FSB- G20 - MONITORING PROGRESS – Spain September 2011

# *# in brackets are # from the 2010 template*		G20/FSB RECOMMENDATIONS		DEADLINE	PROGRESS TO DATE *Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	PLANNED NEXT STEPS *Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	In line with other EU countries, Spain has already adopted the Basel II capital framework for credit institutions and investment firms.	N.A. – Spain already complies with this action point. Spanish regulation is to be adapted to CRD revisions at European level and in accordance with the timetable for transposition.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	These measures have been implemented in the EU via the revised European Capital Requirements Directive (CRD III, Directive 2010/76/UE). In Spain, Royal Decree 771/2011 of 3 June, directly implements parts of CRD III and sets the conditions for the implementation of the rest of CRD III (trading book revised measures amongst them) by means of a Circular by Bank of Spain. See weblink to Royal Decree 771/2011	The new Circular by Bank of Spain (amending Circular 3/2008 on capital requirements) will go on public consultation by end-September 2011. Final approval of this Circular is expected by end-November.

3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	These measures will be implemented in the EU via changes to the European Capital Requirements Directive (CRD) –the so called CRD-IV. The European Commission has presented its proposal for CRD IV in July. Spain participates in the discussions with other EU Member States for the negotiation of this reform. Some of the new measures will be directly applicable in EU jurisdictions without the need of national legislative implementation. It must be mentioned that Royal Decree-Law 2/2011 of 8 February introduced for Spanish credit institutions a minimum core capital ratio, as defined in art. 2, of 8%. This ratio rises to 10% for those institutions (or groups) that do not have placed securities representing at least 20% of their share capital or voting rights with third parties and that have wholesale funding of more than 20%, according to the definition in CBE nº 2/2011. Although this core capital ratio does not meet the full characteristics of CET1 ratio as proposed by Basel III for 1/1/2019, it can be considered that it meets all the features proposed for 1/1/2013. See web link to Royal Decree-Law 2/2011	The new measures will require changes in legislation. After the approval of the CRD-IV by the Council of the European Union and the European Parliament, Spain will have to transpose to the Spanish legislation this measure. We envisage the implementation process to start in 2012 once the new Directive (CRD IV) has been passed by the European Parliament. Until CRD IV/ EU Regulation come into force, Bank of Spain assesses the adequacy of the banks' liquidity buffers as part of its regular ongoing supervision.
4 (4, 7, 9, 48)	(WAP) (FSF 2009)	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress	Ongoing	Spanish authorities constantly insist on the need for institutions to adopt appropriate risk management and internal control standards. The Bank of Spain is participating in work underway at international (BCBS) and EU level (CEBS) to strengthen mechanisms that ensure the proper implementation of existing risk management standards (by both institutions and supervisors) and to assess the need to update/extend existing guidance. At national level, Bank of Spain is further improving its guidelines on the Internal Capital Adequacy	Bank of Spain is in the process of adopting guidelines issued by CEBS (EBA) after careful assessment of its contents. These guidelines may be adapted or adopted directly after being translated. Adoption may imply the amendment or clarification of other regulations (usually through minor changes). Bank of Spain has also set internal procedures to assess compliance with BCBS guidelines and to promote the

	(FSF 2008) (FSB 2009		testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		Assessment Process. Guidelines on the capital supervision process (the Spanish term for SREP) have already been developed and published. The Bank of Spain has also published a document explaining its supervisory model. Finally, there is on going work at national level on guidelines on liquidity and interest rate risk (linked to the outcome of these issues at international level - BCBS and EU-). Additionally, the CNMV is participating in the work underway by CESR (addressed to investment funds management companies) See the work underway by CESR/ESMA 1.4 In December 2009, a joint group composed of representatives of both the Bank of Spain and the industry, discussed the implementation of the CEBS Guidelines on Stress Testing to overcome specific difficulties that by financial institutions were facing when designing and performing scenario analyses for capital planning purposes (e.g. such as the determination of the adequate time horizon, the translation of scenarios into risk parameters, reporting gross and net impacts, etc.). As a result of (a) the work of this group, (b) the publication of the Guidelines on the capital review process and (c) the adoption as its own of the CEBS Guidelines on Stress Testing, the Guidelines on the ICAAP at credit institutions have been amended. As a consequence, the stress testing exercises included in the 2010 internal capital adequacy assessment reports are, to a reasonable extent comparable and easy to understand by supervisors. II.10These measures were implemented in the EU via Directive 2006/48/CE N/A	necessary regulatory changes if required. On the securities side new guidelines/recommendations to be issued by CESR. 1.4 The Bank of Spain will monitor the impact of the CEBS Guidelines on Stress Testing and of the amendments to its Guidelines on the ICAAP. II.10The guidance has been incorporated into the Annex to CBE 9/2010 (see web link). Compliance with the guidelines is assess on site.

