

Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

Draft Bank of Spain Circular amending Circulars 4/2017 and 4/2019

The Bank of Spain published its draft Circular for amending Circular 4/2017 of November 27th, 2017, on public and confidential financial reporting rules and templates for banks (the Accounting Circular) and Circular 4/2019, of November 26th, on public and confidential financial reporting rules and templates for financial credit establishments, for consultation on June 22nd, 2021. The consultation ended on July 13th.

The amendments intended for the Accounting Circular 4/2017 and Circular 4/2019 are:

- Adapting the Accounting Circular for the changes in the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as a result of Regulations (EU) 2020/34 (IAS 39 and IFRS 7 and 9) and 2021/25 (IAS 39 and IFRS 4, 7, 9 and 16) in response to the interbank offered rate (IBOR) reform.
 - Adjusting the treatment of restructured, refinanced and refinancing transactions as per Annex 9 of the Accounting Circular (credit risk analysis, allowances and provisions) to keep it aligned with the financial reporting framework recently modified by Implementing Regulation (EU) 2021/451.
 - Updating the alternative solutions for collective estimation of credit risk loss allowances and the haircuts applied to assets forborne or received in lieu of payment.
- The banks will not be obliged to develop internal models nor will they have to continue to use the alternative solutions insofar as, in keeping with the principle of effectiveness and simplicity set down in Annex 9, the results provide an accurate overview of their credit transactions, the prevailing economic climate and available forward-looking information.
- Updating the Economic and Monetary Union (EMU) statistical requirements for the modifications introduced via Regulation (EU) 2021/379 of the European Central Bank. Specifically, the banks will be required to provide additional data to enhance analysis of monetary and credit developments; meanwhile, some of the existing data requirements and definitions will be modified to facilitate integration with other bodies of statistical data.
 - Simplifying the confidential financial statement submission requirements applicable to the branches of foreign credit institutions with operations in Spain that are headquartered in a European Economic Area country. Furthermore, all Spanish branches of foreign credit institutions will be exempt from having to submit the group structure statement.
 - Lastly, introducing *ad-hoc* changes to the individual confidential financial statements required under the Accounting Circular in order to introduce new data requirements to verify standard compliance, gather statistical information and make technical adjustments and corrections.

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