

2 ACTIVITY REPORT



Operations Room at Banco de España.

2.1 INTERNAL ORGANISATION AND ADMINISTRATION

2.1.1 Human resources

The total number of Bank staff is 2,990.

As at 31 December 2016, the Banco de España employed a total of 2,990 staff. There was an increase in posts with specialist profiles, while the number of administrative posts fell. Moreover, 146 Bank employees work in international organisations, with 20 such posts being filled in 2016.

146 employees work in international organisations.

The average age of employees is 45.2 years, a figure which has tended to decrease in recent years. The proportion of women is 48% and 52% for men. The average training time per employee amounted to 51 hours for the year as a whole. A total of 78% of employees completed training courses and 317 employees participated in international courses, of which 17 were organised by the Banco de España.

Employee mobility has been promoted and selection processes streamlined.

Implementation of a transformation plan for the human resources function began in 2016, to provide an improved, more efficient and personalised service, adapted to the organisation's needs. To this end, the post of "HRO Contact Person" was created, to have closer contact with the different business areas. This plan promotes the mobility of Bank employees, among other things, and led to a total of 148 employees changing posts in 2016. In addition, to harness in-house talent, a professional opportunities programme has been launched to promote internal mobility in order to fill any vacancies that arise. This plan also includes streamlining selection processes, reducing the time taken for posts to be occupied, promoting the use of online channels, such as LinkedIn or Infojobs, for issuing job offers, in order to make the Bank an employer of choice.

The plan has other priority goals such as flexible working, teleworking, or internal communications, through new channels which are more effective and closer to employees. To facilitate the transformation, a project was launched to develop a new IT platform for human resource management.



The Banco de España page on the LinkedIn portal.

2.1.2 Reorganisation

The Associate Directorate General Deputy General Secretariat, formerly a department, was created in 2016, and the structure of the Directorate General Services was changed, to improve its performance, speed up decision-making and optimise its resources.

The section on the functions of the Directorates General, in the first chapter of this report (1.3.1 *Organisational chart and structure. Directorates General and General Secretariat*), refers to the changes made in 2017 in some of the Directorates General of the Banco de España.

2.1.3 Services

The façades of the Cibeles building are being inspected, restored and cleaned.

In 2016, following a thorough inspection of the façades of the Cibeles building, a listed national monument which occupies approximately 10,000 m², a project for the comprehensive restoration and subsequent cleaning of the façades was drawn up. The procurement procedure for the execution of the work concluded on 5 December 2016 and the restoration work started in February 2017.

The drafting of a project to carry out improvement work on the Torre de Cibeles building has also been commissioned. The aim is to completely refurbish all floors and find a new solution to connect the various buildings to make them accessible to people with reduced mobility. The project will also encompass the façade and the volumes, to improve their architectural quality and energy performance.

In 2016, the procurement process for the project to comprehensively refurbish the building of the Barcelona branch of the Banco de España was completed. The project aims to reorganise the branch spaces and to refurbish several floors to convert them into open-plan floors.

In the area of IT systems, a number of activities and projects were carried in 2016 to provide support for the functions of the Banco de España. These notably include:



Comprehensive restoration and cleaning of the façade of the Banco de España's headquarters.



Façade of the Barcelona branch office.

The web portal offering services to institutions and organisations (RedBdE) has been modernised.

- The modernisation of the web portal offering services to institutions and organisations (RedBdE), which entailed the roll-out of a new technical infrastructure, the renewed design of the contents of the portal and a new services architecture. The way in which institutions access services and the related information has been modernised and optimised, paving the way for new and more advanced services in the near future.
- Active participation in the IT development of projects for the Eurosystem, in collaboration with other central banks, relating to payment infrastructures, securities and collateral management (Target 2-Securities), the new database for individual bank loans in the euro area (AnaCredit) and treasury management of market operations (MAPS, Market Activities Processing System).

2.1.4 Branch offices

The branch offices of the Banco de España perform, among others, functions relating to the distribution of cash (banknotes and coins), through banks, from which they also receive the cash deposited by the public for processing purposes. This process consists of retaining counterfeit banknotes and coins, destroying banknotes no longer fit for circulation and withdrawing damaged coins.

