FSB- G20 - MONITORING PROGRESS – Spain September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS		DEAD-LINE	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. Building high quality capital and mitigating procyclicality						
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 will be implemented in the EU via the revised European Capital Requirements Directive (CRD III).	The new measures will require changes in legislation. The Royal Decree - Law RDL 11/2010, recently published, legally authorise the review of the current regulation for implementing the revised CRD III. See web link to RDL 11/2010

3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	In the case of banks, Bank of Spain recommends that the pay-out does not exceed 50%. The Spanish Saving Banks are required by law to set aside to reserves at least 50% of the results not corresponding to holders of Cuotas Participativas (like Primary Capital Certificates). This percentage can be reduced: - By the BE when having excess of equity (more than one-third above the minimum requirements) - Exceptionally, by the Ministry of Economy and Finance- after consultation the Bank of Spain- to meet goals related to its social welfare funds. Besides this policy, the Bank of Spain always urges institutions to be cautious in assessing their assets (especially with regard to the provisions via the Spanish generic provisions and the standardized, objective and demanding scheduled for calculating specific provisions) Both arguments are part of the ongoing supervisory process conducted by the Bank of Spain. Spanish institutions are fulfilling these policies.	Continue implementing the existing policy
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress 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.	End-2009 and ongoing	A joint group composed of representatives of both the Bank of Spain and the industry established in December 2009, 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 the work of this group, (a) the stress testing exercises included in the 2009 internal capital adequacy assessment reports were, to a certain extent, more comparable and easy to understand by supervisors and (b) the Guidelines on the ICAAP at credit institutions have been amended. (See Guidelines)	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..

5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	These measures will be implemented in the EU via changes to the European Capital Requirements Directive (CRD). The European Commission is developing new proposals on this issue to be included in the "CRD IV".	The new measures will require changes in legislation. Royal Decree- Law 11/2010 legally authorizes the review of the current regulation in order to implement the foreseen changes on the CRD IV.
6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	These measures will be implemented in the EU via changes to the European Capital Requirements Directive (CRD). The European Commission is developing new proposals on this issue to be included in the "CRD IV".	The new measures will require changes in legislation. RDL 11/2010 legally authorizes the review of the current regulation in order to implement the foreseen changes on the CRD IV. See web link to RDL 11/2010
7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	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.	Ongoing	These measures were implemented in the EU via Directive 2006/48/CE	The guidance has been incorporated into the Annex to CBE 9/2010 (see web link)

8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	These measures will be implemented in the EU via changes to the European Capital Requirements Directive (CRD). The European Commission is developing new proposals on this issue to be included in the "CRD IV". The BCBS has published in December 2009 the document for consultation. The Bank of Spain has participated in the QIS.	On July 9, Spain´s parliament approved law RDL 11/2010 that includes article 8 which entitles the Government to require liquidity ratios (both short and long term) to the Spanish banks and banking groups. See web link to RDL 11/2010
9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	N/A	N/A
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.
II. Strengthening accounting standards						
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. 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	Spanish regulation has implemented standards published by IASB and approved by the EU.

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 11 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.
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) 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.	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 will not finish earlier than end-2010. 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.
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	The CNMV has participated in the work undertaken by European regulators (CESR) and IOSCO on enhancing and expanding in a coordinating way the transparency of financial instruments. See IOSCO document on structured products See IOSCO document on securitised instruments	

III. Reforming compensation practices to support financial stability						
15	(Lon) (Pitts) (Tor)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. 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 Directive 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). 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. At the same time, the Bank of Spain undertook during 2009 and 2010, 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, an improvement of the regulation and code of conduct on compensation practices is underway. The purpose is to adopt the European Commission Communication of April 2009 by improving transparency and the involvement of shareholders meeting in the approval of remuneration policies. See the document for public consultation	The new measures will require changes in legislation The Directive modifying remuneration issues (CRD III) was approved and published in mid December 2010. The implementation date is 1 January 2011. Spanish regulation is being adapted to CRD revisions at European level and in accordance with the timetable for transposition. 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 will participate 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.

