4 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA IN 2010

4 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA IN 2010

The global nature and scale of the financial sector, along with the rapid propagation of the effects of the crisis that began in the summer of 2007 to the financial system as a whole and to economic activity, highlighted the need for a coordinated approach at the global level to address the situation and, insofar as possible, avoid its repetition in future. The changing nature of the crisis, in which the focus of attention has shifted from exposures to certain structured products towards global imbalances and the sovereign crisis, as well as its complexity, has been setting an agenda that was dominated in the first few years by the need to analyse the causes, consequences and lessons of this situation, and also the search for effective solutions, while in 2009 and 2010 it had switched to the concrete design of such solutions and to initiating implementation of the agreed reforms.

These solutions are being developed in global and European fora of supervisors and regulators. As a result, the Banco de España has continued to work, all the harder, to consolidate its presence in these fora, to try to ensure that new legislation arising from the international agenda reflects, as closely as possible, the Banco de España's own priorities, its intention always being to reinforce and strengthen the domestic banking sector, as well as to contribute to levelling the competitive playing field at the national and international level.

For a better understanding of the origin and spirit of this work, it is worth considering the role played by the G20, the committee at the highest political level, which is leading the programme of financial regulation reform. Although this group had existed for some time, the decisive boost to these reforms came in November 2008, with the first summit of heads of state and government. In 2010, these summits were held in Toronto and Seoul, with Spain attending in both cases. A large part of the development and especially of the coordination of financial regulation reform is entrusted to the Financial Stability Board (FSB), the institution of reference at the international level, which unites the developments promoted by the existing regulatory fora, including, in the banking field, the Basel Committee on Banking Supervision (BCBS). In turn, the G20 is fundamental in giving political backing to the proposals made by the fora of regulators and supervisors.

In the international regulatory field, 2010 was marked by the reform made by the BCBS in relation to capital and liquidity, commonly known as Basel III (see Box 4.1). Also, in relation to revision of the prudential framework for financial institutions in response to the crisis, the work of the FSB that began in 2009 on the treatment of moral hazard arising from the existence of systemic institutions should be highlighted.

In the European Union, where the coordination of regulatory and supervisory policies is all the more necessary, the transformation of the Committee of European Banking Supervisors (CEBS) into the European Banking Authority (EBA) and the establishment of the European Systemic Risk Board or ESRB (Box 4.2) should be highlighted. From 1 January 2011, the EBA has a number of new powers, both in relation to banking regulation, where it will have the power to prepare binding legislation, and aspects of supervision, where it has been given the function of promoting supervisory convergence, as well as the role of providing binding mediation between supervisors.

Also notable at the EU level were the stress tests carried out at a significant number of European financial institutions, which were coordinated by the CEBS.

The following sections of this chapter describe the work of the international committees of regulators and supervisors in which the Banco de España actively participates, both at the global and at the European level. They also describe the work undertaken jointly by committees of bank, securities and insurance supervisors, as well as the financial stability work carried out at the ECB and by the Association of Supervisors of Banks of the Americas (ASBA).

Table 4.1 contains information on numbers of committees and their working groups and sub-groups and shows the number of meetings attended by representatives of the Banco de España in 2010.

Finally, the work of the Banco de España in support of international technical cooperation for banking regulation and supervision was no less important. This work involved receiving and attending to delegations of foreign supervisors and the participation of members of staff of the Banco de España as speakers at national and international seminars for supervisors from other countries.

4.1 Work of the Financial Stability Board

The FSB not only leads and coordinates the reform of financial regulation at the international level, but also monitors the consistency of implementation of these policies in the different member jurisdictions. The work promoted by the FSB in 2010 includes the following:

The treatment of the moral hazard represented by systemic institutions, which commenced in 2009, has been one of the priorities of the FSB in 2010 and in 2011 to date. The project has a number of different aspects: the identification of systemic institutions and their capacity to absorb losses; the framework for assessing the probability of insolvency and its impact on the system; the essential characteristics of resolution regimes, including the existence of recovery and resolution plans; improving the intensity and effectiveness of the supervision of this type of institution; and reducing the degree of interconnectedness between institutions by requiring OTC derivatives to be settled through central counterparty clearing houses. Notable in this area is the report presented to the G20 on reducing the moral hazard posed by systemically important financial institutions (SIFIs).

