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SUPERVISION AND OVERSIGHT AT THE BANCO DE ESPAÑA



MICROPRUDENTIAL SUPERVISION

Preserve solvency, liquidity and the smooth functioning of institutions, with the ultimate aim of safeguarding the stability of the financial system



MACROPRUDENTIAL POLICY

Safeguard the stability of the financial system as a whole through the prevention and mitigation of systemic risks and vulnerabilities



SUPERVISION OF CONDUCT, TRANSPARENCY AND CUSTOMER PROTECTION

Ensure that institutions have a culture of conduct and governance aimed at ensuring banking transparency, contributing to safeguarding user confidence in the financial system and preserving its stability



SUPERVISION OF PAYMENT SERVICE PROVIDERS

Safeguard the security of payment service provision with the aim of promoting an integrated, safe and efficient payments market



OVERSIGHT OF MARKET INFRASTRUCTURES

Ensure the smooth functioning of payment systems and instruments and that the functioning of securities clearing, settlement and registration systems preserves the stability of the financial system as a whole



STAFF

849 employees performed supervisory and oversight functions

Women
51 %

Men
49 %

Cover

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Banco de España publications

Acronyms and abbreviations

1.1 Supervisory and oversight functions of the Banco de España

The Banco de España has supervisory powers over credit institutions and over other financial institutions or undertakings related to the financial system operating in Spain. These supervisory and oversight functions are summarised in Figure 1.1.

Microprudential supervision aims to ensure the solvency and liquidity of credit institutions, as well as compliance with prudential regulations. The Banco de España exercises its powers in this area within the framework of the Single Supervisory Mechanism (SSM), and it aims to preserve financial stability and ensure consistent and standardised supervision among the participating countries¹.

Outside the scope of the SSM, the Banco de España is the supervisory authority of institutions other than credit institutions that provide services or perform activities related to the financial sector.

Macroprudential policy aims to safeguard financial stability through the prevention and mitigation of systemic risks and vulnerabilities. In the exercise of these functions, the Banco de España has macroprudential tools to curb the accumulation of systemic risk in the banking system, in both its time and cross-section dimensions, and to mitigate the effects of its potential materialisation.