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
IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	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.	Autumn 2009	The European Commission intends to propose new legislation 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 should also establish 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. Mifid will also be modified with regard transparency and standardisation of OTC contracts and 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 legislative proposals are expected to be presented by the European Commission by mid-2010. 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

18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	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.	By end-2012 at the latest	See above	See above
V. Addressing cross-border resolutions and systemically important financial institutions						
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. 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	
20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	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 cross-border stability groups/contingency planning meeting for our main institutions. [The second part of the question refers to ongoing FSB work on the treatment of SIFIs]. See also 19.	

VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	Spain adheres to international prudential regulatory and supervisory standards.	
22	(Lon)	Periodic peer reviews	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.	Ongoing	Spain indicated its willingness to undergo a Peer Review. The Peer Review for Spain was finally been scheduled for the second half 2010 and is now undergoing. See also number 24	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)
23	(WAP)	Undertaking of FSAP	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 supports the transparent assessment of regulatory systems and already underwent an FSAP that was published in 2006. It will continue to do so in the future.	Compliant

24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	Spain adheres to international prudential, regulatory and supervisory standards. The Bank of Spain has strengthened its internal procedures not only to keep under a single control all guidelines issued by international agencies but also to control the measures taken or to be adopted for proper implementation (in time and form). A multidisciplinary internal panel in Bank of Spain (supervisors and regulators) proposes national implementation of international standards issued. This panel identifies the standards to be implemented (mainly FSB, BCBS and CEBS), assigns them to the correspondent department (responsible to make a proposal about the implementation) and make the follow up of the implementation process. Each standard may require different measures: legislation, regulation, guidance (own or translations), recommendations to banking associations, recommendations in Banking supervision, posting in the web the links to standards, incorporation to the supervisory process, direct contact with the institutions through the inspections teams...... Our intensive supervision approach ensures the consistent application of the implemented standards	Compliant The Bank of Spain will continue working in the same line
VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
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 the aspects noted. However, we are participating in international work in this area. Additionally, at European level Spanish Authorities are actively participating in the international work in this area, particularly in the creation of an EU macro-prudential supervisor, according to the EU supervisory reform	N.A. As European work regards, new macro prudential authority (ESRB) ready to run by 1 January 2011

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 for national supervisors regards. 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 collaborating at both international and European level as regards macro prudential supervision.	Spain already complies with this action point. See above referring to macro-prudential supervision
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	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. 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. With respect to inconsistencies in regulation across sectors (including those related to consolidation / group-wide supervision) noted in the Joint Forum's report, in Spain (as in the UE) all kinds of financial groups 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 groups as well as the convergence of regulation between the banking and securities firms' sectors in the EU has been very positive. Also, the Bank of Spain's intensive supervisory approach and our Credit Risk Register have helped in monitoring retail mortgage underwriting practices.	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.

					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% 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.	
28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	Spanish authorities are participating in work underway at the international and EU level to define indicators/constrains on leverage. Macroprudential indicators are already used by the supervisors	Work is still in progress and an specific time schedule is not fixed.
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.

30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the 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.	Ongoing	Spanish approach to financial supervision is its proximity close and intensive. 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 Banco de España supervisory model	Spain already complies with this action point

31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	The Bank of Spain follows and intensive approach to supervision (sometimes referred to as "intrusive approach") that allows it to detect problems or weaknesses at an early stage. The traditional supervisory approach combined with the risk-focused approach results in thorough reviews of financial institutions which permit the supervisor to gain in-depth insight of institutions and to determine and update the supervisor risk profile of each institution and take the necessary steps to correct it if necessary at an early stage. The supervisor risk profile cannot be established only from the analysis of financial indicators and ratios of entities. The review of accounting data and systems as well as the analysis of governance of institutions, their management systems and risk controls are necessary aspects to determine the risk profile of an institution (i.e. both quantitative analysis and qualitative assessments are essential. The supervisor risk profile has to be updated at least yearly. See The Banco de España supervisory model in combination with the Guidelines on the capital review process. Most (if not all) supervisory actions result in reports; notwithstanding such reports, the way the work is organised ensures continuous communication among supervisors vested with different responsibilities, thus enabling a quick supervisory response to problems. As a result of supervisory action, the Bank of Spain refers letters of recommendations or requirements to financial institutions. Formal requirements and/or recommendations seek both (a) the correction of deficiencies identified in compliance standards and of weaknesses in governance, management and internal control and (b) endowing the process with all legal guarantees. Also Spanish Insurance Supervisor insists on the need for insurance companies to adopt appropriate risk management and internal control standards	Spain already complies with this action point

