa and Turkey), together with Spain and the European Commission. The aim was to strengthen the FSF's capacity to contribute to the financial system reform measures launched following the G20 summit in Washington.
- The *Declaration on Strengthening the Financial System* issued after the G20 summit held in London in April 2009 broadened the FSF's original mandate and required that it be re-established, with a stronger institutional basis and enhanced capacity, as the Financial Stability Board (FSB).

Thus, the FSB was born in April 2009, to coordinate the work of the national financial authorities and international standard-setting bodies and committees, with a view to developing and promoting introduction in the financial sector of effective regulatory and supervisory policies.

The role of the FSB, which has political power, is to identify and analyse the vulnerabilities of the financial system, coordinate and promote the response of the authorities and committees to these vulnerabilities, monitor possible shortcomings and the consistency of the different international standard-setting bodies, and review and assess the degree of application of international standards in each of its member jurisdictions.

FSB members

Three types of authorities and organisations may be FSB members:

- National and regional authorities¹ with responsibility for financial stability (Ministries of Economy and Finance, central banks and regulatory authorities).
- International financial institutions.²

1. At present the FSB's members are: Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Mexico, the Netherlands, the Republic of Korea, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, the United Kingdom and the United States of America. The ECB and the European Commission are also members under this heading.

- International regulatory and supervisory committees and central bank committees.³

Two new, interconnected, features stemming from FSB membership are particularly noteworthy: on the one hand, the FSB will periodically review the “eligibility” of its members; and on the other, the members commit, in writing, to pursue the maintenance of financial stability, to maintain the openness and transparency of the financial sector and to submit to periodic peer reviews, using among other evidence IMF/World Bank FSAP reports.⁴

FSB mandate

As part of its mandate, the FSB will:

- a) Assess vulnerabilities affecting the global financial system and identify and review on a timely and ongoing basis the regulatory and supervisory actions needed to address them and their outcomes.
- b) Promote coordination and information exchange among the authorities responsible for financial stability.
- c) Monitor and advise on market developments and their implications for regulatory policy.
- d) Advise on and monitor best practice in meeting regulatory standards.
- e) Undertake joint strategic reviews of the regulatory policy development work of the international standard-setting bodies to ensure it is timely, coordinated, focused on priorities and addressing gaps.
- f) Set guidelines for and support the establishment of supervisory colleges.
- g) Support contingency planning for cross-border crisis management, particularly with respect to systemically important firms.
- h) Collaborate with the IMF to conduct Early Warning Exercises.
- i) Undertake any other tasks agreed by its members in the course of its activities and within the framework of its Charter.

2. Under this heading the following are FSB members: the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Bank. 3. Representatives of the following international organisations and committees participate in the FSB: the Basel Committee on Banking Supervision (BCBS); the Committee on the Global Financial System (CGFS); the Committee on Payment and Settlement Systems (CPSS); the International Accounting Standards Board (IASB); the International Association of Insurance Supervisors (IAIS); and the International Organisation of Securities Commissions (IOSCO). 4. Financial Sector Assessment Program.

FSB internal organisation

The FSB is structured as follows: the Plenary, which is the only decision-making body; three Standing Committees; and a Steering Committee which serves as a liaison between the Plenary and the Standing Committees.

FSB Standing Committees:

- (1) Standing Committee on Assessment of Vulnerabilities (SCAV): responsible for assessment of the vulnerabilities of the system.
- (2) Standing Committee for Supervisory and Regulatory Cooperation: its main objective is to strengthen cooperation, coordination and consistency in matters of financial regulation and supervision; it also analyses the vulnerabilities identified by the SCAV and, where appropriate, determines the regulatory responses to be taken to address them. The Banco de España sits on this Committee.
- (3) Standing Committee for Standards Implementation: its objective is to verify that international financial standards are applied in the member jurisdictions and to promote their application in other countries, especially in matters of supervisory cooperation.

The FSB may also create other ad-hoc working groups to analyse specific issues. These include, in particular, the Cross-border Crisis Management Working Group in which the Banco de España also participates.

