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ACTIVITY REPORT

MILESTONES IN 2021

JANUARY



21 January

Launch of a **new application for requesting appointments** to use on-site services at the Banco de España

25 January

The Ministry of Consumer Affairs, the Banco de España and the CNMV enter into an **agreement to improve consumer protection** through financial education

FEBRUARY



4 February

The Banco de España adopts the Eurosystem's common stance for **sustainable investment**

9 February

Joint press statement by the CNMV and the Banco de España **on cryptocurrency investment risks**

MARCH



4 March

The Banco de España adopts the **TIBER-EU cybersecurity test framework** for the Spanish financial sector

15 March

The Banco de España commences annual publication of the **main public financial statements** of specialised lending institutions

APRIL



13 April

The INE, the Tax Agency, the Social Security and the Banco de España agree to work together on developing **a system of access to their databases** for scientific purposes in the public interest

22 April

The Banco de España publishes the **supervisory statistics** of credit institutions for 2020 Q4

MAY



12 May

The Banco de España incorporates remote access and new databases into its **data laboratory (BELab)**

21 May

The Banco de España publishes a briefing note on application of the **moratoria established by law and by the banking sector** up to 30 April 2021

JUNE



28 June

Nine central bank Governors discuss how central bank policies can **ease the impact of COVID-19 and reactivate the economy**

30 June

The **last day for exchanging peseta banknotes and coins** for euro at the Banco de España

JULY



29 July

The Banco de España and the Banco Central del Uruguay enter into a **cooperation and technical assistance** agreement

30 July

Spanish banks show resilience in the **stress tests** published by the European Banking Authority

AUGUST



26 August

The Banco de España reports that, by the end of the exchange period, **the public had exchanged 96.8% of the pesetas** in circulation at 31 December 2001

31 August

Publication of the data on the **net lending of the Spanish economy** in July 2021: €0.8bn, compared with €2.4bn a year earlier

SEPTEMBER



8 September

The Financial Education Plan, sponsored by the CNMV and the Banco de España, renews its **www.finanzasparatodos.es** website

27 September

CAF-Development Bank of Latin America and Banco de España present the awards for the third edition of the **"Ideas para el Futuro" student** essay competition

OCTOBER



4 October

The 7th **Financial Education Day** is held under the theme "Make your finances sustainable"

13 October

HM King Felipe VI inaugurates an **exhibition on Goya and the origins of the Banco de España art collection** in a new permanent exhibition gallery at its Madrid head offices

NOVEMBER



5 November

The Banco de España opens a new point of on-site access to **BELab at its Barcelona branch office**

22 November

The Financial Education Plan launches the **10th edition of the Financial Education Programme** and the Financial Literacy Competition

DECEMBER



23 December

The Banco de España approves the **Circular** implementing its new **macroprudential tools**

28 December

The Banco de España reports on a cross-institutional supervisory action which examined **car loans**

1.1 Economic analysis and research

In October 2020, the Banco de España published its medium-term analysis and research priorities for the first time. The five areas on which analysis and research efforts will focus in 2020-2024 are: 1) central bank policies and their interactions; 2) long-term trends in the Spanish economy; 3) risks and opportunities arising from the international environment; 4) the aggregate consequences of the heterogeneity of households and firms, and 5) new technologies and information sources: challenges for a central bank. One year after their approval, [the Banco de España confirmed their validity](#) in the yearly exercise of reviewing compliance with these priorities. In the short term, efforts will continue to be concentrated on the same lines of work, although the focus will shift to give greater prominence to the following:

- The medium and long-term implications of the pandemic crisis.
- The economic and financial consequences of climate change.
- The impact of the Next Generation EU programme.
- The uneven effects of the pandemic across households and firms, and the role of economic policies.
- The digital euro.

Research relating to the monitoring and analysis of the pandemic's economic and financial impact continued to be prioritised in 2021. In addition, the usual research activities continued, such as seminars and conferences, mostly held online.

Figure 2.1 provides a summary of the main publications relating to economic analysis and financial stability in 2021.



For more information on the Banco de España's publications, see [Sections 5.1 and 5.2 of Chapter 1](#) of this report, which briefly describe the main features of the Banco de España's regular publications.

Figure 2.1

PUBLICATIONS RELATING TO ECONOMIC ANALYSIS AND FINANCIAL STABILITY



In 2021, **45 Working Papers** and 33 **Occasional Papers** were published. As for external publications, a total of 38 articles were published in anonymously refereed academic and professional journals, 28 articles were accepted and pending publication at year-end, and another 20 articles were published in other journals and books. Mention should also be made of the participation of Banco de España researchers in Eurosystem and international initiatives, such as the joint research conducted annually with the Center for Latin American Monetary Studies (CEMLA) and other initiatives with the IMF and the OECD, and in numerous expert seminars and conferences.



The Banco de España publishes its **macroeconomic projections for the Spanish economy** four times a year. These projections provide its view of the economic outlook over a horizon of around three years. On the day of their release, they are presented to the media at a press conference. The uncertainty implicit in the projection exercises was aggravated in 2021, just as it was in 2020, as a result of the course of the pandemic and its economic implications.



In addition to the **“Quarterly report on the Spanish economy”**, which includes the projections and the most recent developments in the Spanish economy and its external environment, the Banco de España’s **Economic Bulletin** features links to the publications during the quarter from the Analytical Articles and Economic Notes series. Both of these series seek to bring the analyses of the Banco de España to the attention of a broad audience, ranging from experts in economic analysis to the general public. In 2021, a total of 41 **Analytical Articles** and 12 **Economic Notes** were published.



As part of the **Economic Bulletin** released in April and October, the Banco de España publishes the “Report on the Latin American Economy”, which reviews recent macro-financial developments in those Latin American economies where the Spanish banking system is most present. The report describes the future outlook of these economies, which in 2020 and 2021 were subject to a high degree of uncertainty owing to the health crisis linked to the COVID-19 pandemic, and the main risks facing them. The 2021 reports also examined issues such as the vulnerabilities of these economies in a setting of rising inflation and little economic policy headroom, as well as the causes and potential effects of the social unrest witnessed in some countries of the region.



Twice a year (in spring and autumn) the Banco de España publishes the **Financial Stability Report (FSR)**, which reviews the main risks and vulnerabilities affecting the stability of the Spanish financial system, analyses the resilience of banks and sets out the main developments in macroprudential analysis and policy. The FSRs published in 2021 assessed the uneven impact of the crisis triggered by the pandemic on the financial situation of different segments of households and firms. There was also monitoring of the credit support programmes – in the form of moratoria and public guarantees –, the regulatory response to the crisis and the development of new macroprudential tools. These reports likewise analysed the link between the normalisation of economic scenarios in 2021 and the containment of risks to banking sector solvency, as well as an initial assessment of the climate change risks posed thereto.



Two editions of the **Financial Stability Review** were published in 2021, featuring 15 articles by researchers from the Banco de España and other authorities. In addition to the regular coverage of specific topical issues, such as the regulatory and supervisory response to the pandemic, several FSR articles were dedicated to technological developments in the financial sector, cyber risks and cyber resilience, the development of central bank digital currencies and regulating competition between banks and the technology sector. The FSR has also helped disseminate research papers on the macroprudential tools recently made available to the Banco de España, along with the latest methodological advances for the analysis of climate change.

SOURCE: Banco de España.

Research activities during the year encompassed a wide range of areas.

In relation to the analysis of the economic situation in Spain, once the worst of the pandemic was over, research priorities were focused on the factors that will shape the course of the Spanish economy during the recovery phase and thereafter. Specifically, issues such as the pace at which households will spend the saving built up during the pandemic, depending on their particular characteristics, the strength of the recovery of international tourist flows or how tensions in global supply chains are impacting the Spanish economy.

Additionally, in the latter part of the year, resources were devoted to analysing in depth the factors behind the rise in inflation and its potential consequences, focusing particularly on the energy component. Taking a longer term view, the impact on growth potential of the scarring effects of the pandemic was quantified, as was the role of the Next Generation EU funds and the associated structural reforms as catalysts. In the same vein, there was analysis of the possible consequences of certain challenges facing the Spanish economy, such as digitalisation, climate change and population ageing, along with the relative positioning of the various sectors of activity vis-à-vis these challenges.