The Bank's branch offices play a key role in cash processing.

In addition, the branches provide support to the different Bank departments, offering general government and the public decentralised services relating to functions and tasks assigned to the Banco de España. These include the exchange of pesetas for euros, replacement of damaged banknotes and coins, current accounts, submission of claims, requesting reports from the Central Credit Register and public debt subscription.

At the end of 2016, there were 414 branch employees. There is a director in charge of each branch, who is responsible for the infrastructure and administrative and support services, to whom two units report: Cash-Operations, which carries out cash and bank operations, and Financial Control, which audits and accounts for all operations.

2.2 FUNCTIONS RELATING TO BANKING OPERATIONS

2.2.1 *Implementation of monetary policy and asset management*

New liquidity-injection operations were announced in the context of implementation of monetary policy.

In 2016 there were two key developments regarding the implementation of monetary policy. In March, four new quarterly liquidity-injection operations (TLTRO II), with a maturity of four years, were announced, with a potential volume of 30% of the stock of eligible loans granted by counterparties as at 31 January (less the amount previously borrowed under the first TLTROs) and an interest rate as low as -0.40%, depending on the dynamism of lending. In Spain, more than €167,000 million have been lent through such operations.

And the purchase programmes were expanded to include new elements.

In June, the purchase programme was expanded to include a new component, namely, corporate bonds. In the Eurosystem as a whole, purchases of this type of assets amounted to almost €52,000 million euros in 2016, including securities issued by 14 Spanish issuers.

As regards portfolio management, the Bank increased the number of eligible instruments and currencies in the own portfolios denominated in foreign currencies and continued to undertake other tasks for third parties, such as the management of part of the ECB's foreign reserves and acting as a financial agency in relation to the portfolios of the Social Security Reserve Fund and the Deposit Guarantee Scheme.

2.2.2 *Management of payments and securities settlement*

The Bank coordinated the work and adjustments required for migration to TARGET2-Securities.

The Banco de España, as chair of the national Target2 user group, which comprises the Treasury, the National Securities Market Commission, Iberclear and those participating in Spain's post-trading infrastructure for securities, has coordinated the work and necessary adjustments for the successful migration of the Spanish market to TARGET2-Securities, scheduled for September 2017.

In the area of retail payments, the Bank monitored the launch of the instant mobile payments programme (Bizum) and, in relation to EU Regulation 260/2012, on credit transfers and direct debits in euros, it reviewed compliance by Spanish payment service providers with the requirements on message formats (ISO Standard 20022 XML).

2.2.3 *Banknote and coin management*

Credit institutions withdrew banknotes for an amount equal to €91,200 million.

In 2016, Spanish credit institutions withdrew nearly 2,965 million banknotes over the Banco de España's counters to meet customer demand, for an amount close to €91,200 million. They also withdrew almost 1,300 million coins, more than half of which were low-value denomination coins.

Banknotes and coins continue to be the most common form of payment among 70% of the Spanish population, as revealed by the survey on the use of cash that the Banco de España conducts every year. Accordingly, the Bank has undertaken major efforts to inform cash professionals, retailers and the general public about the characteristics of the new Europa series €50 euro banknote, which entered into circulation in April 2017, and to



A portrait window of princess Europa in the hologram of the €20 banknote (second series).



Europa series euro banknotes.

promote the adaptation of banknote-accepting machines, so that they are able to process the new banknotes from the moment they start circulating.

The authenticity and condition of 3,231 million euro banknotes were verified.

Also in 2016, the Bank verified the authenticity of a total of 3,231 million euro banknotes and classified them according to their condition, and destroyed 1,000 million banknotes and demonetised 2.5 million coins which were no longer fit for circulation.

Lastly, it should be noted that in 2016 the Banco de España was, for the first time, supplied with banknotes exclusively produced by IMBISA, a specific resource of the Bank which was created at the end of 2015.



Seminar on the €50 banknote (second series), organised for professional cash handlers by the Banco de España and the European Central Bank.