FSF work in response to the financial crisis

To place the ongoing work and recent publications of the FSB in context, it must be considered that part of this work is a continuation of previous projects conducted or headed by its predecessor, the FSF, stemming from the onset of the financial crisis in the summer of 2007. Particularly noteworthy among these previous publications are:

- *Report on Enhancing Market and Institutional Resilience*, containing recommendations in five areas:
 - a) Strengthened prudential oversight of capital, liquidity and risk management.

- b) Enhancing transparency and valuation.
 - c) Changes in the role and uses of credit ratings.
 - d) Strengthening the authorities' responsiveness to risks.
 - e) Robust arrangements for dealing with stress in the financial system.
- *Report on Addressing Procyclicality in the Financial System*, dealing with:
 - a) Prudential banking framework: the recommendations included the development of countercyclical capital buffers and a supplementary measure to contain the build-up of bank leverage.
 - b) Bank loan loss provisioning: recommendations designed to facilitate earlier identification and recognition of bank loan losses. They are the result of dialogue between regulators, supervisors and accounting standard setters.
 - c) Leverage and valuation: recommendations aimed at reducing the procyclicality that derives from the interplay of leverage, maturity mismatches and the use of fair value accounting criteria.
 - *Principles for sound compensation practices*, aimed at ensuring that compensation practices in the financial industry align employees' incentives with firms' long-term rate of return (see Section 2.4.1).
 - *Principles for cross-border cooperation on crisis management*, including the commitment to cooperation between authorities, in making preparations for dealing with financial crises and in managing them, and their commitment to meet regularly, with a view, inter alia, to sharing necessary information and ensuring that firms develop adequate contingency plans (see Section 2.4.2).

Lastly, mention should also be made of the work started in 2009 and currently ongoing, and which occupies a significant part of the FSB's working groups' agenda, including, in particular, how to deal with the moral hazard represented by systemic institutions, the relaunch of the securitisations market and how to deal with procyclicality in financial regulation.

Second, procyclicality in financial regulation, including strengthening accounting standards. In this area the FSB is promoting the process of convergence between the IASB and the FASB. It is also fomenting interaction between prudential and market regulators and the IASB on key issues for banking regulation such as calculation of loan loss provisions and valuation of financial instruments.

And third, the relaunch of the securitisations market, where it is exploring other options to align incentives for issuers and investors.

In September 2009 the FSB Charter was published, for the G20 Pittsburgh summit, and was endorsed by the G20 leaders. September also saw publication of the report *Improving Financial Regulation* and of the *Principles for Sound Compensation Practices - Implementation Standards*. In November 2009, for the meeting of Finance Ministers and Central Bank Governors of the G20, the FSB published, inter alia, a report on progress in implementing the G20 recommendations, a Note for the G20 on exit from extraordinary financial sector support measures, and Guidance to assess the systemic importance of financial institutions, markets and instruments.¹

Lastly, in December 2009 a peer review was launched on the degree of application of the Principles and Standards in FSB member countries.

4.2 Work of the Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) worked intensely throughout 2009, publishing rules, guidance and consultative documents addressing the weaknesses revealed in bank-regulation, supervision and risk management, thus responding to the demands of the G20.

In July 2009, the BCBS approved a first package of measures to strengthen the New Capital Accord (Basel II). These measures included, under Pillar 1, reforms concerned with the treatment of the trading book, with a more refined treatment of securitisation for solvency purposes and with exposure to off-balance-sheet vehicles. The BCBS also strengthened the Pillar 2 rules, to address the weaknesses detected in corporate governance, risk management at institutions and compensation policy (see Section 2.4.1). Lastly, the measures also included reforms to Pillar 3 on market discipline.

Subsequently, in December 2009, the BCBS published consultative proposals to strengthen the regulation of capital and liquidity. These were contained in two documents,² the first of which relates to: raising the quality, consistency and transparency of the capital base, particularly with a view to raising the quality of Tier 1 capital and harmonising other capital elements; strengthening the capital requirements for counterparty credit risk exposures, introducing new requirements to encourage the use of central counterparties and organised markets; introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework; reducing procyclicality by adopting a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; promoting provisioning based on expected losses, which is considered less procyclical than the current incurred loss provisioning model; and introducing capital conservation buffers to ensure good practice at banks, enabling them to comply with minimum capital requirements.