In the international sphere, the analytical work continued to focus primarily on the effects of the COVID-19 pandemic on different economies – paying particular



Analysis of the economic situation in Spain focused on issues such as the pace of spending of savings built up during the pandemic.

attention to those that are systemic or more important for the euro area and for Spain – and especially on the sharp rise in inflation and the macroeconomic effects of the increase in energy prices and the supply-side “bottlenecks”.

Analysis of the emerging economies most relevant to Spain continued to preponderate in research projects. Risk scenario analysis models were used for these economies, examining their vulnerabilities (particularly in Latin America), financial markets and demand for credit.

Other areas addressed included environmental and climate change issues, with analysis of carbon taxes with border adjustment mechanisms; different aspects of world trade, such as the heightened uncertainty, globalisation or Latin America’s trade agreements with the European Union (EU), and the problems of the real estate market in China. Regarding the negotiation and effects of the United Kingdom’s departure from the EU, the Banco de España continued to participate in the analysis of the economic and trade effects of Brexit conducted by the Eurosystem’s International Relations Committee.

In the euro area, notable efforts were made to analyse the effects of the pandemic on activity and inflation. Worth noting in this latter area is the work relating to the review of the monetary policy strategy of the European Central Bank (ECB), which concluded in July 2021. In particular, the Banco de España, in collaboration with the ECB, the Bundesbank and the Banca d’Italia, led research into issues relating to the measurement of inflation and contributed to the work carried out in other areas, such as the interactions between monetary policy and fiscal policy or how globalisation has influenced monetary policy.

Regarding the effects on economic activity, special attention was paid to the incorporation of key tools in a pandemic scenario, such as an epidemiological model to assess the impact of the different waves of infections on the population’s mobility and on the economy, or the estimation of the stock of savings accumulated by households during this period and its potential impact on future consumption.

In addition, European governance and construction were addressed in depth, particularly the reform of the Stability and Growth Pact, the impact of the European funds on the economy and the initiatives regarding the strategic autonomy of the EU.

With regard to **research on financial issues**, the following areas were analysed in 2021: the effect of the fresh-start mechanism on the business sector; the impact of the health crisis on financial markets; the recourse of firms to market-based debt financing; the effect of fires and other natural disasters on the access of non-financial corporations to credit; and the risks associated with the complex organisational structure of banks.

In 2021, research continued on the liquidity needs, solvency and viability of Spanish non-financial corporations, and on the impact of the measures adopted to mitigate the economic crisis (the ICO public guarantee facilities) on firms' financing conditions. Accordingly, the solvency problems faced by non-financial corporations in Spain were explored in depth and a model to estimate their probability of default was created, along with a taxonomy of "zombie firms" centred on their relationships with banks. Also analysed were the factors behind the sluggishness of bank lending once the lending mobilised by the public guarantee schemes began to lose momentum. Lastly, a tool for the accurate calculation of the equity risk premium was developed and a number of research projects analysing the activity of non-bank intermediaries in Spain were initiated.

Research in the area of monetary policy continued to focus on the analysis of the monetary policy measures deployed by the Eurosystem during the pandemic, in particular the Pandemic Emergency Purchase Programme (PEPP), and on various aspects relating to the ECB's monetary policy strategy review which concluded in 2021. In this latter area, research covered the effects of monetary policy on productivity, the interactions between the monetary policy stance and fiscal and/or macroprudential policy, and the redistributive effects of inflation. Additionally, work began on issues such as the implications for monetary policy of the possible launch of the digital euro or the relationship between monetary policy and the risks associated with climate change.

In the area of macroprudential policy and financial stability, research encompassed multiple projects, including, most notably:

- The ongoing study of growth-at-risk models, particularly how they can be applied to bank lending, and of leading indicators of viability problems in banking.
- The scope of the research on the measures to support credit adopted during the pandemic was extended to include studies on the recommendations on dividend restrictions, banks' solvency levels and the effect of bank-customer relationships on lending decisions.
- Regarding the real estate market, a new price index was designed for commercial real estate, and the effect of borrowers' "rootedness" on the cost and quality of mortgage lending was analysed.
- A sectoral probability of default model was developed to analyse the impact on the banking sector of the costs of initiating the energy transition process towards a more sustainable economic model.

As regards microeconomic research, the main contributions can be grouped into eight broad areas:

- **In the area of households and individuals**, various sources and techniques were used to analyse recent developments in economic aggregates such as household spending, income, debt and wealth, but also their physical and mental health, especially in the wake of the pandemic and compared with other European countries, focusing in particular on the most vulnerable groups: young people, women or people living in remote rural areas. Possible responses to the pandemic, such as migration, were also documented. Individuals' relationships with financial institutions were also analysed, focusing on different forms of financial inclusion and the importance of financial literacy. As regards measuring the financial position of households, progress was made on further automating the early detection of atypical or problematic cases and, generally, on developing tools to increase automation in monitoring the process of conducting interviews, and their organisation, allocation and supervision. The external comparison and validation of the figures provided by the Spanish Survey of Household Finances (EFF) with other statistical sources and their potential use for the purposes of forecasting wealth distribution was also studied.

- **In relation to firms**, work was under way to identify the types of firms that provide unstable employment in terms of contract duration, or offer wages close to the national minimum wage, and the consequences of this job insecurity on human capital accumulation and other long-term decisions of employees, such as new household formation and parenthood. Moreover, a study of the main results of the Survey of Small Enterprises' Financial Literacy was carried out and published, and the impact of tariff barriers on trade flows was analysed.

- **As to the labour market**, a number of publications and ongoing research projects analysed how factors such as wages, employment and career advancement respond to aggregate phenomena such as robotisation, environmental quality or wage bargaining, but also to individual aspects such as contract type, maternity or loss of employment, paying particular attention to gender gaps. A study was published on how the increase in the national minimum wage affects employment, and another on the transition costs involved in setting up a capitalisation fund ("the Austrian backpack") in the Spanish labour market. The simulation of severance payments under the latter project has been used to analyse the impact of different reforms on severance costs. Additionally, work continued on the creation of a database that will enable quantification of wage cushions (wages above the level stipulated in the collective bargaining agreement) at firms.



In relation to energy and climate change, the impact of subsidies for the purchase of electric vehicles was analysed.

- **As regards education**, the job opportunities that vocational training courses offer their graduates, depending on the level of vocational training chosen and the limitations on the supply of places for each qualification, were analysed. A study was completed on how knowledge and skill-building is affected when people are displaced from their homes in childhood, and other studies on the short and long-term impact of the pandemic on the acquisition of knowledge and skills in early life.
- **In relation to other economic policies**, research was conducted on how changes in the regulatory base calculation period affect new retirement pension amounts, and work continued on the pensions micro-simulator to estimate changes in retirement, unemployment and employment patterns depending on the level of expected pensions, unemployment benefits and wages. The Bank participated in the Committee of Experts for the Reform of the Spanish Tax System, contributing, inter alia, an analysis carried out – using VAT and excise duty micro-simulation tools – on the differences in tax burdens and environmental taxes over the life cycle. Also in the area of fiscal policy, the potential impact of different fiscal incentives on retirement saving was analysed.
- **In relation to energy and climate change**, an analysis was published on recent changes in CO₂ emissions in Spain, which also describes how different types of households contribute to these emissions, according to their spending patterns. In addition, work was carried out on both the local

macroeconomic impact of investment in renewable energy and on the implications of the different taxes that could be levied on the consumption of polluting goods.

- **As for structural reform**, there was ex ante monitoring and evaluation of the main measures approved in the framework of the Spanish Recovery, Transformation and Resilience Plan, particularly with regard to public tenders, employment, housing, pensions and the minimum income scheme.
- **Lastly, in the area of economic policy**, work was undertaken on surveys measuring the relationship between trust in financial institutions and tax preferences, and economic policy uncertainty indices were created using big data techniques.