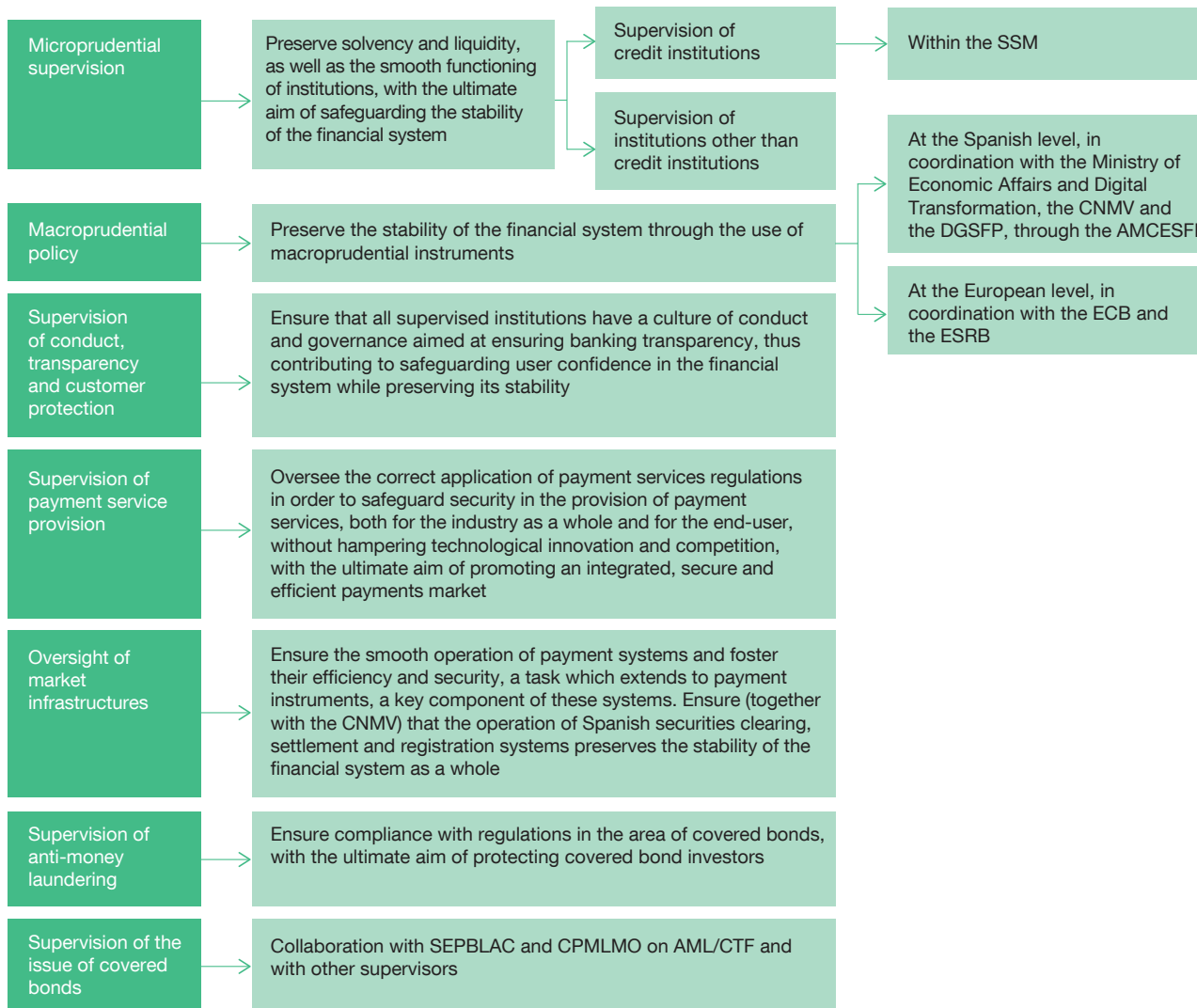
The Banco de España participates, together with the National Securities Market Commission (CNMV), the Directorate General of Insurance and Pension Funds (DGSFP) and the Ministry of Economic Affairs and Digital Transformation, in the Spanish macroprudential authority (AMCESFI), which aims to identify, prevent and mitigate the development of systemic risk in order to preserve the stability of the Spanish financial system as a whole.

The Banco de España is also responsible for supervising the conduct, transparency and customer protection of certain institutions registered in the official registers of the Banco de España (credit institutions and other institutions offering certain financial services including institutions offering their products under the freedom to provide services), for which there are specific transparency and customer protection regulations.

¹ Further information on the objectives, governance and participants of the SSM is available on the [Banco de España website](#).

Figure 1.1

SUPERVISORY AND OVERSIGHT FUNCTIONS OF THE BANCO DE ESPAÑA



SOURCE: Banco de España.

In relation to the supervision of the provision of payment services, the Banco de España has a specific regulatory framework, the Second Payment Services Directive² (PSD2). This framework regulates payment services and the entities specialised in their provision, placing special emphasis on operational and security risk requirements.

The Banco de España is responsible for overseeing payment systems and instruments and it shares with the CNMV the oversight of the financial market securities infrastructures.

² Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, transposed into the Spanish regulatory framework by Royal Decree-Law 19/2018 of 23 November on payment services and other urgent financial measures.

In addition, the Banco de España collaborates with the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) and the Commission for the Prevention of Money Laundering and Monetary Offences (CPMLMO) in the supervision of the prevention of money laundering, pursuant to Spanish legislation and the cooperation and coordination agreement entered into with the CPMLMO.

Lastly, noteworthy is the entry into force on 8 July 2022 of Royal Decree-Law 24/2021³, transposing Directive 2019/2162 on covered bonds, which establishes a harmonised minimum regime in the European Union (EU) with regard to the conditions for the issue and characteristics of this type of instrument, with the aim of promoting the unified development of these markets. This new regulation increases the protection of covered bond investors and strengthens the supervisory regime for these instruments, which is attributed to the Banco de España.