Another relevant document is the recommendations report entitled “Intensity and Effectiveness of SIFI Supervision”. Also, in relation to reform of the prudential framework of financial institutions in general, at the end of 2010 the FSB began to analyse the solutions that should be adopted for the shadow banking system.

Other areas of reform of international financial regulation that are being led or coordinated by the FSB include the strengthening and convergence of international accounting standards (scheduled to be completed by mid-2011), a reduction in the dependence on external credit ratings and reform of the OTC derivatives markets.

Also notable is the monitoring of the vulnerabilities in the financial system and their connection with developments in diverse macroeconomic variables in different countries. This is also used as the basis for various actions and analyses and for taking, where applicable, the necessary political decisions.

The FSB, through its standards implementation committee, also closely monitors the reforms made in response to the G20 recommendations, the consistency of their implementation in different jurisdictions, through peer reviews, the degree of adherence of different jurisdictions to international financial standards, cooperation and information exchange.

ACTIVITY OF SUPERVISORY COMMITTEES (a) **TABLE 4.1**

Number

	Meetings	Groups
Financial Stability Board (FSB)	30	8
Committee of European Banking Supervisors (CEBS)	94	35
Committee	4	1
Groupe de Contact (GdC)	44	10
Expert Group on Prudential Regulation (EGPR)	25	7
Expert Group on Financial Information (EGFI)	18	9
Other	3	8
3L3 Groups (b)	12	4
Banking Supervision Committee (BSC)	21	12
Committee	5	1
Working Group on Macroprudential Analysis (WGMA)	5	2
Working Group on Banking Developments (WGBD)	7	3
Other	4	5
Basel Committee on Banking Supervision (BCBS)	95	39
Committee	5	1
Policy Development Group (PDG)	47	15
Standards Implementation Group (SIG)	17	6
Accounting Task Force (ATF)	6	8
Other	20	5
Joint Forum	9	3
Association of Supervisors of Banks of the Americas (ASBA)	5	2
Senior Supervisors Group (SSG) (c)	2	2
TOTAL	268	105

SOURCE: Banco de España.

a The numbers for each committee include the individuals in the groups reporting to the committee and the committee members.
b Groups established jointly by the Level Three committees of supervisors (CEBS, CEIOPS and CESR).
c The Banco de España joined the SSG in March 2010.

With regard to the peer reviews, there are two major types. First, there are those relating to specific subjects (thematic reviews), of which, in 2010, one was published, on compensation practices, and two were commenced, one on risk disclosure practices and the other on mortgage underwriting and origination practices in response to recommendations made in the Joint Forum's "Review of the Differentiated Nature and Scope of Financial Regulation". Second, there are the reviews of FSB member countries, the first of which was published in September 2010, on Mexico, with work also being done in 2010 on reports on Spain and Italy, which were eventually published at the beginning of 2011.

Finally, two other reports published in 2010 should be mentioned: "Principles for Reducing Reliance on CRA Ratings" and "Implementing OTC Derivatives Market Reforms".

4.2 Work of the Basel Committee on Banking Supervision

Following the mandate to reform the banking sector given to it by the G20 in 2009, the BCBS, along with its oversight and supervision body (the GHOS, comprised of central bank governors and non-central bank heads of supervision), completed the design and calibration of its capital and liquidity reform package, commonly known as Basel III. This reform, which was supported by the FSB and by the G20 leaders, is due to come into force, subject to a transition period, at the beginning of 2013.