II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	The Spanish regulation is already quite extensive in its perimeter. We apply an intensive approach to supervision, especially in relation to those institutions which are the most relevant for the financial system. Some of the main characteristics of this approach are: (i) on site continuous monitoring with inspection teams located permanently within each institution; (ii) more intense reporting requirements and ad-hoc demand for information including periodical internal management reports; (iii) more intense review of the accounting statements, valuation of assets, etc. In addition, we use the methodology called "Supervision of Banks Under the Risk Based Approach" (SABER in Spanish) which provides a uniform framework of classification (qualitative rating) of banks that allows the determination of their risk profile. The supervisor risk profile, together with the systemic importance of the bank, determines the priority for the supervision. This priority feeds into the inspection plan for the year. Spanish Insurance Supervisor (DGSFP) also posses the necessary powers to fulfil this objective.	
6 (43, 44)	(Pitts)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010 (for setting up crisis management groups)	We are participating in the international (in particular EU) work on early intervention and resolution frameworks, particularly leaded by the EU Commission. We have also established crisis management /CMG meetings for our main institutions. As our SIFIs are global, rather than European, we do not plan to convene European level cross border stability groups. While recovery plans are for the banks to prepare, ownership of the resolution plans belongs to the authorities and, therefore, RRPs require the combined effort of firms and authorities.	We will shortly start the drafting of cross-border cooperation agreements on resolution on an institution-specific basis with our relevant counterparties. As Recovery Plans are living documents we (the authorities as well as the banks) will continue to improve them. The European Commission is currently running a public consultation on this as a previous step in preparing a roadmap.

	(Seoul) (Lon)		We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Ongoing	Bank of Spain is now drafting firm-specific resolution plans for both banking groups with the help of their fellow foreign supervisors and central banks. All the framework of early intervention and bank resolution is currently being discussed at European level. At European level, the European Commission has recently launched a Communication (20/10/09) regarding the putting in place of an EU framework for crisis resolution in the banking sector. (See the Communication from the European Commission). This is a complement to the new supervisory architecture that seeks to ensure that all competent authorities effectively coordinate their actions and have the appropriate tools for intervening quickly to manage the failure of a bank. Furthermore, the European Commission has launched: - Communication on bank resolution funds (26.05.2010): this resolution proposes that the European Union establishes an EU network of bank resolution funds to ensure that future bank failures are not at the cost of the taxpayer or destabilise the financial system. - Communication on a new EU framework for crisis management in the financial sector (20.10.2010): The Commission's Communication sets out the main elements that will be part of the Commission's legislative proposals next year, and is the result of extensive consultations over the past months - Consultation on technical details of a possible European crisis management framework (06.01.2011): This consultation set out technical details of the framework outlined in the Commission's Communication of October 2010. The Bank of Spain is already taking forward this recommendation, leading the work of the Crisis	The Spanish authorities will collaborate in this process and will comply with the measures that will be approved according to the foreseen timetable. Bank of Spain will continue to have yearly –or more frequently if needed– CMG`s meetings, to increase preparedness for a crisis situation

					Management Groups (CMGs) for the two Spanish largest banking groups. Hitherto, both CMGs have met twice, firstly in late 2009 and early 2010 to discuss their agenda, and secondly in the summer of 2010 to discuss the recovery plans drafted by the firms, paying particular attention to a number of issues of primary concern in a crisis situation. The composition of the CMGs included very senior representatives from relevant supervisory authorities and central banks. The CMGs conveyed a number of suggestions to enhance the firms' RRPs The FSB secretariat has been duly informed on the outcome of the meetings.	
7 (45)	(Seoul) (Tor) (WAP)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an	Ongoing	This review is linked to the outcome of discussions at international level. The Bank of Spain is actively participating in work underway at both international (BCBS) and EU level (CEBS) to assess whether it is possible and advisable to modify existing cross-border resolution and insolvency regimes. We have not detected a lack of clarity in the division of responsibilities with other national authorities. Furthermore, the Bank of Spain participates with these authorities on an ongoing basis and also through the high-level domestic standing group on financial stability issues. The Bank of Spain is also participating in international groups working on the issue of crisis management and resolution. Spanish regulation has also an effective winding up system of insurance companies.	At EU level, the Commission has presented the results of the consultation on several issues concerning the existing crisis management framework in a public hearing in March 2010. This has fed into the preparation of a roadmap of follow up initiatives in the areas of early intervention, resolution and insolvency. The results of the Commission's consultation are available at http://ec.europa.eu/internal_market/consultations/2009/banking_crisis_management_en.htm N/A