The second consultative document proposes introducing minimum liquidity standards (both for the short and the long term), together with a set of monitoring tools to assist supervisors in identifying and analysing liquidity risk trends at both the bank and system-wide level. These standards and tools complement the *Principles for sound liquidity risk management and supervision* published in September 2008.

The BCBS is also analysing the need to establish additional capital or liquidity measures, or other types of supervisory measures, to reduce the spillover effects created by systemic institutions.

¹. This report was drawn up in response to a request made by the G20 leaders in April 2009 for guidance to be developed on this issue for use by the different national authorities. It was prepared jointly with the BIS and the IMF. ². *Strengthening the Resilience of the Banking Sector and International Framework for Liquidity Risk Measurement, Standards and Monitoring*. An impact assessment of these proposals will be drawn up in the first half of 2010, which will serve as a basis for a decision on the definitive design of the measures and their calibration. The new standards will be determined by end-2010 and will be phased in gradually, with the aim of full application by end-2012.

In the year it also published other important documents, notably: *Principles for sound stress testing practices and supervision*; *Core principles for effective deposit insurance systems*, prepared jointly with the International Association of Deposit Insurers; and a report, presently at the consultative stage, on recommendations seeking to improve arrangements for resolution of cross-border banks.

4.3 Work of the Committee of European Banking Supervisors

In line with the trend observed since its inception, the activity of the Committee of European Banking Supervisors (CEBS) increased in 2009. The Committee's work was focused on the three main areas described below.

First, technical advice to the European Commission, which continues to make up a considerable portion of the Committee's work. Noteworthy were its contributions to the changes under way in the solvency directives; changes which, in some cases, are part of the process of strengthening the banking sector being driven by the BCBS.

The CEBS responded to requests for advice in connection with information exchange between supervisors, options and national discretions, securitisations and custodian banks. It also contributed to European Commission consultations on the treatment of compensation policies in the solvency directives, on reform of the DGFs and on the creation of a European framework for management of cross-border crises in the European banking sector. And it continued to comment on work by the IASB.

A second part relates to cooperation in and convergence of supervisory practices. To this end, the CEBS prepared Guidance, Principles and other documents on diverse issues: compensation, Passport notifications, operational risk, liquidity risk, hybrid capital instruments, large exposures, harmonised financial statements, transparency, concentration risk, stress tests, capital definition, risk management, supervisory transparency and colleges of supervisors.

Noteworthy in the field of cooperation, as in 2008, was the work connected with the colleges of supervisors, where the objective to create colleges (and sign coordination and cooperation agreements) for 36 of the main European banking groups was achieved.

The third and final part of the Committee's work is connected with the financial crisis, which continued to occupy much of its agenda. In May 2009 the ECOFIN asked the CEBS to undertake, in conjunction with the European Commission and the ECB, a stress test of the financial system, based on a sample of 22 major European cross-border banking groups. The resultant report was presented to the Finance Ministers and Central Bank Governors at the ECOFIN in October. Its main conclusion was that, even in an adverse scenario, the capital levels of these banking groups remained at acceptable levels.

Further, the CEBS continues to participate in the half-yearly report, also requested by the ECOFIN, on trends, risks and vulnerabilities in the banking sector which is analysed by the Financial Stability Table of the Economic and Financial Committee (FST-EFC).

4.4 Joint work by committees of bank, securities and insurance supervisors

The developments set in motion in the summer of 2007 further highlighted the growing interconnectedness, both between sectors and countries, as a result of the activities of financial groups. It should, therefore, come as no surprise that the volume of projects analysed by supervisors of the three sectors, at the global and the European level, continued to grow significantly in 2009.

In the global arena, the Joint Forum undertook various projects in 2009, analysing issues at the epicentre of these developments: the use of credit ratings in the banking, securities and insur-

The international financial crisis, which began in the summer of 2007 and heightened in September 2008, highlights the need to speed up supervisory reform in Europe. In October 2008, the President of the European Commission created a high-level group consisting of seven independent experts and chaired by Jacques de Larosière. The group was tasked with drawing up specific proposals to strengthen the European supervisory arrangements of all the financial sectors and thus establish a more effective, integrated and sustainable supervisory system.