1.2 Statistics

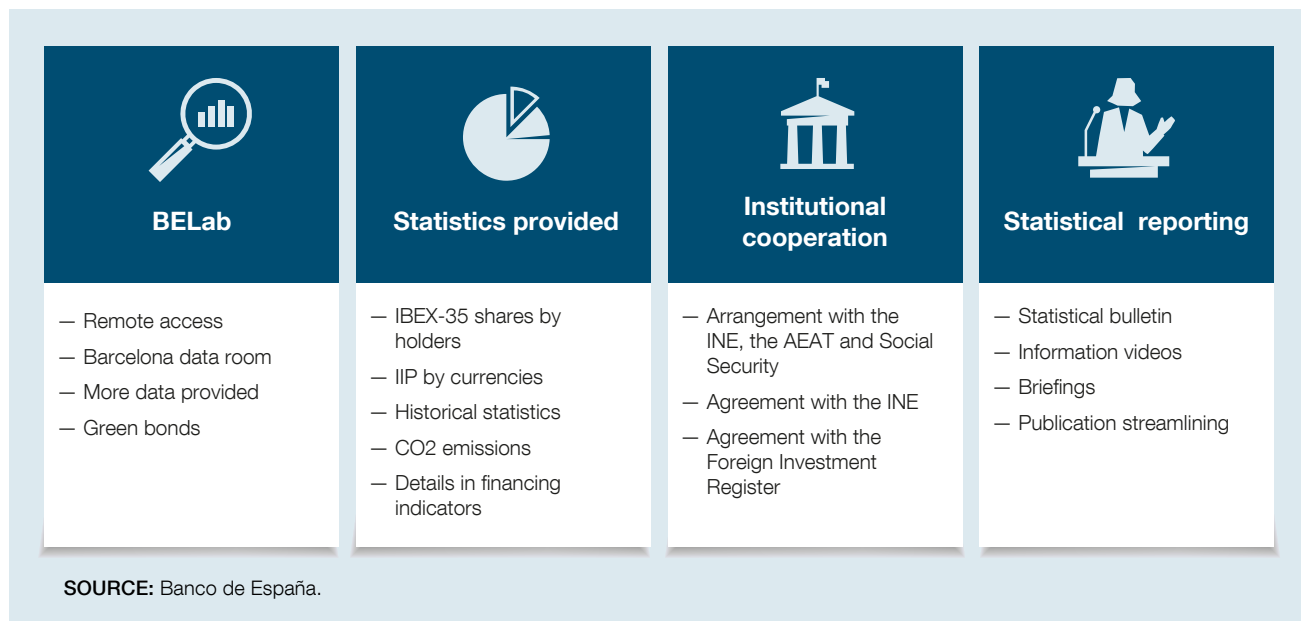
Regular statistical production absorbs most of the available resources in this area of activity which, moreover, is subject to new reporting requirements from international organisations and users. In 2021, further progress was made in offering users new statistical products, making these even more accessible, strengthening cooperation with other institutions and improving communication with users.

Schema 2.1 summarises the progress made by the Banco de España in its statistical activity in 2021 with respect to its data laboratory (BELab), the improvement in the statistics provided, cooperation with other institutions and communication with users.

BELab made significant strides in 2021, with improved accessibility after remote access to the laboratory was enabled and a new safe space was created at the Barcelona branch office. As regards content, the statistics provided increased substantially in 2021 to include the microdata of consolidated non-financial corporate groups, loans to legal persons drawn from the Central Credit Register (CRR) and debt securities issues. Information on these issues also includes their “sustainability” status, specifying whether they are green, sustainable or social bonds or are linked to sustainability goals. The increase in available data made it worthwhile to create an interactive catalogue of the available databases.

Statistical information also improved in the area of securities markets, with the publication of information on institutional sectors holding IBEX 35 shares. Information on both the international investment position (IIP) and external debt is now provided with a breakdown by major international currencies. Also in the area of external statistics, information on foreign direct investment began to be provided

DEVELOPMENTS IN THE BANCO DE ESPAÑA'S STATISTICAL ACTIVITIES IN 2021



also by ultimate investing economy, rather than only by immediate investing economy (this type of information is further explained in [Statistical Note 15](#)). The information furnished by the Central Balance Sheet Data Office was broadened to include the CO₂ emissions of the most significant listed groups. More detailed information was provided on the liquidity and funding indicators of non-financial sectors, including data on loans to small and medium-sized enterprises (SMEs) and sole proprietors. Lastly, a new section called “[Historical statistics for researchers](#)” was created on the Bank’s website, providing access to discontinued Banco de España statistical series and to series compiled by researchers and published in Banco de España papers.

Work was also undertaken to develop and prepare the fieldwork for the **2021 Survey of Financial Competences** (ECF, by its Spanish abbreviation), the protocols and methods of which have had to be substantially changed and adapted to the pandemic situation, meaning, in many instances, that face-to-face interviews could not be held. The main fieldwork has been under way since November 2021, as has the ongoing review of the interviews completed to date. As regards the **Survey of Household Finances** (EFF, by its Spanish abbreviation), the EFF 2020 interviews were completed in 2021 and headway was made on data editing, imputation, preparation and analysis, with a view to publishing the main results of the survey in 2022. Work was also under way to provide users with data in an interactive format, and a machine learning tool was in development to automate the data editing process. In 2021, a study on the quality of the information on debt reported by households in the EFF was completed, which involved cross-referencing the information against CCR administrative data.



The statistics provided by BELab increased substantially in 2021.

The **Survey of Small Enterprises' Financial Literacy**, was conducted for the first time, as part of a project launched by the OECD's International Network on Financial Education (INFE), to measure firms' financial literacy and the financial instruments held by them.



A new website section called "Historical statistics for researchers" has been created to provide access to discontinued Banco de España statistical series.



The Banco de España Statistics Information Bulletin seeks to maintain a channel of communication with statistical data users.




In 2021, several cooperation agreements were entered into **with other national statistics institutions**. The Banco de España agreed with the National Statistics Institute (INE), the tax revenue service (AEAT) and the social security administration to commence joint work on developing a system of access to their databases for scientific purposes in the public interest. In addition, an agreement for institutional cooperation and regular information-sharing was entered into for the first time with INE. A cooperation agreement was also entered into with the Foreign Investment Register (RIE), attached to the Ministry of Industry, Trade and Tourism, for the exchange of information on foreign direct investment.

The launch of the *Banco de España Statistics Information Bulletin* in 2021 opened up a new channel of **communication with users**. The year also saw the start of a series of **briefing sessions** covering different aspects of statistical production and dissemination. Information videos were chosen as the tool to make the Banco de España's statistics available to a broader audience. Lastly, **publications were streamlined**, with the annual publication of the *Financial Accounts of the Spanish Economy* brought to an end – while continuing to provide their full content on the website – and integrating the *Economic Indicators* into the *Statistical Bulletin*.

Schema 2.2 summarises the new challenges for the Banco de España's statistical activity.

NEW CHALLENGES FOR THE BANCO DE ESPAÑA'S STATISTICAL ACTIVITY

The main challenges that the Banco de España currently faces in the statistical realm are as follows:

 Statistical reporting	To continue progress in providing experts, but also the general public, with access to statistical information.
 Data science	To make increasing use of data science and automation tools in statistics compilation processes. These tools will allow us to expand the set of information that we are able to process and, above all, to improve its quality.
 Sustainable development	To provide more economic data related with the sustainable development targets.

SOURCE: Banco de España.



Watch the following video for more information on the importance of the statistics prepared by the Banco de España:



2 MONETARY POLICY IMPLEMENTATION, ASSET AND FINANCIAL RISK MANAGEMENT, AND PAYMENT SYSTEMS

The course of the COVID-19 pandemic and its impact on economic activity continued to shape monetary policy. For most of the year, the bulk of activities relating to the implementation of monetary policy and the management of portfolios and the attendant financial risks were conducted remotely, as part of what, for now, constitutes the "new normal".