	(FSF 2008)		orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.			
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	The Bank of Spain has already established colleges for the Spanish largest internationally active banks (Santander and BBVA). Meetings of these colleges have been held every year since2007 (for Santander) and since 2008 (for BBVA). The most recent meetings were held in November 2010. The next meetings will be held in October 2011). A rigorous risk assessment of our internationally active banks has already been conducted in the last meetings of our supervisory colleges. For the next meetings in October 2011, this will also be one of our objectives. DGSFP is active in setting up all relevant supervisory colleges under its competence.	In addition, colleges for other banks with cross-border activity will be established for Q4 2011 with the main purpose of reaching a joint risk assessment and decision under the auspices of the revised Capital Requirements Directive (CRD II)
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international	Ongoing	The Bank of Spain has intensified its bilateral and multilateral relationships. The supervisory exchange of information within the colleges is adequate for the performance of the college activities. Website platforms to ensure an efficient and comprehensive information exchange are under construction and will come into service by the next meetings.	Since 31 December 2010, Article 129(3) of the CRD II introduces a joint decision-making process for Pillar 2 between the consolidating supervisor and supervisors of subsidiaries within the EEA. In that sense, the next colleges meetings of Grupo Santander and BBVA will be aimed, among other points, at reaching such a joint decision taking into account the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory

			levels.			Review and Evaluation Process (SREP).
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	The supervisory system has been strengthened in the several reforms of the Capital Requirements Directive. Bank of Spain departed from an already intensive supervision model based on a close relation with the institutions to check their accountings and to assess the quality of their control frameworks and to address any shortcomings could be detected. Bank of Spain has shared its experience in this field with other relevant supervisors in the FSB SIE Group (SIEG) and it conducted a self-assessment against the relevant BSBC core principles, obtaining a satisfactory result. Additionally, Spain considers that its supervisory system based on intrusive ongoing in site supervision from Bank of Spain accompanied by off-site supervision has worked quite satisfactorily.	The fourth reform of the Capital Requirements Directive, currently under negotiation, gives new tools and powers to supervisors, regarding for instance, the monitoring of corporate governance. Additionally, Bank of Spain will continue being an active member of the SIEG and will be ready to study how incorporate to its model any recommendation this group may emit.
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Spain has long been having a wide regulatory perimeter: - Entities able to provide financial services are regulated/supervised by either the Bank of Spain, the CNMV or the Spanish Insurance Supervisor - The regulatory perimeter of consolidation of financial groups uses a wide definition of control and a wide definition of what a financial activity is. The Bank of Spain co-chaired a working group within the Joint Forum, in coordination with other authorities, particularly the CNMV, on matters relating to the scope of regulation, such as consolidation, hedge funds, underwriting practices, CDSs and financial guarantors. With respect to inconsistencies in regulation across sectors (including those related to consolidation / group-wide supervision) noted in	The Joint Forum's review of the differentiated nature and scope of regulation was finally released in early January 2010. Several gaps noted in the report had already been noted several years ago. It is therefore essential that the relevant standard setters and jurisdictions effectively work to comply with the spirit of the recommendations of the report or a new crisis (due to well-known gaps) may occur again in the future.

