

BANCO DE ESPAÑA

Dirección General de Regulación
Departamento de Instituciones Financieras

Madrid, 22 de octubre de 2009

Treatment of the debt instruments issued by the Fund of Ordered Bank Restructuring

In your brief of 30 September 2009, you requested an express decision from this General Directorate regarding the treatment given to the securities to be issued with Government guarantee by this Fund for Ordered Bank Restructuring (FROB), and the Fund itself in its position as counter-party, for the purposes of the stipulations set out in the Bank of Spain Circular 3/2008, of 22 May, on determination and control of minimum equity.

The FROB must carry out the assignment to the categories of exposure specified in rule fourteen of CBE 3/2008, in accordance with their nature, and shall determine the risk weighting which will be applicable to the exposures maintained with this Fund. To assess the classification of the FROB in category c) of the aforesaid rule (public sector entities and other non-profit making institutions), it will be necessary to follow paragraph two of section 9 of rule sixteen of the same Circular.

Unless there is an express list published by the Bank of Spain, this paragraph refers to the classification relevant for accounting purposes in accordance with the provisions set out in Bank of Spain Circular 4/2004 on the sectorisation of balance sheets. In this list, published by the website of the Bank of Spain, the FROB is included in sub-heading 5.1.2. Administrative autonomous bodies and similar, within heading 5.1 Central Administration. In the light of the foregoing, it is appropriate to grant the FROB the treatment set out in the aforesaid category c) for public sector entities and other public non-profit making institutions, in other words a weighting of 0%.

With regard to the treatment which would be received by debt instruments issued by the FROB with the Government guarantee; in accordance with the provisions of section 12, rule forty-seven of Bank of Spain Circular 3/2008, the aforesaid exposures will also have a weighting of 0%.