2.1 Monetary policy implementation

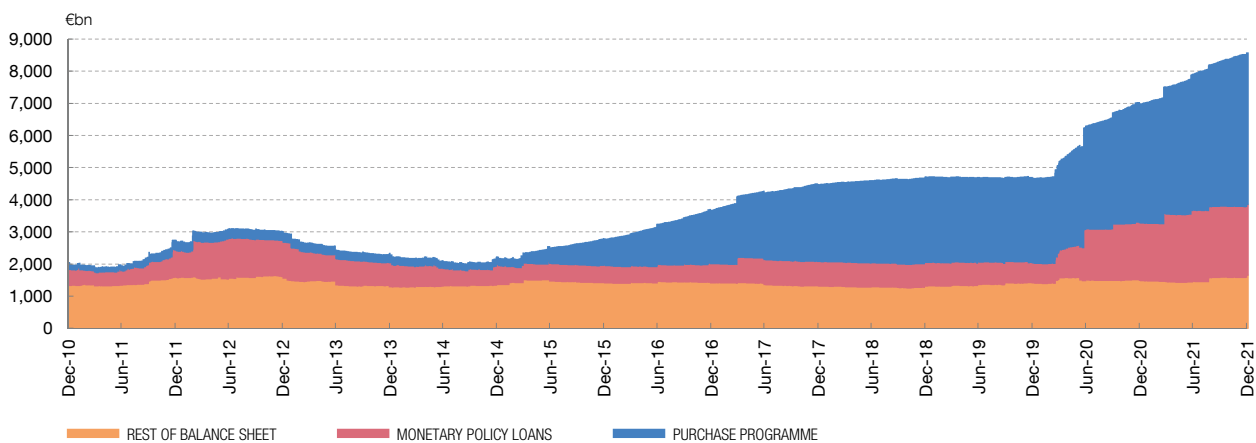
2021 was marked by the economic recovery following the sharp contraction triggered by the COVID-19 pandemic in 2020. Central banks played a vital role, further expanding their balance sheets and continually providing liquidity to credit institutions and the financial system as a whole through monetary policy loans and the purchase programmes (see Chart 2.1).

The ECB left its key interest rates unchanged throughout the year at 0.00% for main refinancing operations, 0.25% for the marginal lending facility and -0.05% for the deposit facility.

This is in line with the outcome of the monetary policy strategy review announced by the ECB in July 2021. Key interest rates remain the principal monetary policy instruments to achieve the inflation target of 2% over the medium-term. However, it

Chart 2.1

THE EUROSISTEM'S BALANCE SHEET



SOURCE: Banco de España.

was acknowledged that other instruments, such as forward guidance, longer-term refinancing operations and asset purchases, are important for achieving this symmetric inflation target, for which positive and negative deviations from the 2% target are equally undesirable.

a) Longer-term refinancing operations

Targeted longer-term refinancing operations (TLTROs) – which seek to maintain favourable financing conditions and support the accommodative monetary policy stance – reinforce the monetary policy transmission mechanism by encouraging lending to the real economy. The participating banks obtain ECB funding at more favourable interest rates depending on the extent to which they fulfil growth targets in lending to firms and households. The current TLTRO programme (TLTRO III) consists of a series of ten refinancing operations, each with a maturity of three years, conducted quarterly between September 2019 and December 2021.

In January 2021 the ECB introduced a series of changes to TLTRO III¹ aimed at prolonging the more favourable financing conditions for credit institutions, extending the availability of the more advantageous rate² by one year provided that they meet their business and household lending targets. Further, it raised the amount that banks were entitled to borrow³ and introduced three additional quarterly operations. Under these new conditions, in 2021 €31.9 billion were allotted to Spanish banks under TLTRO III and €589.2 billion to euro area banks as a whole.⁴

The pandemic emergency longer-term refinancing operations (PELTROs) continued during 2021, at an interest rate below that of the main refinancing operations and each with a tenor of one year. A total of four PELTROs were conducted, in which Spanish banks bid for €0.1 billion and euro area banks as a whole €3.4 billion.

b) Collateral framework

Regarding the framework of eligible collateral, the easing measures adopted in April 2020 (to ensure credit institutions' continued access to central bank financing and the correct transmission of monetary policy) remained in effect during 2021.

1 As a result of the measures announced by the ECB Governing Council on 10 December 2020.

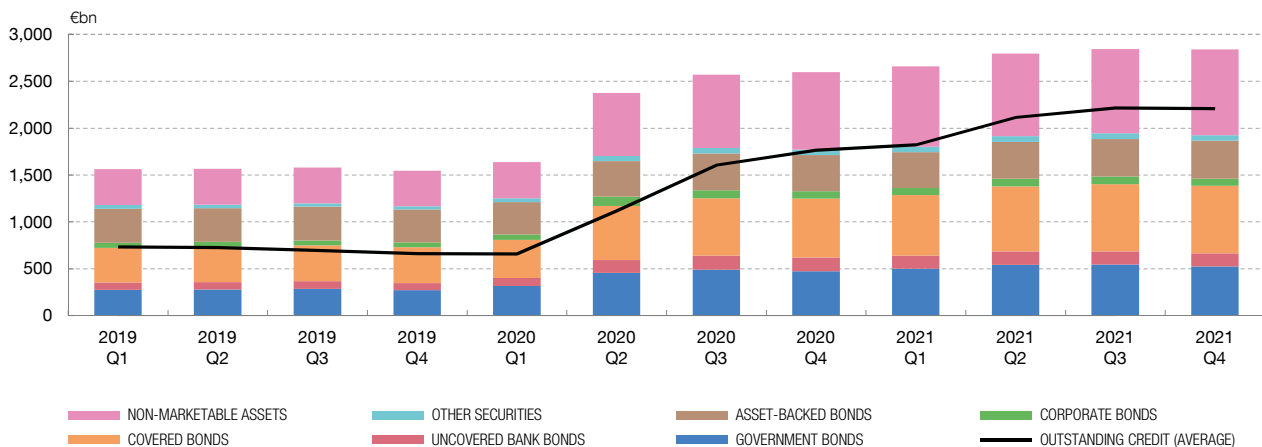
2 The reduced rate at which banks participating in TLTRO III can obtain financing is the average rate on the deposit facility, currently -0.5%, less 50 basis points. This interest rate was applicable in the periods June 2020-June 2021 and June 2021-June 2022, provided that the banks achieved, for each reference period, the growth target for lending to firms and households.

3 The limit was raised by 10%, from 50% to 55% of their portfolio of eligible loans.

4 Since September 2021, banks have the option of repaying early the amounts borrowed under TLTRO III operations on a quarterly basis. In 2021 European credit institutions made early repayments amounting to €139.4 billion.

Chart 2.2

USE OF COLLATERAL WITH THE EUROSYSTEM



SOURCE: ECB.

Chart 2.2 shows the slight increase over the year in total collateral assets used (9%), owing to the rise in the use of covered bonds (14%), non-marketable assets (11%) and government bonds (11%).

c) Asset purchase programmes

The asset purchase programmes provide monetary stimulus to the economy, in a setting in which the key ECB interest rates are very low. They also help to further ease monetary and financial conditions, lowering funding costs for firms and households and thus supporting investment and consumption, and ultimately contributing to returning inflation levels to around the symmetric target of 2% over the medium term.

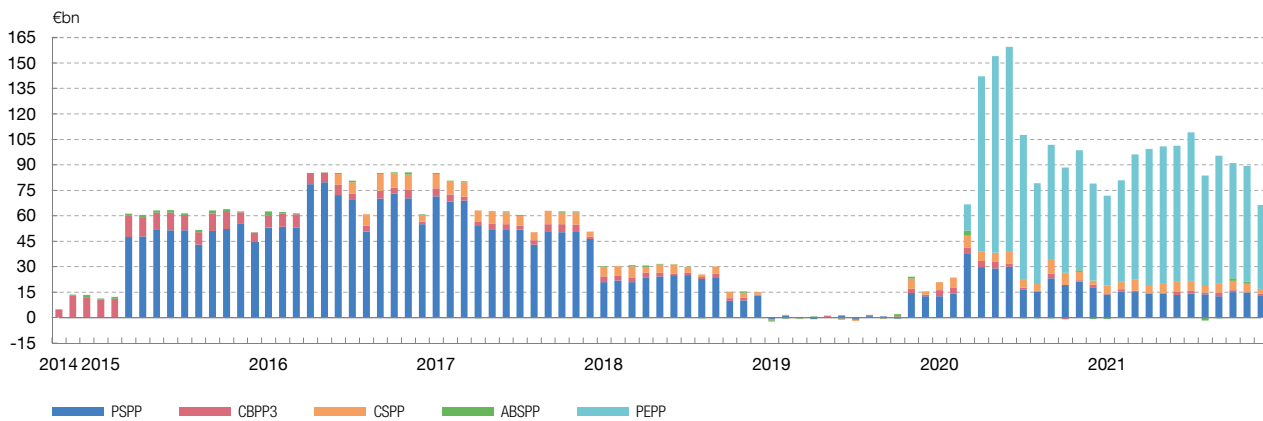
The main programmes presently in force are the asset purchase programme (APP) and the PEPP, the features of which are as follows.

Asset purchase programme

The APP has been implemented since 2015. It comprises several sub-programmes, defined by the type of asset acquired (public sector purchase programme (PSPP), covered bond purchase programme (CBPP3), corporate sector purchase programme (CSPP) and asset-backed securities purchase programme (ABSPP)).