2.3 SUPERVISION, FINANCIAL STABILITY AND PREVENTIVE RESOLUTION

2.3.1 Prudential supervision

As mentioned earlier, the entry into force of the SSM, in November 2014, brought about a very significant change in the European supervisory model. At the end of 2016, there were 14 Spanish banking groups classified as significant and therefore directly supervised by the ECB. These 14 groups are made up of 54 individual Spanish credit institutions and 24 individual credit institutions located in other euro area countries. Overall, these 14 banking groups represent 15% of the assets under the direct supervision of the ECB, which supervises a total of 125 significant groups in the euro area.

The 14 Spanish banking groups directly supervised by the ECB account for 94% of the Spanish banking system's assets.

The institutions supervised directly by the ECB account for around 94% of the Spanish banking system's assets. The remaining 6% is accounted for by 69 Spanish banking groups classified as less significant¹ and supervised directly by the Banco de España in the framework of the SSM.

Additionally, there are 11 Spanish credit institutions which are subsidiaries of 8 significant foreign banking groups in the SSM.

At the end of 2016, the Banco de España had contributed 163 bank examiners and junior analysts to the joint supervisory teams of Spanish banks.

The Banco de España contributes to the supervision of significant Spanish credit institutions, both in ongoing monitoring tasks, through the Joint Supervision Teams (JSTs) and in on-site inspections and review of the models of these institutions. At the end of 2016, the Banco de España provided 163 bank examiners and junior analysts staff to the JSTs of significant Spanish banks. Also, in 2016, inspections were performed at 16 significant credit institutions (of which 12 were headed by the Banco de España) and 12 model reviews were carried out (8 of them headed by the Bank). The Banco de España contributed approximately 90% of the staff assigned to these on-site tasks.

In 2016, a total of 236 decisions were adopted addressing significant Spanish institutions specifically, and a further 300 were of a more general nature or dealt with matters of SSM organisation and policies also affecting them. The decisions adopted notably included capital decisions resulting from the so-called "supervisory review and evaluation process" (SREP), which establishes the level of capital required of each institution in 2017.

With respect to less significant institutions, supervised by the Banco de España, 19 banking groups were subject to standard monitoring and the remaining 51 groups to simplified monitoring (based on a system of alerts)². A total of 501 monitoring actions³ were performed and 13 inspection visits were made. In addition, 68 monitoring actions were carried out at different Spanish subsidiaries and branches of less significant groups in the SSM sphere, with head offices in other countries.

¹ Include groups, individual institutions not belonging to any group, and branches of EU banking groups not in the euro area.

² At the end of 2016, one institution was deregistered as a less significant institution.

³ Monitoring actions mainly include periodic monitoring both of a standard and simplified nature, reviews of external auditors' reports and internal capital adequacy assessment reports, analysis of recovery plans and the corresponding capital decisions.



The Supervisory Board of the European Central Bank, which supervises 14 Spanish banking groups.

At the end of 2016, the Banco de España adopted the capital decisions corresponding to less significant institutions. The supervisory review and evaluation process applied by the Banco de España to these institutions was similar to that applied to significant credit institutions.

A total of 339 monitoring actions and 5 inspections were performed at institutions which were not credit institutions.

The Banco de España also has exclusive supervisory powers, outside the SSM context, over institutions other than credit institutions that provide services or perform functions related to the financial sector. In 2016, a total of 339 monitoring actions and 5 inspections were performed at these institutions. Also, in cooperation with the SEPBLAC, in 2016, 3 inspections on the prevention of money laundering were carried out at significant Spanish institutions.

In the performance of its different supervisory tasks, the Banco de España sent 150 letters containing requirements and recommendations to less significant credit institutions.⁴ A further 9 such letters were sent to other institutions supervised by Banco de España outside the SSM sphere.

The definition of less significant institutions which may be subject to simplified obligations was completed.

Within the recovery framework, in 2016 the Banco de España completed the reviews of the first recovery plans submitted by significant credit institutions in the final quarter of 2015. The Banco de España also participated in the resolution plan review process of significant institutions in the prior consultation phase, together with the resolution authority and the ECB.

With regard to less significant institutions, the Banco de España, in collaboration with the ECB, completed the definition of the institutions which may be subject to simplified

⁴ Of these, 57 relate to capital decisions, 54 to recovery plans, 19 to the result of standard annual monitoring and 20 to on-site inspections.

obligations. In fact, these institutions submitted their recovery plans for the first time in 2016, to be reviewed in the first quarter of 2017. The Banco de España also participated actively with other national competent authorities and the ECB in the process of harmonising crisis management schemes for less significant institutions in order to ensure consistent procedures and tools in the SSM framework.