1.2 Organisation of banking supervision and oversight at the Banco de España

The supervisory function is performed by the Banco de España's different directorates general and departments:

- The Directorate General Banking Supervision (DG.SUP) is responsible for microprudential supervision, and carries out the ongoing off-site supervision of institutions and on-site inspections. Also, it performs reviews of internal models for calculating capital requirements, and supervisory actions in the area of anti-money laundering and counter-terrorist financing (AML/CTF), and it provides support to the Banco de España's representative on the Supervisory Board of the European Central Bank (ECB). It also performs horizontal tasks, such as data exploitation and risk analysis, the preparation of supervisory methodology and policy, planning the DG.SUP's resource needs, training, quality function, etc. In addition, the DG.SUP prepares accounting circulars applicable to credit institutions and other supervised institutions and resolves consultations on this matter.

In 2022, a restructuring of the DG.SUP was approved: the SSM Coordination and Supervisory Strategy Department was created, reporting directly to the Associate Directorate General Banking Supervision II, and the SSM and Supervisory Strategy Subdirectorates were abolished. In order to

3 Royal Decree-Law 24/2021 of 2 November on the transposition of European Union directives on covered bonds, cross-border distribution of collective investment undertakings, open data and re-use of public sector information, exercise of copyright and related rights applicable to certain online transmissions and retransmissions of radio and television programmes, temporary exemptions for certain imports and supplies, for consumers and for the promotion of clean and energy-efficient road transport vehicles.

Figure 1.2

ORGANISATION OF BANKING SUPERVISION AND OVERSIGHT AT THE BANCO DE ESPAÑA

DIRECTORATE GENERAL BANKING SUPERVISION	Significant Institution Department I	<ul style="list-style-type: none"> – Ongoing off-site supervision of the three largest Spanish SIs and of the branches and subsidiaries in Spain of European SIs, through the JSTs – Participation in the granting of credit institution start-up licences and in other administrative procedures relating to supervised institutions 	Supervision Report: Digest
	Significant Institution Department II	<ul style="list-style-type: none"> – Ongoing off-site supervision of the 7 other Spanish SIs through the JSTs – Participation in the granting of credit institution start-up licences and in other administrative procedures relating to supervised institutions 	
	LSI and Other non-SSM Institutions Department	<ul style="list-style-type: none"> – Ongoing off-site supervision and on-site inspections of: <ul style="list-style-type: none"> • Spanish LSIs • Other institutions outside the scope of the SSM: ICO, SLIs, Pls, account information service providers, ELMIs, MGSs, reguarantee companies, currency-exchange bureaux, appraisal companies and Sareb – Participation in the granting of start-up licences and in other administrative procedures relating to supervised institutions 	
	Inspection, Internal Model and AML Department	<ul style="list-style-type: none"> – On-site inspections and internal model investigations of SIs within the SSM – Internal model investigations of LSIs – Planning, implementation and monitoring of AML/CTF supervisory actions 	
	Horizontal Functions Department	<ul style="list-style-type: none"> – Analysis of credit, business and solvency risk. Preparation of technical studies and reports for various Banco de España services and external agents – Definition and processing of consultations on supervisory policies and banks and other supervised institutions accounting regulation – Supervision of covered bonds, including authorisation of their issuance programmes and cover pool monitor – Stress tests – Exploitation and analysis of supervisory data for risk assessment – Monitoring of market risk, operational risk and structural liquidity and interest rate risks – Supervisory methodology – Application of supervisory technologies (SupTech) 	
	SSM Coordination and Supervisory Strategy Department	<ul style="list-style-type: none"> – Preparation and monitoring of annual supervision planning – Definition of SSM supervisory strategic planning and second line of defence – Support to the Banco de España representative on the SB – Coordination and management of information received within the scope of the SSM – Technology risk inspections of SIs within the SSM and LSIs 	
	Organisation and Quality Group (Corporate Functions)	<ul style="list-style-type: none"> – Quality control in the supervisory process – Training of DGBS staff – Coordination of DGBS corporate functions 	
DIRECTORATE GENERAL FINANCIAL STABILITY, REGULATION AND RESOLUTION	Financial Stability and Macroprudential Policy Department	<ul style="list-style-type: none"> – Analysis of financial system risks and vulnerabilities – Formulation of macroprudential policy proposals – Coordination with the AMCESFI, with the ESRB and with the ECB's macroprudential function – Performance of stress tests (FLESB) 	Chapter 2
	Financial Reporting and CCR Department	<ul style="list-style-type: none"> – Receipt, quality control and forwarding of supervisory information that credit institutions are required to submit to the ECB and to the Banco de España – Management of the CCR and of Anacredit – Calculation and validation of compliance with the minimum reserve ratio 	
	Regulation Department	<ul style="list-style-type: none"> – Analysis, definition and monitoring of regulatory policies applicable to supervised institutions – Coordination with the EBA, FSB, BCBS and other international fora – Development and interpretation of prudential regulation 	
GENERAL SECRETARIAT	Deputy General Secretariat	<ul style="list-style-type: none"> – Participation in the assessment of compliance with the suitability requirements of senior officers – Maintenance of the Senior Officer Register – Participation in the granting and withdrawal of institutions' authorisation – Maintenance of the Register of Institutions, Agents and Articles of Association – Management of the single European passport 	Chapter 3
	Legal Department	<ul style="list-style-type: none"> – Handling of sanctioning proceedings 	
DIRECTORATE GENERAL FINANCIAL CONDUCT AND BANKNOTES	Institutions' Conduct Department	<ul style="list-style-type: none"> – Supervision of market conduct and compliance with legislation on transparency of information and customer protection of supervised institutions through off-site inspections and monitoring – Preparation of regulations and circulars on transparency and customer protection – Participation in international committees on regulation and supervision 	Chapter 4
DIRECTORATE GENERAL OPERATIONS, MARKETS AND PAYMENT SYSTEMS	Payment Systems Department	<ul style="list-style-type: none"> – Ongoing supervision of compliance with legislation on payment services at credit institutions, Pls, ELMIs and account information service providers – Definition of supervisory policy regarding the provision of payment services – Participation in the granting of authorisations and the register of payment service providers – Supervision of Iberpay, as the management company of the National Electronic Clearing System – Oversight of financial market infrastructures and payment instruments 	Chapter 5