Chart 2.3

MONTHLY PURCHASES, BY PROGRAMME (APP AND PEPP)



SOURCE: ECB.

Purchases under the APP continued in 2021 at a monthly rate of €20 billion, in accordance with the ECB Governing Council decision of September 2019 (see Chart 2.3).

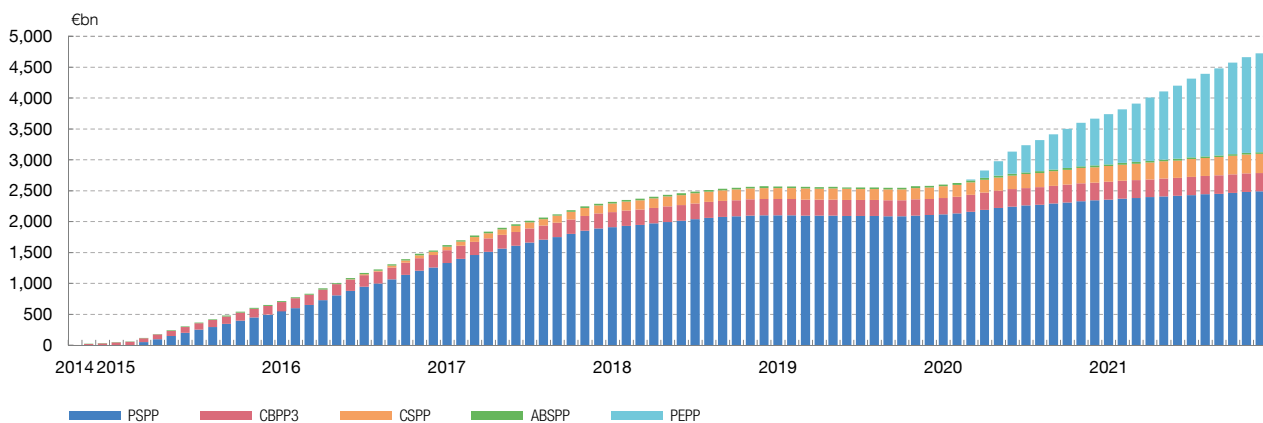
The public sector purchase programme accounts for the largest volume, followed by the corporate sector programme, the covered bond programme and, lastly, the asset-backed securities programme. Also worth noting is the smooth functioning of the lending facility for securities purchased under the public sector purchase programmes (APP and PEPP), which has helped to lessen repo market tensions at quarter and year ends, with the 2021 year-end having been particularly challenging. On 15 November 2021 the limit for securities lending against cash for the Eurosystem as a whole was raised from €75 billion to €150 billion (see Chart 2.4).

Pandemic emergency purchase programme

This programme was launched in March 2020 with an initial envelope of €750 billion, subsequently increased to €1,850 billion,⁵ to counter the impact of the pandemic on the monetary policy transmission mechanisms and on the outlook for the euro area. The assets eligible under the PEPP are similar to those under the APP, but extended slightly to include public sector and private sector (commercial paper) instruments with a shorter maturity (in the latter case, extended to the CSPP of the APP).

⁵ At 31 March 2022, the end date of the net purchase phase, €1,718 billion of the €1,850 billion envelope had been used.

Chart 2.4

CUMULATIVE PURCHASES UNDER THE APP AND THE PEPP

SOURCE: ECB.

For purchases under the public sector purchase programme, the benchmark is the capital key of the national central banks. At the same time, purchases under the PEPP are conducted in a flexible manner across time, asset classes and jurisdictions, with a view to maintaining favourable financing conditions during the pandemic period.

The following is a summary of the ECB Governing Council's main decisions in relation to the pace of purchases under the programmes and their reinvestment over the coming years.⁶

Pace of purchases

In December 2021, the Governing Council of the ECB judged that the progress on economic recovery and towards its medium-term inflation target permitted a step-by-step reduction in the pace of its asset purchases during the subsequent quarters. As a result, it announced that in the first quarter of 2022 net asset purchases under the PEPP would be conducted at a significantly lower pace than in the previous quarter and that it would discontinue net asset purchases under the PEPP at the end of March 2022. In March 2022 it announced that monthly net purchases under the APP would amount to €40 billion in April, €30 billion in May and €20 billion in June, while reserving the option to calibrate net purchases for the third quarter based on economic developments.

⁶ The ECB Governing Council adopts monetary policy decisions every six weeks, determining what should be done to keep inflation at 2%. These decisions can be found on the [ECB website](#).

Reinvestments

In December 2021 the ECB Governing Council decided to extend the reinvestment horizon for the PEPP until at least the end of 2024. The reinvestments can be adjusted flexibly across time, asset classes and jurisdictions to combat any pandemic-related market fragmentation. In any case, the future roll-off of the PEPP portfolio will be managed flexibly and to avoid interference with the appropriate monetary policy stance. It intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when the key ECB interest rates start to rise, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

2.2 Asset and financial risk management

As regards the management of own portfolios, the diversification of foreign reserves holdings continued in 2021, both across currencies and across issuers with high credit ratings. Likewise, the agent-brokered securities lending programme for the US dollar portfolio (in effect since 2020) continued, as did tasks undertaken 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.

For the third consecutive year, and in response to the second of the recommendations published by the Network for Greening the Financial System (NGFS) in 2019,⁷ sustainability and responsibility principles were applied in own-portfolio investment decisions, which led to a rise in the share of sustainable bonds (green bonds in particular). This increase owed both to direct investment in green bonds denominated in eligible currencies and to shares held in investment funds (denominated both in US dollars and in euro) managed by the Bank for International Settlements (BIS), which aim to promote sustainable finance through investments in renewable energy and energy efficiency projects, inter alia, and to support the adoption of best practices to deepen the green bond market.

The inclusion of sustainability criteria in the Banco de España's management of its own portfolios is testimony to its commitment to the NGFS goal of promoting sustainable finance, and to the common stance agreed by the Eurosystem in February 2021, whereby sustainable and responsible investment principles are to be adopted for non-monetary policy portfolios and related disclosures are to begin over the course of 2023. This common stance is the outcome of the work carried out by a high-level group within the Eurosystem, of which the Director General Operations,

⁷ For more details, see NGFS (2019), *A call for action – Climate change as a source of financial risk*, April 2019.



The inclusion of sustainability criteria in the Banco de España's management of its own portfolios is testimony to its commitment to the NGFS goal of promoting sustainable finance.

Markets and Payment Systems is a member, and by other Eurosystem working groups in which other members of that Directorate General continue to participate.

In 2021, strict control continued to be exercised over financial risks to ensure prudent risk-taking and that investments provide an efficient risk-return combination. The financial risks of own portfolios (mainly, exchange rate risk) scarcely changed.



For more information on environmental sustainability at the Banco de España, see [Section 8](#) of this chapter, which summarises the main regulatory developments in environmental sustainability and the related work performed by the Banco de España in 2021.

2.3 Payment systems and market infrastructures

Payment and securities settlement systems are at the heart of a country's economic and financial activity. Broadly speaking, they are the infrastructure through which assets are channelled in an economy.

As an operator, the Banco de España manages the Spanish component of the large-value euro payments system (TARGET2-BE), which in 2021 settled a total of 6,661,161 transactions, with a value of more than €15 trillion. With respect to 2020, these

THE DIGITAL EURO: LAUNCH OF THE INVESTIGATION PROJECT

Following the publication of an initial report in October 2020, the conclusion of a public consultation¹ and a series of experiments to ascertain the feasibility of various technological proposals, in July 2021 the Governing Council of the European Central Bank (ECB) authorised the commencement of the investigation phase of the digital euro project.² This decision does not mean that a sovereign digital currency will soon be issued in the euro area. The aim is to press ahead with the preparations needed to be able to launch the currency if so decided in the future.

During the investigation phase, which is expected to last for two years starting in October 2021, the Eurosystem will analyse how a digital euro might best be designed and distributed among potential users, as well as its potential impact on the market and the changes that would have to be made to the EU legislative framework. There are also plans to construct one or several prototypes to confirm the viability of any design decisions adopted during this phase.

