About FROB: Nature and legal status

Spain: Fondo de Reestructuracion Ordenada Bancaria (FROB)/ Fund for Orderly Bank Restructuring

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Nature and legal status

Nature and purpose

FROB is a public law institution with its own legal personality and full public and private capacity to discharge its duties. Its purpose is to manage the resolution of institutions in the execution phase.

Legal status

The legal status under which FROB operates is set out in Law 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms.

FROB is subject to the private legal system, unless it acts in the exercise of administrative powers conferred by the aforementioned Law, European Union law or other regulations with the status of law.

The measures for the resolution of institutions adopted by FROB will be reported, where appropriate, to the European Commission or the Spanish National Commission on Markets and Competition for the purposes of legislation on State aid and competition.

FROB is not subject to:

- the provisions set out in Law 6/1997, of 14 April, on the Organisation and Functioning of the central government in exercising its functions as resolution authority, being otherwise subject to its tenth additional provision.

- the provisions of Law 33/2003, of 3 November, on the Assets of the Public Administrations, in the exercise of its resolution functions. In any event, FROB will not be subject to the provisions set out in Title VII, referring to the corporate assets of the central government.

Shares, securities and other instruments that FROB may acquire in exercising its resolution powers will not form part of the Assets of the Public Administrations.

For the purposes of its budgetary arrangements, FROB will apply the provisions of Articles 64 to 68 of Law 47/2003, of 26 November, on the General Budget for matters not provided for in the
aforementioned Law 11/2015.

Notwithstanding the above, FROB will not be subject to the general rules governing the economic, financial, accounting and control framework for public bodies dependent on or linked to the central government, except as regards the external audit by the Court of Auditors and the submission of its internal management framework in economic and financial matters to ongoing financial control by the General State Comptroller.

For tax purposes, FROB will be treated in the same way as the Credit Institution Deposit Guarantee Fund.

**Mission and objectives**

FROB is the current National Executive Resolution Authority which, as such, forms part of the European Single Resolution Mechanism (known as the SRM), created within the Banking Union process.

Its essential mission is to manage the execution of the resolution processes of credit institutions and/or investment firms undertaken in Spain. In cases where an entity is declared to be failing or likely to fail, there are no private solutions that might remedy this situation and there are reasons of public interest that justify it (instead of winding up said entity through normal insolvency proceedings). FROB will manage the execution of the relevant resolution measures.

It does this fully respecting and observing the resolution objectives (established by Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms) of maintaining the institution’s critical functions and preserving economic and financial stability while protecting customers’ covered deposits and assets. It attempts at all times to avoid or minimise the use of public resources.

In addition, FROB also has other functions resulting from processes already undertaken in previous stages, such as carrying out the divestment of the State’s stake in Bankia and the management of its stake in Sareb.