In 2016, a total of 583 suitability assessment procedures were conducted for senior officers at supervised institutions.

With respect to the supervision of the suitability of senior officers of credit institutions, the Banco de España processed a total of 583 files in 2016, of which 294 related to credit institutions, 129 to mutual guarantee companies, 64 to payment institutions, 54 to specialised lending institutions, 34 to appraisal companies, 5 to electronic money institutions and 3 to currency exchange bureaux.

2.3.2 Supervision of market conduct

Supervision of market conduct was centred on mortgage and consumer credit.

In 2016, the supervision of market conduct focused on the three areas already identified in 2015 (mortgage loans, consumer loans and customer services) to which the review of the advertising of banking products and services of supervised institutions was added in 2016.

In 2016 a total of 29 on-site inspections were carried out, 11 of which had begun in 2015. Eight of these inspections centred on reviewing compliance with transparency requirements for mortgage loans and credit, 2 to verifying the correct application of regulations on mortgage debtors without funds, 16 to verifying that the annual percentage rate (APR) of certain mortgage transactions was properly reported to the Banco de España and the remaining 3 to verifying transparency in the marketing of consumer loans and in currency exchange activities.

Additionally, 80 supervisory actions (69 of which were initiated during the year) were performed in 2016, notably including 24 actions aimed at evaluating, and where appropriate, rectifying, the shortcomings detected in the set-up and functioning of the customer service departments of the main institutions, 18 supervisory actions to verify the correct application of measures to protect mortgage debtors without funds, and the supervisory action initiated during the year to verify that institutions' customary practices, procedures and internal controls in relation to their advertising comply with current legislation.

As a result of these activities, 105 letters of recommendations and observations and 17 requirement letters were sent in 2016.

2.3.3 Sanctioning activity

Seven sanction proceedings were initiated in relation to conduct, transparency and customer protection.

In 2016, the Banco de España initiated seven sanction proceedings resulting from the exercise of its supervisory competences in relation to institutions' conduct, transparency and customer protection. These proceedings were brought against four banks, one credit cooperative, one currency-exchange bureaux and its managers and directors, and one specialised lending institution. The proceedings begun against a specialised lending institution in 2015 culminated in the imposition of sanctions.

In relation to the supervisory authority of the Banco de España outside the scope of the SSM, mention should be made of the sanctioning activity concerning non-credit financial

institutions (in particular, in relation to payment institutions and the breach of the obligations upon them primarily as regards own funds coverage, book-keeping and safeguarding funds deposited by customers). In this regard, proceedings were brought against one institution, with the latter's activity being temporarily suspended to safeguard the public interest, and two more sets of proceedings concluded with the imposing of sanctions.

2.3.4 Macprudential policy

Some of the effects of increased capital requirements were analysed.

In the area of macroprudential policy, cyclical risks were monitored using a risk map with information drawn from a broad set of indicators. Both the risk map and a smaller set of indicators relating to the countercyclical capital buffer (CCB) presented information consistent with the percentage of CCB remaining at 0%, so the buffer was not activated in 2016. However, there were some changes in 2016 as regards identifying and determining the capital buffers of systemic institutions. The fact that the BBVA ceased to be identified as a global systemically important institution (G-SII) meant that Banco Santander was the only Spanish G-SII for 2017. In addition, the Banco de España revised the calibration of capital buffers applicable to other systemically important institutions (O-SIIs) in order to ensure consistency with the new criteria stipulated by the ECB to reduce the heterogeneity of requirements within the SSM. These changes have led to higher capital buffers for three of the six institutions identified as O-SIIs for 2017.

Lastly, in 2016 the tool known as "FLESB" (Forward Looking Exercise on Spanish Banks) was used to conduct a new, forward-looking, analysis of the solvency and resilience of banks in different macroeconomic scenarios.

2.3.5 Preventive resolution

Recovery plans were prepared for a total of 16 institutions (12 significant and 4 less significant) and the Bank participated actively in defining criteria.