Communicating with all of the stakeholders is deemed key to meeting these goals and ensuring the initiative is a

success. With this in mind, the Eurosystem has arranged a series of events in order to identify and gain feedback on the preferences of small retailers and consumers. In parallel, an advisory group with different industry representatives has been set up³ to advise on design and distribution-related aspects and the potential benefits a digital euro has to offer society as a whole. The results of the investigation phase will be crucial to support the Eurosystem in its deliberations on the advisability or otherwise of launching the digital euro implementation phase.

Given its strategic importance for the European Union, the digital euro project must have the full backing of the institutions. Thus, a major effort has been made from the outset to coordinate with representatives from both the European Parliament and the European Commission (EC). To this end, prominent members of the ECB Governing Council have made various appearances before such bodies. Meanwhile, a joint technical group has been set up by the ECB and the EC to further analyse the legal aspects of this project.

1 Conducted between October 2020 and January 2021.

2 See the [ECB press release](#) of 14 July 2021 for further details.

3 See the [ECB press release](#) of 25 October 2021 for further details.


figures represented an increase of 13.51% in the number of transactions and of 7.31% in their total value.

As a provider of market infrastructure services to other central banks of the European System of Central Banks (ESCB), the Banco de España contributes actively to the integration and standardisation of European financial markets. Together with the central banks of Germany, France and Italy, it operates the Eurosystem's securities settlement platform, TARGET2-Securities. In 2021 it led the launch of the mechanism to calculate penalties for failed settlement instructions, in accordance with the European settlement discipline regulation which came into force in February 2022. It also played a key role in the development of a single framework for posting collateral in Eurosystem refinancing operations. An important milestone in this project was reached in 2021 with delivery of the first version of the platform for user testing to get under way. The launch is scheduled for November 2023.

The Banco de España, jointly with the Banque de France, manages and operates the MAPS platform for the processing of market transactions, from trading to final


settlement. MAPS provides services to the central banks of France, Cyprus and Spain, with work ongoing to expand services to other Eurosystem members. The incorporation of the central bank of the Netherlands is at a very advanced stage and a project is under way to incorporate the central bank of Malta. Both central banks are expected to join MAPS over the course of 2022.

Lastly, 2021 saw the start of a Eurosystem research project on the digital euro, meaning an electronic form of the central bank's money which all citizens and firms can use quickly, easily and securely to make everyday payments, like banknotes but in digital format. Box 2.1 details the launch of the digital euro research project.



Watch the video below for more information about the digital euro:

PLAY ▶



3 BANKNOTES AND COINS

3.1 Banknote and coin management

As a member of the ESCB, the Banco de España's functions include issuing legal tender euro banknotes, which it does together with the ECB and the other euro area national central banks. It also puts euro coins into circulation on behalf of the Spanish State. Its objectives in this area are twofold: (i) to ensure that the demand for cash is met throughout Spain and (ii) to safeguard the integrity of banknotes and coins, i.e. to ensure that they are in good condition and there are no counterfeits.

a) Banknote issuance

In 2021, the **Banco de España provided credit institutions with a total of 2,571 million banknotes, amounting to €79,015 million.** These banknotes were subsequently distributed by credit institutions over the counter and through ATMs both to the general public and firms to meet their payment needs (see Chart 2.5).

The value of euro banknotes put into circulation by the Banco de España in 2021 decreased by 9.6% compared with 2020.

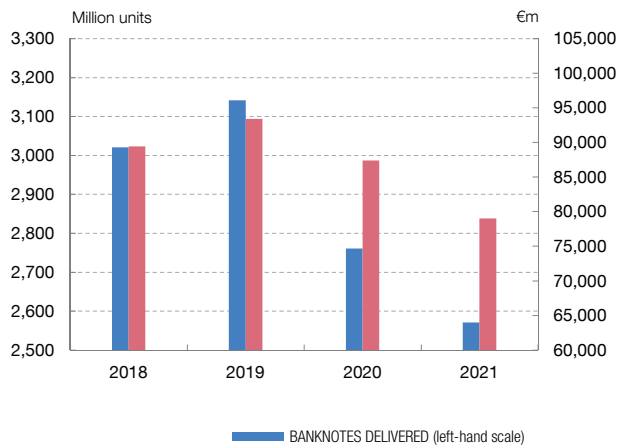


The Banco de España's functions include issuing euro banknotes, which it does together with the ECB and the other euro area national central banks.

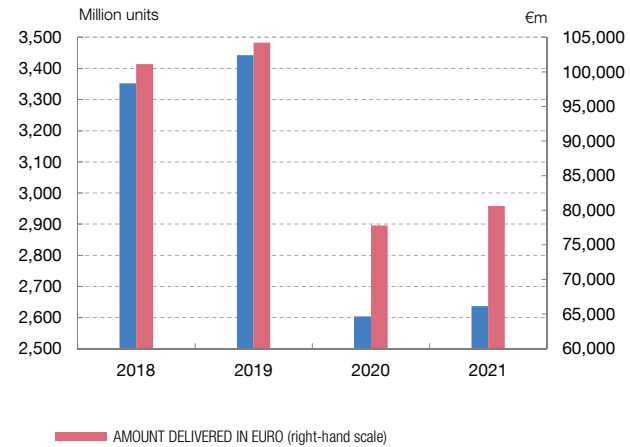
Chart 2.5

EURO BANKNOTES

1 PUT INTO CIRCULATION



2 WITHDRAWN FROM CIRCULATION



SOURCE: Banco de España.

The number of banknotes withdrawn from circulation increased slightly as compared with 2020. During the year the Bank **withdrew 2,637 million banknotes, amounting to €80,612 million, 3.6% more than in the previous period.**

Net issuance in Spain, i.e. banknotes put into circulation less those withdrawn from circulation, was negative in 2021, marking a return to the normal trajectory, albeit still at moderate levels. Despite the economic recovery, the volume both of banknotes issued and of those withdrawn from circulation by the Banco de España held below 2019 levels.

In 2021 tourism remained well short of pre-pandemic figures, which affected the flow of cash since tourists visiting Spain with money from their countries of origin help to increase money flows.

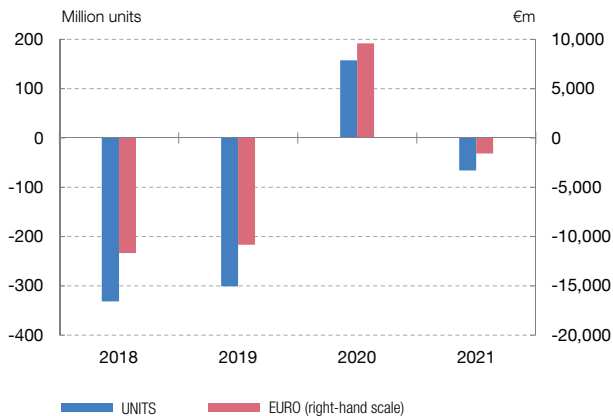
As compared with 2020, **net issuance declined by 224 million banknotes in 2021, amounting to €11,177 million.** Analysis of the distribution reveals that the most demanded banknote denomination in 2021 was the €50 banknote (43% of the total), followed by the €20 banknote (28.2%) (see Chart 2.6).

With a view to safeguarding the integrity of the banknotes in circulation, in 2021 **the Banco de España examined approximately 2,881 million banknotes** using automated processing systems. These systems check the authenticity and the condition of banknotes deposited by credit institutions, firms and individuals. Of these banknotes, 83.4% were fit for recirculation and the rest were destroyed.

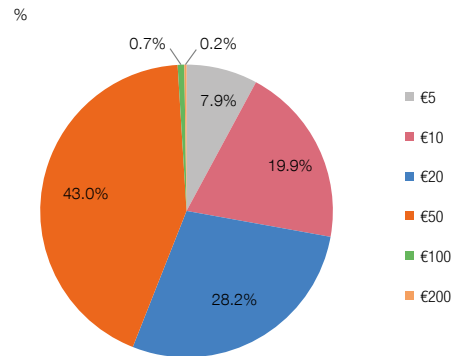
Chart 2.6

NET BANKNOTE ISSUANCE BY THE BANCO DE ESPAÑA. TIME SERIES AND BREAKDOWN BY DENOMINATION IN 2021

1 NET ISSUANCE OF EURO BANKNOTES



2 BREAKDOWN BY DENOMINATION IN 2021



SOURCE: Banco de España.