					the Joint Forum's report, in Spain (as in the EU) all kinds of financial groups – either systemically important or not – are subject to consolidation (well diversified conglomerates are also subject to a supplementary framework), prudential regulation of banks and securities firms are broadly homogeneous, holding companies of banks are subject to consolidation, SPEs in the banking sector in Spain are consolidated at a minimum for prudential purposes (in particular when there is commitment from the sponsor to provide funding to the SPE). In general, the Bank of Spain believes that the "wide definition" of the scope of consolidation of financial groups providing services across borders (not only systemic ones) as well as the convergence of regulation between the banking and securities firms' sectors in the EU has been very positive. Financial entities which may undertake lending activities but which are not deposit-taking institutions are also subject to the same prudential regulation as banks. Also, the Bank of Spain's intensive supervisory approach and our Credit Risk Register have helped in monitoring retail mortgage underwriting practices The Spanish Insurance Supervisor is participating in the activities of IAIS (see web link) relating to supervision of insurance groups, solvency standards, equivalence of supervisory national systems and specific accounting issues. The Spanish Finance ministry is also participating in the EU and global debates and the working groups related to this issue. Some of these working groups are framed in legislative measures such as EU Directive on managers of hedge funds (see below) or the proposal of Regulation on short selling and CDS, which is currently being discussed. (see web link).	
12 (30)	(FSF 2008)	Supervisory resources and	V.1 Supervisors should see that they have the	Ongoing	Spanish approach to financial supervision is its proximity close and intensive.	Spain already complies with this action point

		expertise to oversee the risks of financial innovation	requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.		Supervisory staff includes lawyers, economists, accountants, and other experts in specific banking areas (risk models, IT systems…). There is in place a rigorous program of ongoing education. For further details, see The Bank of Spain supervisory model	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, … Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Fully implemented as for domestic hedge funds regards. While the level of hedge fund activity in Spain is rather low, implemented regulation in Spain on Hedge Funds already requires mandatory registration of both managers and hedge funds themselves. Hedge funds managers are required to disclose information on an ongoing basis to the National Securities Market Commission. Risk management procedures are disclosed to the CNMV at the outset of the project and on an ongoing basis when material changes occur. Moreover, information on leverage is disclosed to the CNMV on a regular basis. These institutions and their risk management systems are subject to oversight by the regulator periodically. Furthermore, Spanish authorities are actively participating in the new EU regulation on hedge funds.	The Directive on alternative funds managers has already been passed been passed and published in June 2011 (see web link) Implementing measures still need to be passed in the coming months. Spanish regulation is to be adapted European Directives in accordance with the timetable for transposition.
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to	End-2009	Spain contributed to the IOSCO report on Hedge Funds oversight. The said report states that regulators should have the authority to co-operate and share information. See the document on Hedge Funds oversight	Spain already complies with this action point

			ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.		The CNMV is signatory of the IOSCO Multilateral MoU on cooperation and exchange of information and is currently participating in the drafting of a new MoU on supervisory cooperation among IOSCO members. See the MOU Within the EU, the directive on alternative fund managers contains specific provisions.	
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	While the level of hedge fund activity in Spain is rather low, local regulation permits regulators to require institutions acting as counterparties of hedge funds to implement adequate risk management procedures. Spanish regulation for funds of hedge funds requires effective risk management. The CNMV has collaborated at IOSCO level in producing the "regulatory standards for Funds of Hedge Funds". See the IOSCO document Insurance regulation permits DGSFP to require insurance companies acting as counterparties of hedge fund to implement adequate risk management procedures.	Spain already complies with this action point
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	See above	See above
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure;	During 2010	Strengthen capital requirements: The revised European Capital Requirements Directive (CRD III), recently approved by the European Parliament and the Council, introduces higher capital requirements for securitisations. In Spain, Royal Decree 771/2011 directly implements parts of CRD III (most of the new securitisation measures) and sets the conditions for the implementation of the rest of CRD III by means of a Circular by Bank of Spain.	The new Circular by Bank of Spain (amending Circular 3/2008 on capital requirements) will go on public consultation by end-September 2011. Final approval of this Circular is expected by end-November at the latest.

			• implement IOSCO's proposals to strengthen practices in securitisation markets.		See weblink to Royal Decree 771/2011 The CNMV has participated in the IOSCO regulatory recommendations on securitisation and CDS market See IOSCO recommendations.	
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	The Spanish accounting framework is already quite strict on this issue, and has long required the consolidation of the majority of securitisations. It should be noted that securitisations tend to be of the "plain vanilla" type. As regards to due diligence and retention requirements, please see answer to question 17.	Please see answer to question 17.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	The level of monoline activities in Spain is not relevant and these entities are not subject to a specific regime.	Spanish Insurance Supervisor (DGSFP) will analyze the conclusions of the Joint Forum report on "Review of the Differentiated Nature and Scope of Financial Regulation" (see web link) regarding financial guarantee insures in order to take any future measures if necessary.
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Spanish rules on investment firms and investment funds put special focus on strengthening the requirements and risk control systems (which also includes structured and complex products).	Spain already complies with this action point
21 (14)	(FSF 2008)	Enhanced disclosure of securitised	III.10-III.13 Securities market regulators should work with market	Ongoing	The CNMV has participated in the work undertaken by European regulators (CESR) and IOSCO on enhancing and expanding in a	