In 2016, resolution plans were prepared for a total of 16 institutions (12 significant and 4 less significant), in accordance with the distribution of competences established under the Single Resolution Mechanism (SRM) Regulation, in close collaboration with the Single Resolution Board (SRB), the FROB and other national resolution and supervisory authorities in the euro area. In the international sphere, these contacts involved participating in resolution colleges and crisis management groups of 10 institutions, both Spanish and from other Member States of the European Union with operations in Spain. In addition, the recovery plans of all significant credit institution were reviewed, working jointly with the SRB, as were those of all less significant institutions.

To promote the effective implementation of the recently approved Directive 2014/59/EU, the Banco de España participated very actively in the development of preventive resolution criteria and strategies as a member of international organisations and fora, notably the Financial Stability Board's resolution groups and the definition of criteria for implementation of the Single Resolution Mechanism. Also worth highlighting due to their importance are: i) the criteria for determining the minimum requirement for own funds and eligible liabilities to absorb losses (MREL) stipulated by the directive and currently under review, or ii) the promotion and analysis of the best resolution strategies based on the different tools available (i.e. sale of assets or bridge bank).

2.3.6 *Financial and risk reporting*

Credit institutions began to adapt their financial reporting to the FINREP requirements.

Credit institutions began to adapt their financial reporting to the criteria as to preparation, terminology, definitions and formats of the statements known as “FINREP” in European Union legislation (relating in 2016 to individual confidential returns and public financial statements). With respect to prudential reporting, following the entry into force of a series of European requirements, credit institutions started to submit new information on additional control parameters for information on liquidity and the liquidity coverage ratio. Additionally, credit institutions that are authorised to use internal models for credit and market risk submitted, also for the first time, information relating to the review of such models. Lastly, the Banco de España began receiving information on the commissions on ATM cash withdrawals sent by ATM owners and credit card issuers.

Implementation of Circular 1/2013 on the CCR was completed in 2016.

Implementation of Circular 1/2013 on the Central Credit Register was completed in 2016. New, more detailed, information (on a transaction-by-transaction basis, more types of products and more information on the collateral received) is based on data referring to April 2016. Following the approval of the Regulation of the European Central Bank on the collection of granular credit and credit risk data in May 2016 (known as the “AnaCredit Regulation”), the Bank participated very actively in the preparatory work for the implementation of the requirements of the Regulation.

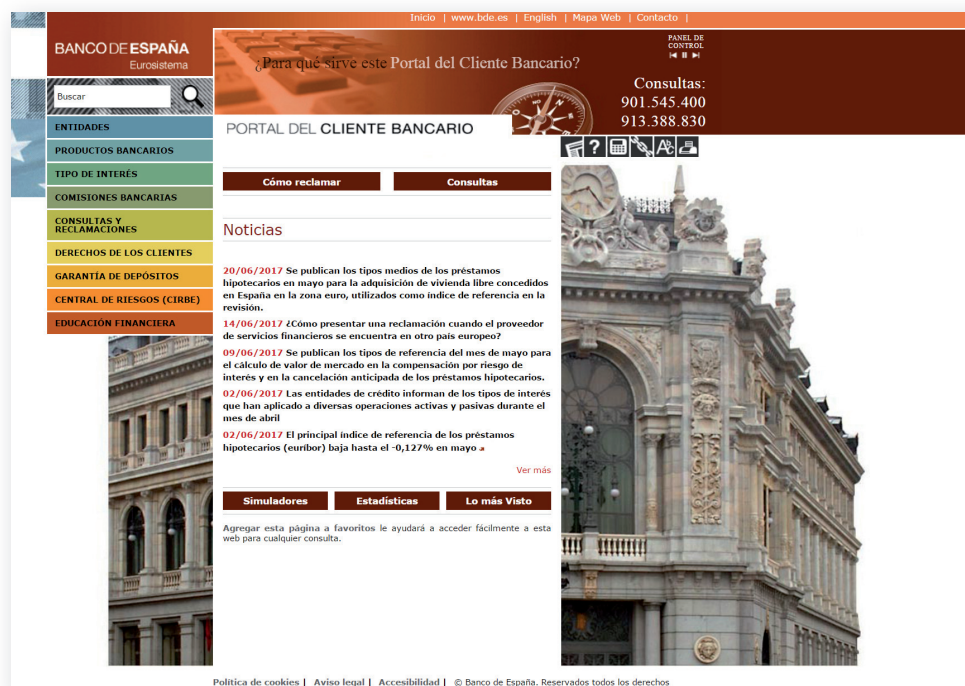
2.4 CLAIMS AND QUERIES RECEIVED FROM BANK CUSTOMERS

The number of claims filed by users of bank services in 2016 fell with respect to 2015.