These measures are part of the BCBS's response to the lessons learned from the crisis and cover the following areas: enhancing the quality, consistency and transparency of the capital base, improving risk capture, introducing a leverage ratio as a measure to supplement Basel II, developing a number of measures to promote the build-up of capital buffers during cyclical upswings, as well as the establishment of two minimum liquidity ratios, a short-term one and another more long-term one (see Box 4.1 for further details).

The BCBS also worked on other measures in 2010, including the promotion of supervisory colleges and the commencement of work to develop a methodology for identifying systemic banks, this being its basic contribution to the FSB's work in this area. It also contributed to the analysis of the implications of the register of financial instruments, the criteria for which are currently being reviewed by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), as well as issues relating to the resolution of cross-border banks, and it published a report containing recommendations to improve the resolution of such banks in March.

The BCBS published other important documents in 2010, including: "Compensation Principles and Standards Assessment Methodology", "Good Practice Principles on Supervisory Colleges" and "Principles for Enhancing Corporate Governance".

4.3 Work of the Committee of European Banking Supervisors

A significant part of the work of the CEBS in 2010, especially towards the end of the year, involved preparing for its transformation into the European Banking Authority (EBA), and coordination with the two other new micro-prudential supervisory authorities, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), as well as with the European Systemic Risk Board (ESRB), which is charged with monitoring macro-prudential supervision in the European Union (see Box 4.2).

At the same time, the CEBS assumed a very important role within the framework of international initiatives to restore market confidence in banks. Notable here were the stress tests carried out in July on a large group of EU banks. These tests consisted of simulations of the capacity of these institutions to withstand situations of stress. The Banco de España actively participated in these tests and subjected practically the entire Spanish banking sector to them.

Also notable were the reports on trends, risk and vulnerabilities in the European banking sector, prepared by the CEBS on the basis of a wide-ranging questionnaire addressed to all EU supervisors. These reports are analysed by the Financial Stability Table of the EU's Economic and Financial Committee.

In 2010, the CEBS continued to conduct the quantitative impact study (QIS) that it commenced in 2009, which replicates the BCBS's study at the European level, in order to analyse the consequences of the proposed banking regulation reforms in relation to capital and liquidity. Also, the CEBS continued to produce its regular joint reports with the ECB's Banking Supervision Committee on the impact of the business cycle on the minimum capital requirements established by the new solvency rules.

The provision of technical advice to the European Commission continued to form a significant part of the work of the CEBS, and the contributions to the amendments currently being made to the solvency directives were again notable in 2010. Specifically, the third amendment of this directive was approved in 2010 which, as regards the remuneration

In December 2010 the Basel Committee on Banking Supervision (BCBS) published two documents called "Basel III: A global regulatory framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring". These documents include the new measures of capital and liquidity and their key features are described below.

The new measures modify the definition of regulatory capital in order to improve its quality, its consistency internationally and its transparency.

Regulatory capital will comprise two items: Tier 1 capital and Tier 2 capital. Tier 1 consists, in turn, of highest quality capital or Common Equity Tier 1 (CET1) and Additional Tier 1 (hybrid instruments and certain preference shares). A conceptual distinction is also drawn since Tier 1 will consist of loss-absorbing instruments when the entity is a going concern, whereas the items of Tier 2 capital will absorb losses when the bank is a gone-concern.

The highest quality capital (CET1) is the keystone of the reform. It comprises common shares (or their equivalent for entities that are not public limited companies) and retained earnings (reserves) to which certain adjustments are applied. These adjustments are applied at CET1 level in order to guarantee the quality of this capital, i.e. its full loss-absorbing capacity. Some of these adjustments are deductions which used to be applied at Tier 1 level or at Tier 1 and Tier 2 level. Their application at CET1 level therefore means that the capital rules are significantly tougher.

The reform also harmonises internationally the characteristics which must be fulfilled by financial instruments in order to be considered CET1, additional items of Tier 1 and items of Tier 2 and regulatory adjustments. This achieves consistent capital internationally and guarantees a level playing field in terms of competition.