		products	participants to expand information on securitised products and their underlying assets.		coordinating way the transparency of financial instruments. See IOSCO document on structured products See IOSCO document on securitised instruments	
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	By end-2012 at the latest	The European Commission published a proposal of regulation establishing mandatory clearing of eligible derivatives contracts on CCPs and mandatory reporting of all transactions not cleared by a CCP to a trade repository. This new legislation also establishes common rules for the regulation, supervision and oversight of CCPs and trade repositories. In that respect, the Commission also intends to amend the Capital Requirements Directive in order to improve the collateralisation of bilaterally-cleared derivatives contracts, to substantially raise capital charges for bilaterally-cleared transactions compared with CCP-cleared transactions and to reduce operational risk. Markets in Financial Instruments Directive (Mifid) will also be modified with regard transparency and standardisation of OTC contracts and Market Abuse Directive (MAD) as regards market integrity. At Spanish level, the Spanish market holding, BME, announced in November 2009 its intention to create a Trade Repository to register a wide variety of OTC financial instruments. Clearstream has recently joined BME's OTC trade repository project.	The proposal on OTC derivatives, CCP and trade repositories should be passed in 2012 at the latest. Implementing measures would then be developed. See the proposal of the European Commission Spanish regulation is to be adapted to European Directives in accordance with the timetable for transposition. The Trade Repository promoted by the Spanish markets and Clearstream Banking is expected to be completed by the fourth quarter of 2010 See link to the web page of the Trade Repository

V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	Spanish regulation is already quite extensive, and takes into account macro-prudential risks. In particular, dynamic provisioning in banking is one of the macro-prudential tools used. Moreover, we are participating in international work in this area. At the European level, the new macro prudential authority (ESRB) started on 1 January 2011 and Spanish Authorities are actively involved in the work of this new body. From 1 January 2011, the European Systemic Risk Board (ESRB) devoted to macro-prudential measures.	
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	Fully implemented as regards national supervisors. National supervisors and regulators already possess the necessary powers to collect the information they need to meet their objectives in relation to financial regulation, financial stability and supervision. Furthermore, Spanish authorities are actively contributing at both international and European level as regards homogenization of relevant information.	Spain already complies with this action point.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at	End-2009 and ongoing	Spanish authorities are participating in work underway at the international and EU level to define indicators/constrains on leverage. Macro-prudential indicators are already used by the supervisors. Regarding mortgage origination, LTV is indirectly required (only mortgages with LTV of 80% or below are eligible for our covered bonds market; only RRE LTVs of 80% or below and CRE LTVs of 60% or below attract the lower risk weights of 35%	Work is still in progress and a specific time schedule is not fixed.

			the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.		and 50% under the standardized approach for capital adequacy, higher LTVs attract risk weights of 100% or even 150%). In 2010, the Bank of Spain has enhanced its policy guidelines on underwriting practices contained in Annex IX of Circular 4/2004, now including explicitly DTI considerations. The Bank of Spain monitors these underwriting practices as part of its supervisory approach. Mortgage originators different from credit institutions are very rare.	
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	Supervisory authorities and the Ministry of Finance are duly monitoring changes in asset prices and financial markets according to their responsibilities. DGSFP monitors changes in asset prices of insurance companies and their implications within its own supervision responsibilities.	N.A.
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	At the national level: it should be noted that the Bank of Spain is a central bank with supervisory responsibilities. Internally, the coordination between different departments takes place both in high level committees and in formal and informal working groups. At the international level: we are participating in initiatives to improve cooperation and exchange of information.	
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	Bank of Spain, as Spanish accounting regulator for banks, fully aligns with International Accounting Standards by means of implementing these standards in its banking accounting circulars once the standards have been adopted by the European Commission. Review of compliance with banking accounting circulars is part of Bank of Spain's supervisory on-site and off-site procedures.	Spanish regulation has implemented standards published by IASB and approved by the EU.