In response to this mandate, on 25 February 2009 the Larosière group published its report, analysing the causes of the financial crisis and establishing the need for fundamental changes in the EU supervisory framework and in the field of financial regulation.

The work undertaken to implement these recommendations and to lay the foundations for the new European supervisory framework was doubtless one of the key features of 2009.

In May, on the basis of the recommendations of the Larosière group, and considering the result of the public consultation conducted between 10 March and 10 April, the European Commission issued a Communication setting out the main steps to be taken. This proposal received the backing of the ECOFIN on 9 June, and the backing of the European Council on 18-19 June 2009.

On 23 September, the European Commission published five legislative proposals – four regulations and one decision – for organisation of the new institutional supervisory framework in Europe, based on two pillars: (1) a European Systemic Risk Board (ESRB), to be entrusted with macro-prudential supervision of the EU financial system; and (2) the European System of Financial Supervisors (ESFS), to be entrusted with micro-prudential supervision.

On the macro-prudential side, on 20 October 2009 the ECOFIN reached a broad political agreement, resolving to start negotiations with the European Parliament for agreement on the first reading. The ESRB is an independent body, with no legal personality, responsible for macro-prudential oversight of the whole of the EU financial system. Its objective is to prevent episodes of widespread financial distress and to contribute to the good functioning of the internal market, preventing or mitigating systemic risks that may threaten the financial stability of the EU as a whole, arising from developments in the financial system, bearing in mind the macroeconomic situation.

To meet this objective, the ESRB shall: (1) determine, compile and analyse all the relevant and necessary information; (2) identify and prioritise systemic risks; (3) issue warnings, to the EU as a whole, to one or several Member States, or to one or several European or national supervisory authorities, where these risks are deemed significant; (4) issue recommendations, as above, for remedial action to be taken in response to the risks identified, including legislative initiatives; (5) monitor the follow-up to these warnings and recommendations, for which purpose the addressees shall inform the European Council and the ESRB of the measures taken, or shall justify their failure to do so (act or explain mechanism); (6) collaborate closely with the ESFS; (7) provide European supervisory authorities with the information on systemic risks required for the performance of their tasks; (8) coordinate with

international institutions, particularly the IMF and the FSB, and with the relevant organisations in third countries, on matters related to macro-prudential oversight; and (9) carry out other related tasks as specified in Community law. The ECB and the national central banks shall play an essential role on the ESRB, due to their expertise and responsibilities in the area of financial stability, with the backing of the EU's new micro-prudential supervisory structure that will enable it to receive and correctly interpret all the relevant information. In turn, the ECB shall ensure the Secretariat of the ESRB and shall provide administrative, logistical, statistical and analytical support to the ESRB, under the direction of the Chair of the ESRB, and shall support the work of the Advisory Technical Committee. For its analysis, the Secretariat shall draw on technical advice from national central banks and supervisory authorities.

On the micro-prudential side, on 2 December 2009 the ECOFIN agreed on a compromise proposal for creation of a European System of Financial Supervisors (ESFS), consisting of national financial supervisors working in tandem with three micro-prudential supervisory authorities drawn from the three existing European supervisory committees: the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). This new System combines responsibility for the day-to-day supervision of the EU institutions, which continues to lie with the national authorities, with specific tasks at the European level that will permit enhanced quality and consistency of supervision, strengthened oversight of cross-border groups and creation of a single set of standards applicable to all financial institutions.

Specific powers are granted to the authorities for performance of these functions, including, notably, the power to: a) develop proposals for technical standards that will be legally binding following approval by the Commission; b) issue guidance and recommendations, which the national authorities will have to adopt or justify their failure to do so (act or explain mechanism), to introduce consistent, efficient and effective supervisory practices within the ESFS and ensure the common, uniform and consistent application of Community law; c) adopt individual decisions affecting financial institutions and authorities in specific cases envisaged in law; and d) issue opinions addressed to the European Parliament, Council or Commission.