In 2016, the number of claims filed by users of bank services fell from 20,262 in 2015 to 14,462 in 2016, continuing the downward trend that began in 2014. This decrease was chiefly due to the steady decline of claims relating to “floor clauses”, which totalled 3,958 in 2016.

The number of telephone or online queries also declined in 2016 to 33,595, compared with 38,804 a year earlier. Of these, 31,660 were dealt with by telephone (35,567 in 2015) and 1,935 by electronic channels (3,237 in 2015). The Bank Customer Portal registered more than 3.6 million visits in 2016, a similar level to that registered in 2015 (3.8 million).

In relation to the monitoring and control of advertising in 2016, there were 487 requirements for the withdrawal or rectification of press and Internet advertisements, compared with 196 in 2015, all of which were complied with by the institutions concerned.



Bank Customer Portal of the Banco de España (not yet available in English)

2.5 REGULATORY CHANGES

There was hardly any legislative activity in 2016, since there a caretaker government was in office until 31 October 2016.

However, in the area of economy and finance, Organic Law 1/2016 of 31 October, reforming Organic Law 2/2012 of 27 April on budgetary stability and financial sustainability, was approved, as was Royal Decree-Law 4/2016 of 2 December relating to urgent financial measures.

A total of seven Banco de España circulars were approved in 2016, all in relation to the organisational and disciplinary rules applying to supervised institutions.

As regards the organisational and disciplinary rules applying to supervised institutions, the following Banco de España circulars were approved:

- Banco de España Circular 1/2016 of 29 January 2016 amending Circular 1/2015 of 24 March, to payment service providers, on information of the merchant service charges and interchange fees received.
- Banco de España Circular 2/2016 of 2 February 2016 to credit institutions, on supervision and solvency, completing the transposition into Spanish legislation of Directive 2013/36/EU and Regulation (EU) No. 575/2013.
- Banco de España Circular 3/2016 of 21 March 2016 to ATM owners and payment instrument and card issuers, on information on commissions on ATM withdrawals.
- Banco de España Circular 4/2016 of 27 April 2016 amending Circular 4/2004 of 22 December 2004 to credit institutions, on public and confidential financial reporting rules and financial statement formats, and Circular 1/2013 of 24 May 2013 on the Central Credit Register.
- Banco de España Circular 5/2016 of 27 May 2016 on the method of calculation to be used to ensure that banks' contributions to the Deposit Guarantee Scheme for Credit Institutions are proportionate to their risk profile.
- Banco de España Circular 6/2016 of 30 June 2016 to credit institutions and specialised lending institutions, which sets out the content and format of the "SME-Financial Information" and stipulates the method of risk classification, both envisaged in Law 5/2015 of 27 April 2015 on the promotion of business financing.
- Banco de España Circular 7/2016 of 29 November 2016 developing the accounting specifications to be applied by banking foundations and amending Circular 4/2004 of 22 December to credit institutions, on public and confidential financial reporting rules and financial statement formats, and Circular 1/2013 of 24 May 2013 on the Central Credit Register.

2.6 ECONOMIC ANALYSIS, RESEARCH AND STATISTICS

In 2015, the Bank published 35 working papers, 8 occasional papers and 37 articles for external publications.

In 2016, 35 working papers and 8 occasional papers were published. As for external publications, a total of 37 articles were published in anonymously refereed academic and professional journals, 2 articles were accepted and are pending publication and another 13 articles were published in other journals and books.