					The CNMV is playing a relevant role in the work undertaken by CESR on this field by chairing the standing committee (CESR-Fin) with the role of co-ordinating the work of CESR Members in the area of endorsement and enforcement of financial reporting standards in Europe and monitoring and evaluating developments in relation to auditing standards. See the work underway by CESR/ESMA	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	Spain supports convergence between accounting standards setters	N/A
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	See number 28 above. Additionally, IASB has made progress in this matter with the educational guidance on FV measurement when markets are no longer active, the ED on FV and the Staff Paper on practice of FV for an entity's own debt.	See also above.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1)	End-2009	Bank of Spain, as Spanish accounting regulator for banks, has to align its accounting regulations to the international standards as adopted by the European Commission. Accordingly, Bank of Spain works in line with the ongoing reform of the IAS 39.	The reform of IAS 39 has not yet finished. The European Commission has decided to postpone adoption of already finished phase 1 of the reform of IAS 39 until this reform is completed in order to have the whole picture.

			Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.			
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	Spain adheres to international prudential regulatory and supervisory standards. Spain was the second country to undergo an FSB peer review focused on the implementation of financial sector standards and policies. The Spanish FSB peer review report was published on January 27 2011. Spain supports the transparent assessment of regulatory systems and already underwent an FSAP that was published in 2006.	European Insurance Supervisors are in an ongoing process of peer review on the implementation of rules adopted through the Collaboration Protocols (see web link to EIOPA). The next FSAP for Spain is expected for 2012.

Reforming compensation practices to support financial stability						
33 (15)	(Pitts) (Tor)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.	End-2010	Spanish authorities have participated at European level in the adoption of a CRD modification regarding compensation practices. This new modification of the Capital Requirement s Directive (CRD III) incorporates the FSB Principles and Standards on Remuneration to the European legislation going beyond them on some concrete aspects. The CRD III tackles perverse pay incentives by improving transparency and requiring banks and investment firms to have sound remuneration policies that do not encourage or reward excessive risk-taking. Supervisors will review remuneration policies and will be given the power to require corrective measures, both qualitative and quantitative, and to sanction institutions with remuneration policies that do not comply with the new requirements. The institutions will publish their compensation policies and practices and aggregate amounts earned by their leaders. CEBS launched guidelines for convergence in supervisory practices (mid December). At the national level, the transposition process of the CRD III is well advanced: During 2011, most of the CRD III content has been incorporated to the Spanish legislation through two laws (Law 2/2011 and Law 6/2011) and a Royal Decree. With these new provisions: (i) Institutions have the obligation to comply with the remuneration principles included in our legislation and (ii) the Supervisor has the necessary instruments to take enforcements actions against banking institutions. In line with the CRD III, our legislation set the institutions' remuneration policy under the scope of the supervisory review as part of Pillar 2, foreseeing the possibility of imposing qualitative and quantitative sanctions, including capital add-	Currently, Bank of Spain is finishing some less relevant aspects of the CRD (mainly disclosure and supervisory reporting). The draft text was published for public consultation on 29.09.11 and the consultation period finished on 18.10.2011. The final text is expected to be enacted by Q4 2011. Concurrently, Bank of Spain will formally adopt CEBS guidelines on remuneration See links: www.bde.es/webbde/en/supervision/regulacion/circulares.html; www.bde.es/webbde/es/supervision/regulacion/280911_Proyecto_modif_CBE_3-2008-texto-AudPub.pdf As a result of the Bank of Spain's meetings and inspections, the institutions are making up the deficiencies found. The Bank of Spain will closely follow the progress in doing so. Finally, Spanish supervisors are participating in the FSB Thematic Review that will take place in spring of 2011, providing information about actions taken to date and firm's evidence on compliance with FSB principles and standards.