To the same end, the Banco de España continued its oversight of banknote handling activities by the private sector. **531 inspection visits were conducted at the facilities of cash-in-transit companies**, more than in the previous year owing to the pandemic restrictions in 2021 and the closure of some operational centres. In addition, **203 inspections were conducted at bank branches to check the processing and recirculation of euro banknotes**. These on-site visits verified, inter alia, compliance with applicable regulations and the procedures established for checking the authenticity and condition of euro banknotes and their recirculation.

b) Coin issuance

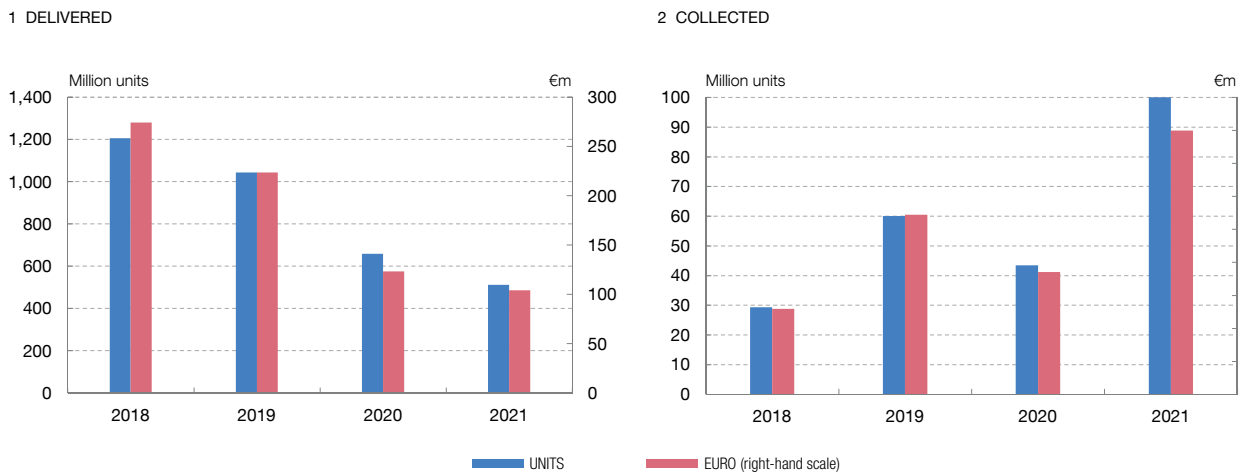
The circulation of coins also declined in 2021 compared with 2020. **The Banco de España put 511 million coins into circulation, for a total of €104 million**; this was down by 22.5% on 2020 and by 51.1% on 2019, and is the lowest figure in the time series.

A total of 102.5 million coins, amounting to €79.9 million, were withdrawn from circulation. These figures double those of 2020. High denomination coins (€1 or €2) accounted for most of the withdrawals, representing 76.8% of the total value but just 20.1% of the total units.

The difference between the coins distributed and collected by the Banco de España, i.e. **net issuance, was 408 million units, equivalent to €24 million.** As a result, in

Chart 2.7

COINS DELIVERED AND COLLECTED BY THE BANCO DE ESPAÑA



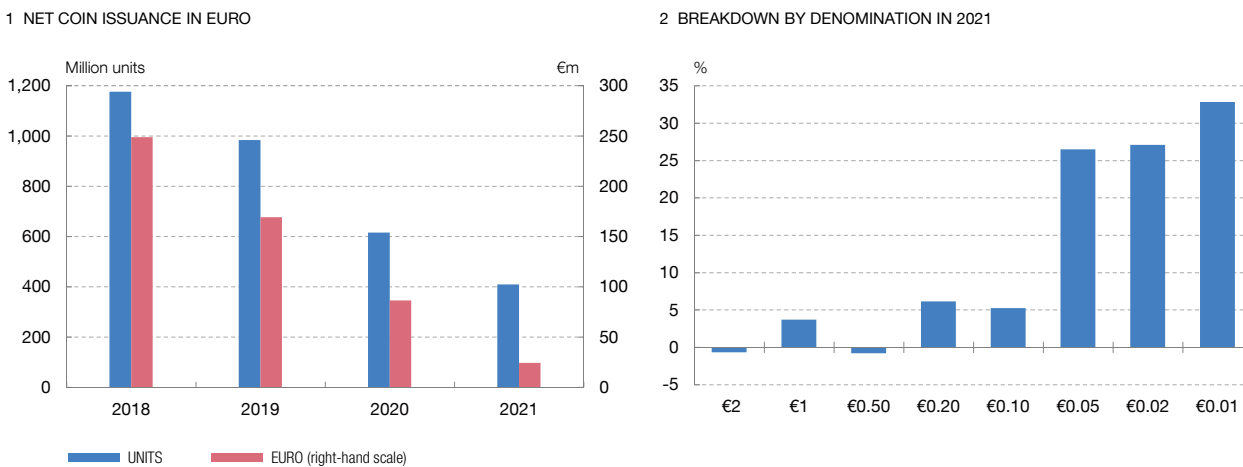
SOURCE: Banco de España.

2021 the net issuance of coins in terms of units and euro value was down by 33% and 72%, respectively, on 2020 (see Chart 2.7).

Small denomination coins (one, two and five euro cent) accounted for 86.4% of the net issuance (see Chart 2.8). The most demanded coin (among those of high denomination) in Spain was the €1 coin (3.6%). This is in contrast with other Eurosystem countries, which prefer the €2 coin.

Chart 2.8

NET COIN ISSUANCE BY THE BANCO DE ESPAÑA. TIME SERIES AND BREAKDOWN BY DENOMINATION IN 2021



SOURCE: Banco de España.



According to the survey, cash as a means of retail payment has been affected by the COVID-19 pandemic.

In order to ensure the authenticity and optimal condition of the coins in circulation, in 2021 **the Banco de España conducted inspection visits at 22% of coin processing centres** and checked the correct functioning of the coin processing machines. Overall, these machines verified around 997 million coins of the three highest denominations (€2, €1 and €0.50 coins).

3.2 Cash and other means of payment

a) Annual cash survey

Since 2005, the Banco de España has conducted an annual cash survey of the general public, the hospitality sector and small and large retailers to gather feedback on how they use and what they think of banknotes and coins in Spain. The results of the survey conducted in late 2020 were published in 2021 and are summarised in Box 2.2.

RESULTS OF THE ANNUAL CASH SURVEY

A cash survey of the general public, the hospitality sector and small and large retailers was conducted at the end of 2020 to gather feedback on how they use and what they think of banknotes and coins in Spain.

According to the survey findings published in 2021 (see Chart 1), cash as a means of retail payment has been affected by the COVID-19 pandemic, and it now trails debit cards as the preferred method. While 53% of those surveyed gave cash as their standard payment method in the survey published in 2020, this share had fallen to 35.9% by 2021. The findings unveiled in 2021 also show that 54.1% of those surveyed opt for debit cards as their preferred means of payment. Moreover, up to 40% of respondents plan to use or increase their use of means of payment based on new technologies, as compared with 24% in 2019.

Notably, 2.5% of the survey population stated that they no longer use cash for hygiene reasons as a result of the pandemic. The habit of paying in cash has declined particularly since the COVID-19 lockdown, largely due to the fact that almost half of all retailers encouraged the use of other payment methods, as well as to the hygiene measures deriving from the health alert, according to 61% of the survey population.

Quality of euro banknotes

According to the three groups surveyed, the quality of the banknotes withdrawn from ATMs and over the counter worsened in 2020, highlighting the difficulties in renewing the cash in circulation during the mobility restrictions (see Chart 2).

Checking the authenticity of banknotes

Over 70% of the hospitality establishments and retailers surveyed claim to check the authenticity of the banknotes they receive, as opposed to only 11% of the general public. The most frequently checked features are the type of paper, raised lines and the security thread (see Chart 3).

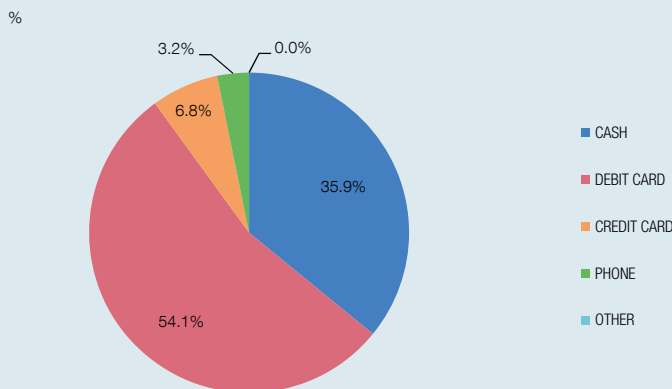
Cash withdrawals

ATMs are the most popular means of obtaining cash among the general public (84%), while over-the-counter withdrawals are becoming increasingly infrequent, with only 13.3% claiming to make such withdrawals on a monthly basis. Over-the-counter withdrawals are most popular with the over-64s (see Chart 4).



