

REPORT ENVISAGED IN LAW 44/2002 ON FINANCIAL SYSTEM REFORM MEASURES

BANCODE ESPAÑA
Eurosistema

Internal Audit Department

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Report envisaged in Law 44/2002 on Financial System Reform Measures

2013

1. Introduction

The Second Additional Provision of Law 44/2002 of 22 November 2002 on Financial System Reform Measures established, in consonance with its name, certain measures to improve the efficiency, effectiveness and quality of supervision procedures.

These measures comprise most notably the obligation of supervisory agencies, including the Banco de España, to prepare annually “a report on their supervisory function”. This report shall include “a report by the respective internal control bodies on how closely the decisions taken by their governing bodies conform to the procedural rules applicable in each case”.

The 2014 Internal Audit Plan of the Banco de España, approved by the Governor on 16 January 2014 and notified to the Executive Commission on 7 February 2014, includes the drafting of the report envisaged in Law 44/2002 of 22 November 2002 on Financial System Reform Measures, so that it may be included in the Banco de España's annual report on its supervisory function.

2. Purpose, scope and methodology of the report

This report falls within the bounds of the legal mandate contained in the Second Additional Provision of Law 44/2002. As mentioned above, this Second Additional Provision defines the scope of the report by reference to three basic elements:

1. The supervisory function of the Banco de España.
2. The decisions taken by the governing bodies in exercise of the supervisory function.
3. Conformity of the foregoing decisions to the procedural rules applicable.

As regards the reporting period, the report refers to the decisions taken by the Executive Commission in 2013 and the delegated decisions of which the Executive Commission was notified in that period.

The subject matter of the report is the decisions taken by the Banco de España's governing bodies within the spheres of competence of the Directorate General of Banking Supervision, the Directorate General of Banking Regulation and Financial Stability and the General Secretariat.

Regarding applicable legislation, account was taken of the supervisory powers and procedures contained in Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España and in the Internal Rules of the Banco de España.

Also, the Executive Commission established, via a resolution of 14 February 2003, the procedural rules for proposals on matters within the competence of the Directorate General of Banking Supervision, and via resolutions of 30 June 2006 and 18 July 2008, the procedural rules for proposals on matters within the competence of the Directorate

General of Banking Regulation and Financial Stability. On 2 November 2012, rules were laid down on the reporting of matters to the Executive Commission by all the Directorates General of the Banco de España. These rules are complementary to those mentioned above for the Directorate General of Banking Supervision and the Directorate General of Banking Regulation and Financial Stability.

Similarly, via a resolution of 18 December 2009, the Executive Commission approved the regime governing the delegation of powers, which was published in the Official State Gazette of 5 January 2010 and envisages that delegates may in turn delegate their powers and, consequently, also provides for recovery of competence by a higher administrative level. It was amended in 2011, on 23 November and 23 December (Official State Gazettes of 2 December 2011 and 24 December 2011, respectively), and in 2013, on 25 January, 16 April, 27 June and 29 July (Official State Gazettes of 5 February 2013, 25 April 2013, 29 June 2013 and 31 July 2013, respectively).


In order to review the decisions adopted by the Executive Commission, stratified sampling was performed in 10 types of decision taken by the Directorate General of Banking Supervision, in 10 types of decision taken by the Directorate General of Banking Regulation and Financial Stability and in three types of decision taken by the General Secretariat. Different sampling fractions (100%, 30%, 10%, 5% or 1%) were applied to these strata depending on the materiality, numerical volume and internal homogeneity of each stratum.

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

3. Opinion

In our opinion, the decisions taken by the governing bodies of the Banco de España in 2013 in the exercise of its supervisory function were taken by bodies with sufficient own or delegated powers in accordance with the Banco de España's Internal Rules and with the provisions laid down by its Executive Commission, and are in conformity, in all material respects, with the existing procedural rules applicable in each case.

Madrid, 4 April 2014
Director of the Internal Audit Department



Juan González Gallegos

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