Some amendments to the sectoral legislation are required, to define the scope of the powers granted to the new authorities and thus ensure the effective functioning of the ESFS. These amendments entail: a) defining the scope of application of the technical standards as an additional tool for supervisory convergence and with a view to preparation of a single code of standards; b) defining the cases in which the authority may settle differences between supervisors; and c) introducing general amendments, common to most sectoral legislation, necessary for the correct functioning of the Directives, in the context of the new Authorities, such as changing the names of the level 3 committees to those of the new Authorities and ensuring that there are appropriate channels for information exchange.

It is expected that the European Parliament will approve the proposals in 2010 and that the new European supervisory framework will come into force in 2011.

ance sectors; the report on special purpose entities, describing the different types of vehicles (on-and off-balance-sheet) and the reasons for their use by different types of financial intermediaries, and indicating the implications and points to be considered for both financial institutions and supervisors; and review of the differentiated nature and scope of financial regulation, which in the context of future increases in banking sector regulation, highlights various inconsistencies in international regulations between regulated and unregulated sectors.

At the European level, various studies were undertaken jointly by the three level 3 supervisory committees: the CEBS, the CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) and the CESR (Committee of European Securities Regulators). Particularly noteworthy was the analysis of the implications of the new European supervisory architecture (see Box 4.2) and the first pilot report on cross-sectoral risk between the banking, securities and insurance sectors, presented to the Financial Stability Table in September. Moreover, in January 2009 the Joint Committee on Financial Conglomerates (which reports to the CEBS and the CEIOPS) published a set of common principles for colleges of supervisors in the banking and insurance sectors, and advised the European Commission in the review of the financial conglomerates directive.

4.5 Work on financial stability in the ECB

As a member of the European System of Central Banks (ESCB), the Banco de España continued to participate actively in the work of the various committees and working groups reporting to the ESCB, including the Banking Supervision Committee (BSC) that deals with issues relating to financial stability and prudential policies.

Since the inception of the BSC, financial system developments have heightened the importance of matters relating to financial stability, leading to an increase in the Committee's workload. This trend has intensified since end-2007 and continued to shape the BSC's agenda in 2009.³

In the area of monitoring of structural and conjunctural developments in the financial system, the BSC continued to prepare its annual reports on banking structures, with publication of the statistical annex, and banking sector stability. It also continued to contribute to the ECB's half-yearly *Financial Stability Review* and to the half-yearly analyses conducted by the Financial Stability Table, and it carried out analysis of various issues of particular interest, including, notably, the work on banks' funding structures and policies.

In the field of cooperation between central banks and supervisory authorities, work continued on information exchange between Central Credit Registers and progress was made in the discussions on the use of these registers for macro-prudential purposes.

4.6 Association of Supervisors of Banks of the Americas (ASBA)

In 2009 the Banco de España continued to play a very active part in the ASBA, which groups together banking supervisors in the Americas. The Banco de España, as an associate member since October 2006, participates actively in the governing bodies of the Association and in its training plans, working groups and other activities.

In the area of training, four seminars were held: one on international financial reporting standards in June in Madrid; two on validation of advanced credit risk models, the first in April in Chile and the second in June in Argentina; and one on Pillar 2 (Basel) in November in Uruguay.

3. Although the BSC reports to the governing bodies of the ECB, it may also receive and, with the approval of the ECB, respond to requests from other institutions, as in the case of the ECOFIN request on the lessons to be drawn from the financial crisis that broke in the summer of 2007.

In addition, Latin American countries were again offered five places on each course given under the continuous training programme of the Banco de España's Directorate General Banking Supervision and, also through the ASBA, trainees were received from several countries in the region.

The working group on operational risk in banks, chaired by the Banco de España, completed its task in 2009, which was to define general operational risk management guidelines to serve as a basis for regulation and supervision of operational risk in the countries of Latin America. Three other working groups also published documents, on sound management and supervision practices for credit risk in the Americas, consolidated supervision, and corporate governance in bank supervisory agencies.

Throughout 2009, the ASBA monitored the periodic meetings of the governing bodies and the common approach to the effects of the crisis and the measures adopted in the countries of Latin America, thus providing the Banco de España with close-up and immediate information on the situation in the region.

Lastly, the inclusion of Brazil, Mexico and Argentina (among others) in the Basel Committee in March 2009, signified, for the ASBA, its exit from the different working groups in which it participated, reducing its presence to the Basel Consultative Group.