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.	
Hedge funds						
33	(Lon)	Registration of 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 new European regulation is expected to be approved during the second half of 2010. Spanish regulation is to be adapted European Directives in accordance with the timetable for transposition.
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 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.	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 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	Spain already complies with this action point

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
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
Credit rating agencies						
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. See the Regulation A new regulation underway will entrust ESMA with centralized supervision on CRAS. See the project Spanish authorities are also participating in the new regulation regarding ESMA, which will be in charge of CRAs supervision and registration in Europe.	Regulation on ESMA is expected to be completed by 1 January 2011. . See the Regulation Regulation on CRAs is applicable since April 2010. Regulation enabling ESMA to supervise CRAs is expected to be approved by the second half of 2010 entering into force in 2011. Use of ratings by registered CRAs by Oct 2010. National legislation will have to be adapted to European regulation.

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 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.	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 requested by the EU regulation on CRAs. See the work underway by CESR/ESMA on CRAs	See above
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	
40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are 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.	Ongoing	See above	
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	The Bank of Spain has already established colleges for our internationally active banks (the first meetings were held in 2007 and 2008 and the most recent meetings were held in November 2009. The next meetings will be held in November 2010). DGSFP is active in setting up all relevant supervisory colleges under its competence.	N.A. Already implemented

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 levels.	Ongoing	The Bank of Spain has intensified its bilateral and multilateral relationships.	
Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	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.	Immediate	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. The Bank of Spain is already taking forward this recommendation, leading the work of the Crisis 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' RPs. The FSB secretariat has been duly informed on the outcome of the meetings.	The European Commission is currently running a public consultation on this as a previous step in preparing a roadmap. 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– CMGs, to increase preparedness for a crisis situation.

44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	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	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. 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.	As Recovery and Resolution Plans are living documents we (the authorities as well as the banks) will continue to improve them.
45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	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 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.	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
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

Risk management						
47	(WAP)	Development of enhanced guidance for 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.	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 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 See also 31.	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 necessary regulatory changes if required On the securities side new guidelines/recommendations to be issued by CESR

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. We participated in the ST exercise made on 2009 at the European level. In addition, in line with the relevance that we attach to these stress tests, the Bank of Spain has just participated in the in the new European stress test exercise. Regarding the participation of Spanish banks in this exercise, the coverage of the Spanish ST exercise has reached 95% 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 CEBS, 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 plans to continue undertaking these exercises in the future. Finally, the Bank of Spain reviews the internals ST exercise 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	Process ongoing. Entities are improving and developing the exercises of stress testing and their risk models
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.	

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; • implement IOSCO's proposals to strengthen practices in securitisation markets.	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. The CNMV has participated in the IOSCO regulatory recommendations on securitisation and CDS market See IOSCO recommendations.	CRD III transposition into Spanish law and regulations is currently in progress
51	(Lon)	Improvement in the risk management of securitisation	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.	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. Spanish Authorities are participating in the different fora dealing with this issue (particularly CRD2 and IOSCO) and will implement the necessary regulatory changes according to the UE schedule. Changes retention requirements and due diligence have already been included in CRD2 and will be effective for securitizations issued as from 1 January 2011 (with grandfathering clause for previous ones) after local implementation.	CRD2 will be effective for securitizations issued as from 1 January 2011 (with grandfathering clause for previous ones) after local implementation.
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	See 51	See 51
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.	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.
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

Others						
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		

Origin of recommendations:

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)