

## Government approves new legal regime to strengthen credit cooperatives

**Through the approval of this new legislation, the government seeks to strengthen a sector that represents 6% of the Spanish credit system.**

The Council of Ministers approved a Royal Decree-Law on urgent financial measures that seeks to reform the legal regime of credit cooperatives so as to strengthen these institutions.

The Minister for Economic Affairs, Industry and Competition, Luis de Guindos, explained that this applies to small institutions that undertake "important social work" of great importance for the financing of the agricultural, industrial and professional sectors, such as SMEs, independent contractors and entrepreneurs.

Luis de Guindos pointed out in his speech that, for some months now, the Ministry of Economic Affairs, together with different parliamentary groups - the Spanish Socialist Workers' Party (PSOE), Ciudadanos and the Basque Nationalist Party - "have been aware of the need to update the regime for these credit cooperatives", which, with few exceptions, are under the control of the Bank of Spain and not the European Central Bank, as is the case of the large banks.

Following the approval of this new legislation, Institutional Protection Mechanisms (IPMs) can be created with the aim of contributing to strengthening and increasing the resistance capabilities of these institutions.

The IPMs, which are conceived for mutual self-protection, may be of two types: strengthened or regulatory. Strengthened IPMs will pool 100% of the benefits and risks and have a lead institution that runs virtually all of the group's decisions. Regulatory IPMs do not have to pool 100% of the benefits and risks and are characterised by the constitution of a private guarantee fund, financed by the member institutions of the group, which will be used to tackle the potential own resource needs of the institutions that participate in the IPMs.

The Royal Decree establishes a series of incentives to set up these IPMs and certain measures to boost their good functioning.

Together with the reform of the legal regime for credit cooperatives, the Royal Decree-Law creates a new category of liabilities that all credit institutions can issue: ordinary non-preferential credit or subordinated senior debt. This is a new category of financial instruments for regulatory purposes, the aim of which is to facilitate compliance with the minimum requirements for own funds and liabilities admissible by these institutions.

[http://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2017-7230](http://www.boe.es/diario_boe/txt.php?id=BOE-A-2017-7230) (Spanish)