Once these new rules are fully in force, banks must have an amount of CET1 which is equal to or higher than 4.5 % of the value of their risk-weighted assets and the amount of Tier 1 capital, as a whole, must be at least 6 % of the value of their risk-weighted assets. The banks must also hold an amount of regulatory capital (Tier 1 plus Tier 2) equal to or higher than 8 % of the value of their risk-weighted assets.

Furthermore, in January 2011, the BCBS published another document "Minimum requirements to ensure loss absorbency at the point of non-viability", which established the requirements that must be met by financial instruments included in the calculation of regulatory capital (additional Tier 1 and Tier 2 capital) to ensure that these instruments fully absorb losses like the highest quality capital at the point of non-viability of a bank.

The Basel III reform also improves the risk measurement of certain exposures. In addition to the measures relating to the trading book, securitisations and resecuritisations, which were published in July 2009 in the document "Enhancements to the Basel II framework", the December 2010 document toughens up the treatment of counterparty risk and modifies certain aspects relating to the use of external ratings.

The new measures also establish two capital buffers, the capital conservation buffer and the countercyclical buffer. The capital conservation buffer is designed to ensure that entities build up capital during the upswings in the cycle which can be used to absorb losses at times of stress. This buffer must be at least 2.5 % of risk-weighted assets and must comprise highest quality capital, namely CET1. Banks that fail to comply with the minimum level of the capital conservation buffer will be subject to restrictions on profit distribution until this minimum level is fully covered. The larger the amount of the capital buffer which remains to be built up, the greater are these restrictions. This buffer is designed as an additional requirement to the minimum requirement of CET1.

The countercyclical capital buffer will be deployed only when there is excessive credit growth in a specific jurisdiction and with the aim of curbing such growth. During periods of normal credit growth this buffer will be zero. When it is required, it will be in addition to the capital conservation buffer and it may reach 2.5 % of total risk-weighted assets.

The BCBS has established a timetable for phasing in these measures from 1 January 2013[1] until 1 January 2019.

Another of the measures agreed upon to strengthen the banking system is the introduction of a leverage ratio, with the aim of creating a simple, transparent, non-risk based measurement that supplements the risk based capital requirements. The basic features of its design are as follows: the numerator of the ratio is Tier 1 capital and the denominator is an exposure value which includes on-balance sheet exposures and off-balance sheet risks and contingent commitments;[2] derivatives are valued taking into account their potential future exposure and netting rules permitted in Basel II for derivatives and repos are accepted; the proposed calibration is 3 %. This design and calibration will be subject to a parallel run period until 2017, the purpose of which is to enable the performance of the ratio at different stages of the cycle, its impact on the various business models and its interaction with the risk-based capital requirements to be analysed. The final design and calibration of the ratio will be based on the results of this analysis. The ratio is designed with a view to it becoming a minimum requirement in January 2018. Public disclosure of the ratio and its components by banks will begin on 1 January 2015.

As for the regulation of liquidity, Basel III introduces rules providing for a short-term liquidity coverage ratio and a net stable funding

1 Except for the measures approved in July 2009, which will be introduced at end-2011.
2 The off-sheet balance sheet items are included by applying a conversion factor of 100 %, except for the contingent commitments, which can be cancelled unilaterally by the bank and receive a provisional weighting of 10 %.

ratio. The objective is to ensure that banks have sufficient liquidity buffers to withstand possible tensions in markets and a balance sheet structure which avoids over-reliance on short-term funding. The liquidity coverage ratio (LCR) obliges banks to maintain the higher of the following amounts covered by highly liquid assets: 100 % of net cash outflows under a stress scenario over a thirty day horizon or 25 % of total cash outflows. The proposal specifies which assets can be deemed suitable for this ratio and the minimum percentages that must be applied to inflows and outflows of funds so that they actually reflect the stress considered. The net stable fund ratio (NSFR) compels banks to cover with stable sources of liquidity, 100 % of the portion of the market value of assets which it is considered will not be realisable under conditions of stress. In both cases the stress scenario is reflected through various parameters which are applied to items of assets and liabilities. The LCR will be introduced in 2015 and the NSFR in 2018, following their respective observation periods and the review of their design.

policies for bank employees, involved giving legal status to principles and standards issued by the CEBS itself and by the FSB in 2009. This directive has also increased transparency in relation to risk disclosure under Pillar 3.

