

# BANESTO: ADAPTING TO THE NEW MARKET REALITIES

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## **The renewed focus of much of the work of the Banco Banesto legal team is towards analysing and balancing risk, says Mónica López-Monís, Secretary General**

A key current business and legal focus and challenge for the in-house legal team at Banesto, like many other banks, is to balance ongoing business risks against the continuing poor economic environment, says Mónica López-Monís, Secretary General and Head of the Legal Department.

"Like any other business department we have faced budget cuts but the challenge is to continue to provide the same level of service. We are now very focused on risk analysis and often have to go further than was previously the case – we have to look beyond the documentation and take into account all the legal and risk issues of signing an agreement."

Having last year joined from Aldeasa where she was Secretary General to the Board, López-Monís now oversees Banesto's entire legal function which numbers around 55 lawyers. In addition she attends board meetings and sits on a number of the Bank's risk analysis committees.

"The legal team now analyses every operation the bank wants to do. There is almost an obsession with documenting and recording every operation in the right way, which is crucial because the Bank of Spain may have access to the minutes of every meeting held."

The legal team is therefore conducting an ongoing review of Banesto's business portfolios, she says. "We have internal risk classifications and the challenge is to ensure we do not have too many high risk operations at any one time, because the Bank of Spain will insist that you insure against any potential losses or defaults."

The impact of the ongoing financial difficulties is also clearly being felt in the types of work the in-house legal team is performing day-to-day, says López-Monís. The department is being split into four distinct departments: corporate and real estate, capital markets and financial regulation, business and tax.

Para el equipo legal de Banesto una tarea diaria con un claro enfoque legal es la de equilibrar los constantes riesgos de negocio dentro de un contexto difícil de la economía mundial. Esto supone un constante desafío, que como en muchos otros bancos, se les presenta, dice Mónica López-Monís, Secretaria General y Responsable del Departamento Legal. El énfasis está en ir más allá que antes, mirar más allá de la documentación y tener en cuenta todas las cuestiones legales y de riesgos antes de firmar un acuerdo.

"Much of the work of the business team, which also supports the needs of the Executive and Risk Analysis Committees, for example, is now towards risk analysis and control – we are undergoing a process of assessing the risk profile of every single one of the bank's clients. While we may in the past have done this only with clients in trouble, now it is a standard process."

Across all departments there is much more emphasis on refinancing and bankruptcy issues, and the provisions that need to be made, she says. The work of the real estate team has notably expanded to include more refinancing as well as managing the assets that the bank has taken on as a result.

Last year an additional 10 lawyers were incorporated into the business team, and much of their work is now focused continuously on reviewing finance agreements to see if they require modification in light of the current market conditions. "We used to speak before of refinancing and restructuring, now we speak of adapting to the market," says López-Monís.

Likewise, the capital markets sector may be less active than prior to the financial crisis, but regulatory issues continue to play an increasingly important role in both the way the bank operates and interacts with its customers.

"The impact of MIFID, for example, has raised new issues around the selling of financial products to clients, including the penalties for misunderstandings or mis-selling. All of our processes have to be well-documented, we have to ensure that the correct procedures are in place for all transactions."

A continuing challenge is however how to handle the evolving nature, and volume, of the legal work in the light of continuing budgetary constraints. The legal team notably handled all aspects of last autumn's sale and leaseback of 25 of the bank's branches. Further transactions are expected but which will also be handled in-house.

"We try to do all we can internally but obviously time and resource pressures have an impact on our ability to retain outside counsel. But at Banesto, nothing is done without us. The current risk analysis focus is intended to ensure that we do not experience any significant problems in the years to come."

Mónica López-Monís is Secretary General and Head of the Legal Department at Banesto. She is a 40 under Forty Award winner, was previously Secretary General to the Board at Aldeasa and Head of Legal and Tax at Bankinter.

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