The main research activities in this area focused on a variety of issues, notably the interaction between fiscal consolidation and private deleveraging, the determinants of compliance with fiscal rules, optimal monetary policy with heterogeneous agents and the effects of non-conventional monetary policies, changes in inflation expectations in the euro area; the macroeconomic impact of structural transformations and enhancing the performance of the services sector; interactions between public and private labour markets and the importance of allocation between sectors and firms of productive resources to boost productivity growth, paying special attention to Spain's experience during the previous period of economic expansion.

In the area of financial stability, the potential impact of an increase in banks' capital requirements on their credit supply was analysed, as were the effects on the real economy and particularly on employment in firms of a reduction of the credit supply of banks; the potential impact on firms of credit supply instrumented by central banks; the dynamic relationships over time between bank variables and variables relating to the credit cycle, financial markets and the real economy; and the variability of risk-weighted assets.

Analytical tools began to be used for regular analyses. Specifically, BVAR models for the emerging countries of most significance for the Spanish economy and indicators of financial stress for advanced and emerging economies. Moreover, considerable resources were devoted to analysing the effects of various global events that took place in 2016, such as the change in China's economic growth model or Brexit, using the Bank's own tools as well as global models.

In 2016 five international conferences were organised.

In 2016, five international conferences were organised. One of these conferences, which took place from 6 to 8 June, was organised in collaboration with the Barcelona Graduate School of Economics and was dedicated to analysing aspects relating to fiscal sustainability. Another, jointly organised with the World Bank on 16 and 17 June, focused on analysing the labour market, in general, and growth in productivity and inequality, in particular.

New, quarterly press releases on the financial accounts of the Spanish economy and on government debt began to be issued.

In the field of statistics, the Bank began regularly publishing new quarterly press releases on the financial accounts of the Spanish economy and on government debt under the Excessive Deficit Protocol. In the case of government debt, details of the debt of municipalities with populations of more than 300,000 inhabitants began to be published quarterly, which entailed adding seven cities to the six which already provided such information. The historical series of the international investment position (IIP) was also completed in accordance with the methodology and information sources applicable since the end of 2014, and the quarterly press release on the Balance of Payments was expanded to include information relating to the IIP, incorporating an analysis of how the changes in the position in each period reflect the transactions performed or valuation changes and other flows.

The Central Balance Sheet Data Office obtains the annual results of a larger number of non-financial corporations.

With the collaboration of the Mercantile Registries, the Central Balance Sheet Data Office was able to obtain the annual results of a higher number of non-financial corporations, which strengthened the statistical products disseminated, including the Sector Ratios database RSE), used since June 2016 to obtain the “relative position of the borrower according to activity sector”, as part of the “SME-Financial Information” (Circular 6/2016).

The sending of statistical information on insurance corporations to the ECB began in 2016, in accordance with ECB Regulation 2014/50. Information on these corporations (which are subject to an ECB regulation for the first time) was collected through the Directorate General of Insurance and Pension Funds, which supervises them. Moreover, in the information relating to securities portfolios with a breakdown by value, information from insurance corporations was included in 2016, replacing that provided by custodians, within the framework of ECB Regulation ECB/2012/24 concerning statistics on holdings of securities.

In 2016, two surveys on the Spanish population were undertaken; the Spanish Survey of Household Finances and the Financial Competence Survey.

Lastly, two surveys on the Spanish population were conducted in 2016. First, the task of checking data for the Spanish Survey of Household Finances (2014 wave) was completed, the first data imputation was performed and the tables of results were prepared and compared with other statistics. Second, the Financial Competence Survey, forming part of the National Statistics Plan, was undertaken as a joint initiative of the Banco de España and the National Securities Market Commission, under the Financial Education Plan. It is intended to measure, for the first time, the level of financial knowledge of the adult Spanish population and will provide reliable data on the financial competences in each region. Moreover, the survey will be comparable with an international study on financial competence coordinated by the OECD in 30 countries.



José Luis García Delgado, awarded the King Juan Carlos Economics Prize in 2016, addresses His Majesty King Juan Carlos, the members of the jury, chaired by the Governor Luis M. Linde, and participants at the ceremony.

2.7 ACTIVITIES OF THE BANCO DE ESPAÑA AS A MEMBER OF THE EUROSISTEM AND OTHER INTERNATIONAL ORGANISATIONS

2.7.1 *The Eurosystem and other European Union institutions*

The Banco de España continued participating actively in the Eurosystem's activities through its collegiate bodies, committees and working groups.