In order to contribute to cooperation and the convergence of supervisory practices the CEBS has published new guidelines and updated existing ones. In 2010 it published guidelines for the operational functioning of supervisory colleges and for the joint assessment and joint decision regarding the capital adequacy of cross-border banking groups, on remuneration policies, on capital (convergence of supervisory practices with regard to the instruments referred to in Article 57 of the Capital Requirements Directive), minimum retentions in securitisations, liquidity cost, the recognition of external credit assessment institutions, operational risk, concentration risk, stress testing under Pillar 2, disclosure, large exposures and risk management. Also, it updated the guidelines on supervisory disclosure. It should be noted here that the Banco de España is authorised to adopt CEBS guidelines as its own. In 2010 it adopted those relating to stress testing, management of concentration risk and operational risk mitigation.

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

The financial crisis has further highlighted the growing interconnectedness between sectors and countries. It should, therefore, come as no surprise that the volume of projects that are being analysed both at the world level in the Joint Forum and at the European level by supervisors of the three sectors [the level 3 committees (3L3) and the Conglomerates Committee] continued to grow significantly in 2010.

At the global level, the Joint Forum (international group of bank, securities and insurance supervisors, without ministers), following the publication in January of the report on the differentiated nature and scope of financial regulation in the banking, securities and insurance sectors, has focused on commencing the work of updating the principles of supervision of financial conglomerates published in 1999 and on preparing a report on the use of models for the banking and insurance sector ("Developments in Modelling Risk Aggregation").

Analysis has also commenced of intra-group support and the incentives that exist in securitisations, both from the viewpoint of investors and issuers.

Lastly at the global level, mention should be made of the Banco de España's incorporation into the Senior Supervisors Group in March 2010, to which supervisors from Germany, Canada, France, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the United States also belong. This group basically comprises bank supervisors, although some securities supervisors also participate in it. The group analyses, from an eminently

After more than one year of negotiations, at the beginning of September 2010, the Presidency of the Council and the European Parliament reached a political agreement to create a new European System of Financial Supervision (ESFS). This agreement was confirmed firstly by the ECOFIN and subsequently by Parliament that same month, and was adopted by the Council on 17 November 2010.[1]

The setting up of this new framework, with the creation of an integrated network of national and European supervisors, involved intense work during 2010, both on the related legislative process and the tasks required to ensure that it came into operation on 1 January 2011.

The structure of this new system, whose purpose is to guarantee the correct application of financial sector regulations, to preserve financial stability and to ensure confidence in the financial system, is based on two major pillars: the macro-prudential pillar in the form of the European Systemic Risk Board (ESRB); and the micro-prudential pillar comprising, together with national supervisors, the heads of the supervision of banks in the EU on a daily basis and three new micro-prudential European supervisory authorities (ESAs), one for each sector.[2]

On 16 December 2010 the rules creating the ESRB came into force. This independent body responsible for the macro-prudential oversight of the European Union's financial system which will contribute to preventing and mitigating systemic risks, and will assess potential threats to the system's stability. In the exercise of its functions it may issue warnings or recommendations of a general or a specific nature which may be addressed to the European Union, as a whole, to one or more Member States, to one or more of the ESAs, or to one or more of the national supervisory authorities. Since these recommendations are non-binding, several mechanisms have been devised to exert pressure so as to ensure that they are complied with. For instance, the recipients of these recommendations must communicate to the ESRB and to the Council, the actions taken in response and provide suitable justification if a measure has not been adopted. Similarly, in certain cases, specific recommendations may be published.