	(Seoul)		We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.		ons. The Directive modifying remuneration issues (Directive 2010/76/UE or CRD III) was approved and published in mid December 2010. The implementation date is 1 January 2011. It has been transposed to the Spanish legislation by Law 2/2011, Law 6/2011 and Royal Decree 771/2011 The review of compensation policies is part of the Bank of Spain's regular risk management examination. During the second half of 2009, the Bank of Spain sent formal communications to the industry asking them to undertake a self-assessment exercise in order to assess their compliance with the FSB principles as well as FSB standards. It also requested the institutions to fully comply with them by 31 December 2009. Because of this, some of the largest Spanish banking institutions conducted a self-assessment exercise in late 2009 and communicated their conclusions to the Bank of Spain. During the last three years, the Bank of Spain has undertaken specific inspections and meetings regarding remuneration practices with two main objectives: (i) assessing the compliance of the firms' remuneration plans with FSB principles and standards and (ii) after the CRD III approval, being sure that firms understand and comply with these new European rules. As for listed companies, and saving banks, an improvement of the regulation regarding disclosure has been made. Two provisions established in a code of conduct (comply or explain regulation) are now compulsory by law: (i) the publication of an annual report with the remuneration policy of the board of directors including the individual payments to each director and (ii) the requirement that the remuneration package of the board of directors has to be subject to a non binding vote in the annual shareholders meeting.	

					Finally, Directive on alternative fund managers also provides for rules on remuneration.	
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	See above The review of firm's compensation policies and structures has been undertaken for the largest financial institutions in Spain (Banks). For the remaining financial sector, the FSB principles will be applied using the proportionality principle.	See above
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	The implementation of these recommendations is underway in the EU. A Regulation which is directly applicable to CRAs (and which includes registration and supervision of CRAs) has been approved and entered into force in 2010. See the Regulation This first regulation has been modified to l entrust ESMA with centralized supervision on CRAS. (see web link to the regulation)	The Commission is due to publish a new proposal of Regulation before the end of 2011, tackling the problems of overreliance, lack of competition, issuer-pays model (conflict of interest), public debt and civil liability. (see public consultation on the issue)
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing	End-2009	The CNMV is participating in the work underway at European regulators (CESR) and IOSCO level to agree on cooperation agreements between supervisors –including exchange of information and cooperation of supervisory activities- as	See above

			conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.		requested by the EU regulation on CRAs. See the work underway by CESR/ESMA on CRAs	
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	See above	
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are	Ongoing	See above	See above the reference to the future proposal of the European Commission, aimed at solving these issues.

			consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.			
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	We have a strong commitment to conduct stress tests. In line with the relevance that we attach to these stress tests, , the coverage of the Spanish banks within the EU wide stress test exercises (2010 and 2011) has reached 93% of the system; in particular, internationally active banks, all the other listed banks and all savings banks. Moreover, in addition to the standardized templates agreed by EBA, the Bank of Spain has also published additional information that provides detailed knowledge of the results for each firm and provides more transparency on the Spanish financial system. The Bank of Spain reviews the internals stress test exercises made by the entities in their ICAAP. Additionally, the CNMV is encouraging investment firms and investment funds management companies to improve and develop stress-testing exercises. Work on stress testing guidelines at the national level has already started. DGSFP, as the Spanish Insurance Supervisor, has also participated in the stress test conducted by EIOPA in 2010/11. DGSFP is currently involved in a satellite exercise of this EIOPA stress test, in order to prove the resilience of the insurance industry to a long term low yield environment.	Process ongoing. Entities are improving and developing the exercises of stress testing and their risk models.

40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Spanish authorities consistently follow up impaired assets and require additional capital when needed. Bank of Spain has in place prudent regulations on the treatment of impaired assets, as well as a system of statistical provisions for credit risk that allows for an early recognition of potential losses (the so-called Spanish dynamic provision). In 2010, the Bank of Spain has enhanced its provisioning guidelines (notably those relating to consumer credit and to the treatment of foreclosed assets) that will be in force at the end of 3Q2010 and will result in an overall increase of the level of provisioning. See Circular 3/2010 Bank of Spain is participating in the ongoing international work that aims to increasing the level and quality of regulatory capital.	
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	Basel II Pillar 3 requirements came into force in Spain in January 2009. Spanish firms have published their first reports following the new rules in mid 2009. In the implementation of the new Solvency II Directive disclosure requirements will be strongly reinforced. More recently (2011), Bank of Spain has required credit institutions to provide greater detail in their annual accounts and in their half-year information on their exposures to the real estate sector and mortgage portfolio as well as on their funding position.	Pillar 3 already implemented in Spain. New Pillar 3 measures approved in July 2009 will be implemented at end 2010, according to the BCBS timetable.
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	We have considered our national deposit insurance arrangements in the light of the international principles, and deem them to be already fully compliant (indeed they go beyond the principles in some areas).	N.A. – Already implemented

43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing		

<u>Origin of recommendations</u>:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)