As in previous years, in 2016 the Banco de España continued participating intensively in the activities of the Eurosystem. The Governor attended the meetings of the ECB's Governing Council and General Council, in which decisions on monetary policy and the functioning of the Eurosystem are adopted. The Deputy Governor participated in the meetings of the Supervisory Board of the SSM, which discusses, plans and executes the supervisory tasks of the ECB, and proposes draft decisions for the approval of the Governing Council on matters of prudential supervision through the so-called "non-objection procedure".

The Banco de España was also actively involved in the work of the different ECB Committees (Monetary Policy, Market Operations, Financial Stability, Statistics, Banknote, Payment and Settlement Systems, Legal, Risk Management and International Relations) and in their working groups. The issues addressed by these committees and approved by the Governing Council notably include conventional and non-conventional monetary policy measures, such as the additional reduction of the deposit facility interest rate to -0.4% and the extension of the asset purchase programme (EAPP), strengthened since March with corporate bond purchases.

With respect to other EU institutions, the Banco de España participated in various working groups and committees. As in previous years, it was represented at the two informal ECOFIN meetings in April and November, and participated in the meetings of the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC), which addressed the future steps that will complete the Economic and Monetary Union, the progress made towards the Banking Union or the Capital Markets Union.

2.7.2 *European Banking Authority (EBA)*

The European Banking Authority remained focused on the traditional areas in which it had been working, while placing special emphasis on the analysis of technological innovation in the financial sphere.

In 2016, the European Banking Authority (EBA) remained focused on the traditional areas in which it had been working, mainly concerning prudential regulations, supervisory convergence, resolution and customer protection.

Given their particular importance, mention should be made of the following: publication of the so-called "Pillar 2 guidance" (P2G), an element introduced by the European Commission at the beginning of the year which is different from the Pillar 2 requirements (P2R); the drafting of a report on the covered bond market in Europe; and completion of a report on the minimum requirement for own funds and eligible liabilities (MREL), under the Resolution Directive (BRRD).

However, in 2016, special emphasis was placed on issues more closely related to technological innovation in the financial sphere. Thus, the EBA focused its attention on payment systems, seeking to strike an appropriate balance between market development and the necessary security and customer protection. The EBA has also started work on identifying the risks and opportunities for the banking industry deriving from so-called FinTech companies, and identified four areas of work: i) authorisations; ii) prudential risks; iii) impact on the business model; and iv) impact on consumers.

2.7.3 European Systemic Risk Board (ESRB)

At the European institutional level, the Banco de España continued to take an active part in the different committees and working groups of the European Systemic Risk Board (ESRB). In 2016, the Banco de España adopted the recommendation of the ESRB on recognising and setting countercyclical buffer rates for exposures to third countries; and its recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/1 and ESRB/2015/2, respectively). Analytical frameworks for adopting these recommendations are being developed in collaboration with other areas of the Banco de España.

2.7.4 Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS)

The Financial Stability Board concluded the main aspects of the reform of banking regulation.

The Banco de España is a member of the Financial Stability Board (FSB), whose Steering Committee includes the Governor. Within the scope of its activities, the FSB was able to conclude the main aspects of the reform of banking regulation. The work of the FSB, with the participation of the Banco de España, became centred on implementing the reforms and analysing their effects. The FSB also continues to assess the potential risks for financial stability in different sectors.

The Basel Committee on Banking Supervision analysed reforms aimed at reducing the unjustified variability in RWAs.

The Banco de España also forms part of the Basel Committee on Banking Supervision (BCBS). In 2016, the attention of the BCBS was centred on analysing reforms the main objective of which is to reduce unjustified variability in risk-weighted assets (RWAs), and, consequently, improve the comparability and effectiveness of institutions' capital ratios. This work mainly resulted in reviews of the standardised approach for credit risk, also taking into account different mechanisms which could contribute to reducing undesirable variability in the internal models used by institutions to measure credit risk. It also developed a new standardised approach for operational risk. The Banco de España was very actively involved in this process, participating in the discussions and the technical work, including analyses of the impact, design and calibration of the different measures proposed.