During the first five years it is in operation, the ESRB will be chaired by the President of the ECB and the Governor of the Bank of England has been appointed as first Vice-Chair. In the exercise of its functions, the ESRB will have: a) a General Board which will be the decision-making body and whose voting members will mainly be the Governors of national central banks; b) a Steering Committee which will assist in the decision-making process; c) a Secretariat provided by the ECB, which is responsible for the day-to-day business and will provide analytical, statistical, administrative and logistical support; and d) an Advisory Scientific Committee and an Advisory Technical Committee which will provide technical advice.

With a view to undertaking the work required for the ESRB to commence operations, in March 2010 the so-called "preparatory" Secretariat was created, under the direction of the ECB. The work performed by this Secretariat can be grouped into three main areas: a) development of the procedures to create the bodies of the ESRB; b) preparation of consultative papers on key concepts and on the future tasks of the ESRB; and c) development of the necessary infrastructure to provide the analytical, statistical and administrative support required. Likewise, contacts were established with the employees of the various central banks and high-level groups have been created with the level 3 committees to analyse the information required and the data to be exchanged with the new authorities.

On 1 January 2011 the legislation creating the three new micro-prudential supervisory authorities came into force. These three authorities have, with stronger powers, replaced the three level three committees and are called the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA).

This was the most complex part of the negotiations, due to the intention of the European Parliament to transfer responsibility for the supervision of systemic cross-border financial institutions to these new authorities. Following numerous trilogues (meetings between the Commission, the Council and the Parliament), it was decided that the responsibility for supervision should remain with national authorities but, in exchange, the new authorities' functions and powers in areas such as consumer protection, the determination and measurement of systemic risk, the strengthening of national deposit guarantee schemes and their role in the colleges of supervisors, were enhanced.

The main objectives of these new authorities include most notably: a) the drafting of a single European rule book through the development of directly applicable regulatory and implementing technical standards, the issuance of guidelines and recommendations to establish consistent effective supervisory practices and the adoption of recommendations to guarantee compliance with European regulations; b) the improvement of the quality and consistency of supervision through the development of a common supervisory culture and supervisory best practices; c) reinforcing the supervision of cross-border groups through the identification and follow-up of their risks and the strengthening of the colleges of supervisors; and d) the analysis of the system's vulnerabilities.

It is also important to point out their legally binding mediation role under the regulation which enables them to adopt decisions in certain cases where there in no agreement between the competent authorities and their capacity to take individual decisions aimed directly at financial institutions, as a last resort, in cases of infringement of European law, emergencies and disagreements between supervisors.

1 The background to and developments in this legislative process were analysed in previous editions of this Report (see Box 4.2 of the 2008 edition and Box 4.1 of the 2009 edition).
2 A Joint Committee, comprising these three authorities, has also been created as a forum in which they can cooperate and ensure cross-sectoral consistency on various issues.

In order to define the scope of these powers and ensure that the new authorities function adequately and efficiently, it was also necessary to amend sectoral legislation. This was achieved through the so-called omnibus directive, which amended the main directives affected. However, this task is not over and in the next few months we will see new amendments which will determine the scope of action of these new authorities.

In order to exercise their functions, these authorities will have: a) a Board of Supervisors, on which voting members will be the heads of the competent national supervisory authorities; b) a Management Board composed of the Chairperson of the Authority and six members of the Board of Supervisors to ensure that the Authority fulfils its duty and performs its functions, c) a Chairperson, who will represent the Authority full time and will be an independent professional; d) an Executive Director, who will also be independent and full-time, will be responsible for the management of the Authority and will prepare the work of the Management Board; and e) a Board of Appeal.

During 2010, the level three committees, at the same time as they performed their tasks and functions, undertook the preparatory work to set up the new authorities. Noteworthy in this respect are: a) the coordination between the level three committees and the European Commission; b) the preparation and implementation of the selection processes for the Chairpersons and Executive Directors, c) the creation of a new infrastructure for information; d) preparatory work for coordination with the ESRB, e) organisational and recruitment matters; f) drafting of budgets; etc.