SOURCE: Banco de España.

improve coordination, the new department also incorporates the function of reviewing institutions' technological risk, so as to foster in a coordinated manner the implementation of technological innovation and cybersecurity in credit institutions.

- The Directorate General Financial Stability, Regulation and Resolution (DG.FSR) is responsible for analysing vulnerabilities in the financial system and formulating macroprudential policy proposals; it is also responsible for coordination with the macroprudential function of the ECB, the European Systemic Risk Board (ESRB) and other international bodies. It also receives and monitors institutions' supervisory reporting. Also, it participates in the implementation of prudential regulations and coordinates with the European Banking Authority (EBA) and other international fora.
- The General Secretariat (GS.GRL) is tasked with the analysis of senior officer suitability, the granting and withdrawal of authorisation, and the register of senior officers; the authorisation of bylaw amendments; the register of institutions; and the handling of sanctioning proceedings.
- The Directorate General Financial Conduct and Banknotes was created in 2022, incorporating the former Institutions' Conduct Department. This new internal organisation is an important development in the framework of the Banco de España's strategy to improve its capacity for supervising compliance with the conduct and customer protection regulations to which institutions are subject, bearing in mind the importance of institutions' appropriate conduct for financial stability, for the reputation of the sector and for customer confidence.
- Lastly, the Directorate General Operations, Markets and Payment Systems (DG.OMP) is responsible for overseeing financial market infrastructures and payment instruments, schemes and arrangements. Additionally, it is responsible for verifying compliance with applicable payment services regulations at credit institutions, payment institutions (PIs), electronic money institutions (ELMIs) and account information service providers, through both ongoing off-site monitoring and occasional inspections and actions.

