

Bailouts and bank restructuring: the Spanish case (Doc 152/2009)

Santiago Fernandez de Lis

Daniel Manzano Romero

Emilio Ontiveros Baeza

Francisco J. Valero Lopez

Partners of *Analistas Financieros Internacionales* (AFI)

The international financial crisis unleashed in the summer of 2007 had initially an impact on the Spanish banking system much more subdued than on that of other neighboring countries, due to negligible direct exposure of our banks and cases linked to toxic U.S. subprime mortgages and as adequate regulation and supervision of the Bank of Spain, which prevented the spread risk out of bank balance sheets and mattress resources strengthened characteristic of the entities through "dynamic provisioning".

This paper addresses all these issues and will undertake a range of recommendations, which broadly include the following:

- Spain should participate actively in the ongoing reform of financial regulation international, which have elements that provide (supplies dynamic). Priorities should be minimize the procyclicality, improve transparency of products and processes, and improve the quality and quantity equity requirements.
- It is important to increase cooperation with authorities in other countries, given increasingly systemic character shown by the international financial crisis. Partnerships must be particularly strong in countries with entities in Spain, as well as countries with significant presence of entities Spanish. Must accelerate the introduction of Bank of Spain's dual supervision model of the takes over the solvency and risks of the CNMV (*Comisión Nacional del Mercado de Valores*) entities and the proper functioning of markets and the protection of consumers, although they can't ignore the difficulties of modifying the model supervisor in the midst of a global crisis.
- Experience in support of Spanish banks' restructuring must be tapped. Although with some delay, the constitution of Frob provides, in conjunction with FGD, a flexible and sufficient funding to facilitate a deep-processing needed, the entire system, but particularly in a subsector such as boxes, with a role in terms of strengthening competition and financial inclusion, however, has experienced a growth and accumulation of potentially excessive risk in recent years. The consolidation required in this subsector should occur with operations to ensure their viability in the medium and long term, and providing solutions interregional.