This new framework will be reviewed within three years when the Commission will publish a general report on the experience acquired in the various areas of this new regulation and will assess the appropriateness of modifying the new European System of Financial Supervision. Additionally, the Commission will prepare annually a report on the suitability of transferring other supervisory competencies to these new authorities. Consequently, the next few years will be crucial for the new authorities and national authorities which will have to demonstrate that the newly established framework fulfils the expectations and purposes for which it was designed.

practical viewpoint, themes such as the counterparty risk associated with derivatives and the enhancement of technological infrastructures.

At the European level, the work of the 3L3 groups (CEBS, CEIOPS and CESR) continued. Notable in this respect were the review of the conglomerates directive conducted by the Joint Committee on Financial Conglomerates (JCFC) and its sub-groups, and the two reports on the analysis of inter-sectoral risks prepared for the Financial Stability Table of the Economic and Financial Committee.

The advice of the JCFC to the European Commission on the content of the revision of the conglomerates directive enabled the Commission to formalise its own proposal for a directive in 2010. Having been approved by the Council this proposal is being debated in Parliament. At the same time, in order to achieve greater convergence in the treatment of conglomerates, JCFC working groups began to work on the preparation of guidelines on other matters: treatment of holdings, intra-group transactions and risk concentration.

4.5 Financial stability work at the ECB

The Banco de España continued to participate actively in the work carried out by the ECB's Banking Supervision Committee (BSC). This committee has terminated its twelve years of existence as a consequence of the creation of the ESRB, with whose new Technical Consultative Committee its functions were going to overlap (see Box 4.2). Also, the Governing Council decided to set up a new committee, the Financial Stability Committee, which commenced operations at the beginning of 2011 and which will support the ECB's Governing Council in the performance of its financial stability functions.

As a member of the European System of Central Banks, the Banco de España participated in the preparation of the ECB's two half-yearly reports on financial stability and contributed to the analysis carried out with the same periodicity for the Financial Stability Table of the Economic and Financial Committee. Another two publications are also notable, the "Report on EU Banking Structures" and "Recent developments in supervisory structures in the EU Member States". Finally, mention should be made of the work carried out in close collaboration with the CEBS to analyse the impact of the new prudential requirements, which specifically covers the pro-cyclicality of the minimum capital requirements.

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

ASBA comprises the banking supervision and regulation bodies of 35 countries of the Americas and its main aims include promoting and maintaining close cooperation between the member countries, in order to facilitate cooperation between them and to promote banking supervision practices in the Americas in line with international standards. The Banco de España was a collaborator member of ASBA from its creation until 2006, when it became the only non-regional associate member, participating actively in the governing bodies of the Association, and in its training plans, working groups and other activities.

The Banco de España has been collaborating very actively for many years in the field of training. In 2010 a seminar was held on “The advanced approach to credit risk management”, a workshop was organised on “The supervision of technological risk”, a seminar was given on “Recording and valuing derivative instruments” and, in collaboration with the Centre for Latin American Monetary Studies (CEMLA), a course was held on “Financial instruments and international reporting standards”. Finally, the Banco de España and the CEDDET Foundation offered an eight-week on-line seminar on “Risk-based supervision” aimed at the officials of banking supervisory and regulatory bodies of ASBA member countries.

With respect to the analysis of the region’s problems and good-practice recommendation, this is addressed from the standpoint of the experience of ASBA’s associate members and international standards. In 2010, work relating to stress testing, liquidity risk, conglomerate supervision, transition to international accounting standards and financial inclusion was noteworthy. The Banco de España actively supported these initiatives contributing the experience accumulated in Spain and in the European Union and participated in the working groups on liquidity and conglomerates, as well as through various questionnaires on the regulatory and supervisory framework in Spain and the implementation of international accounting standards in Spain and in the European Union.