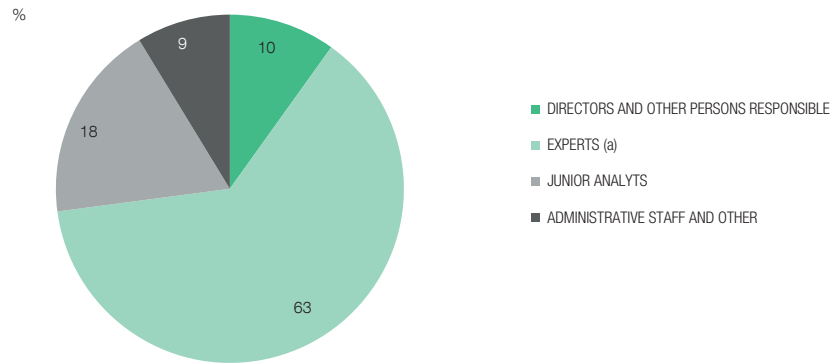
Figure 1.2 details the organisation of the supervisory and oversight functions performed by the Banco de España.

1.3 Supervisory and oversight staff

At 31 December 2022, the Banco de España had 849 employees performing supervisory and oversight functions (844 employees in 2021). Of these 849

Chart 1.1
SUPERVISORY AND OVERSIGHT STAFF (%), BY PROFESSIONAL GROUP
At 31 December 2022

The predominant group continues to be, within the "Experts" category, inspectors and inspection auditors. The composition of the various groups of staff remained stable with respect to previous years.

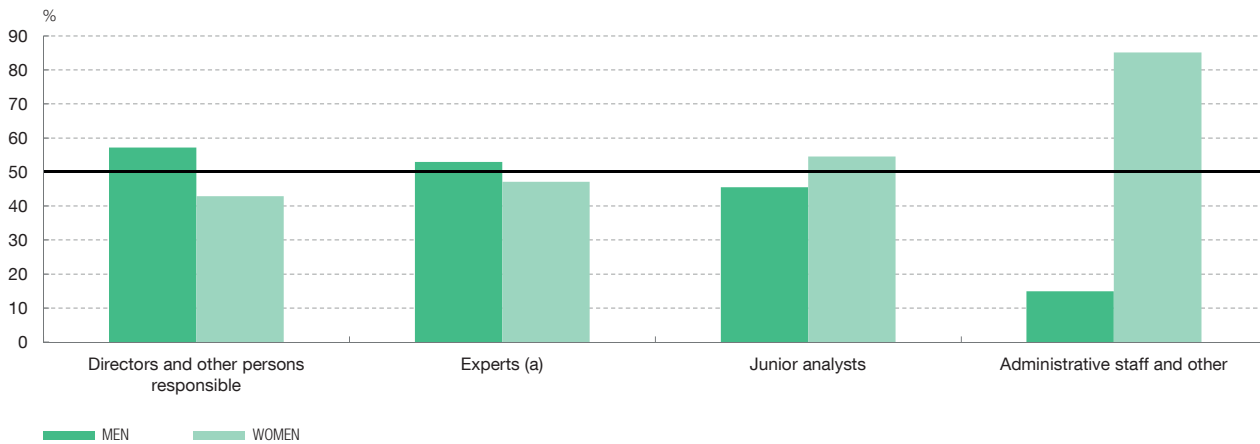


SOURCE: Banco de España.

a Also includes inspectors, degree-level economists, lawyers, inspection auditors and IT auditors.

Chart 1.2
SUPERVISORY AND OVERSIGHT STAFF BY GENDER
At 31 December 2022

The proportion of men and women is almost equal in three professional groups. However, there are major disparities in "Administrative staff and other".



SOURCE: Banco de España.

a Also includes inspectors, degree-level economists, lawyers, inspection auditors and IT auditors.

employees, 527 belong to the DG.SUP, 195 to the DG.FSR, 60 to the Institutions' Conduct Department, 49 to the Deputy General Secretariat and 18 to the DG.OMP.

In 2022, the selection of legal advisers and documentalists to carry out tasks related to supervision was finalised. Also, there was a call for applications for general junior

analysts, a pool of inspectors was opened to address temporary staffing needs, and a forthcoming call for applications for inspectors was announced to cover various supervisory functions.

Chart 1.1 shows the distribution, by professional group, of Banco de España employees who carry out supervisory functions.

48.7 % of supervisory staff are men and 51.3 % are women, although the distribution varies among professional groups, as shown in Chart 1.2.