According to Fabio Panetta, member of the Executive Board of the ECB, **scientific research has shown that coronaviruses can survive more easily on a stainless steel surface** (e.g. door handles) **than on our cotton banknotes**, with survival rates approximately 10 to 100 times higher in the first few hours after contamination. Other analyses show that **it is much easier for a virus to be transferred from smooth surfaces like plastic** than from porous surfaces such as cotton banknotes.

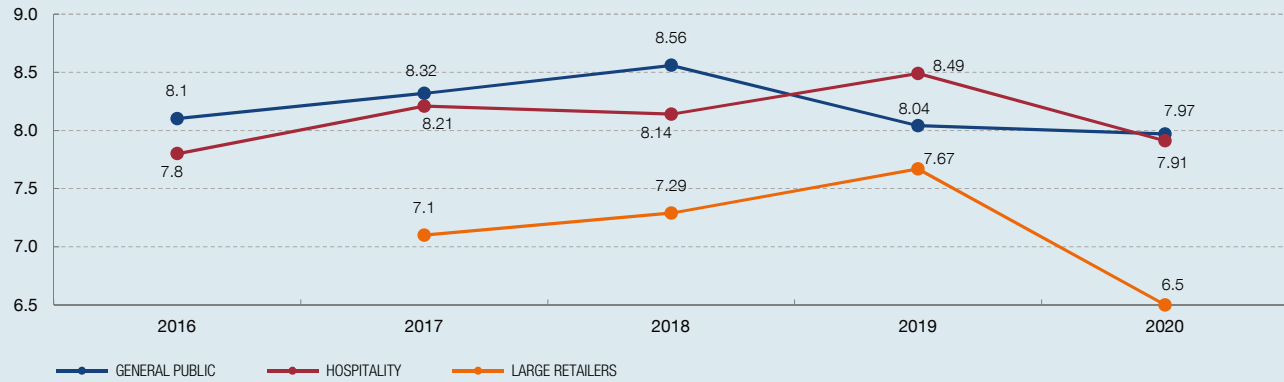
Chart 1
PREFERRED MEANS OF PAYMENT



SOURCE: Banco de España.

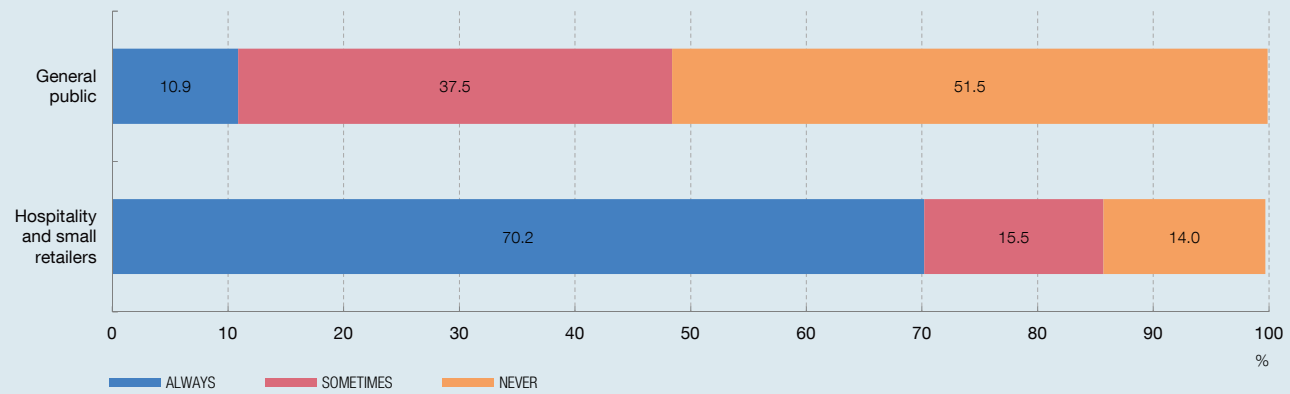
RESULTS OF THE ANNUAL CASH SURVEY (cont'd)

Chart 2
AVERAGE ASSESSMENT OF BANKNOTE QUALITY



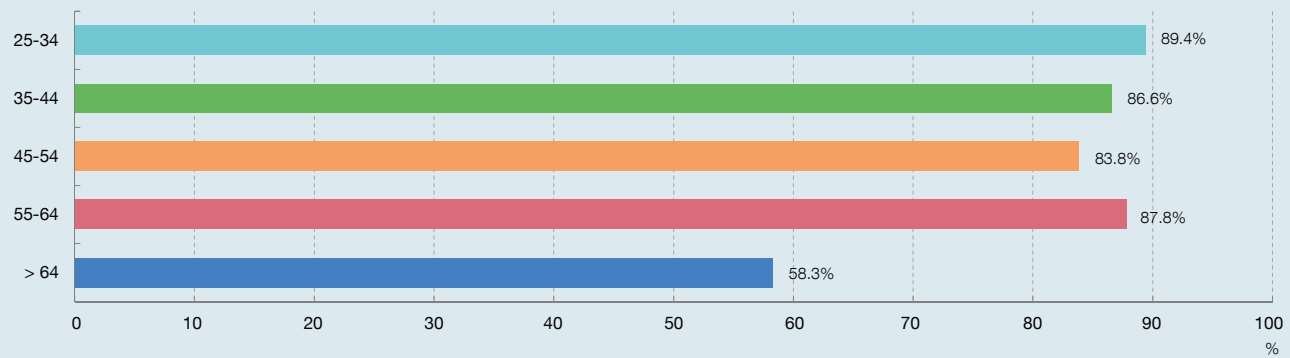
SOURCE: Banco de España.

Chart 3
CHECKING FOR BANKNOTE AUTHENTICITY



SOURCE: Banco de España.

Chart 4
CUSTOMERS THAT DO NOT MAKE OVER-THE-COUNTER CASH WITHDRAWALS, BY AGE RANGE



SOURCE: Banco de España.

RESULTS OF THE ANNUAL CASH SURVEY (cont'd)

44% of the survey population feel that their bank makes it hard to perform over-the-counter cash transactions, forcing them to use cash deposit ATMs (38%) or make their way to another branch (35%).

Meanwhile, owing to branch closures, 5.9% of the respondents living in municipalities with fewer than 100,000 inhabitants stated that their closest branch is more than 10 km from their home.



The ECB plans to redesign euro banknotes. This process was launched following a commitment by the ECB's Governing Council to ensure innovative and secure banknotes that connect with Europeans. To this end, feedback will be gathered from the general public and an advisory group will be set up. This group will comprise one expert from each euro area country, drawn from diverse fields such as history, the natural sciences, the arts, etc. Spain will be represented by Nuria Oliver, Director and Co-founder of Fundación Unidad ELLIS Alicante (European Laboratory for Learning and Intelligent Systems) and Chief Data Scientist at Data-Pop Alliance.

b) End of the period for exchanging pesetas for euro

On 30 June 2021 the peseta ceased to be exchangeable for euro, ending the currency's more than three centuries of history.

Box 2.3 details the end of the period in which pesetas could be exchanged for euro, a service that was available at the Banco de España's facilities for 19 years.

EXCHANGING PESETAS FOR EURO

In November 2020, the statutory deadline for exchanging pesetas was extended from 31 December 2020 to 30 June 2021, to give more time to the large number of people with peseta banknotes and coins that may have been prevented from exchanging them due to the mobility restrictions deriving from the pandemic. Pesetas could only be exchanged at the Banco de España's Madrid offices and its branches across the country.

Consequences of the extension to the exchange period

Despite the lengthy deadline for exchanging pesetas following the euro's launch in January 2002, it became clear that the public was making its way to the Banco de España's offices to this end in increasing numbers as the deadline approached. The deadline extension meant that the opening months of 2021 were quieter, with the average amount exchanged levelling off at around €300,000 a week. However, public demand increased exponentially in June, particularly as the month neared its end. Thus, the average weekly amount exchanged increased nine-fold, exceeding €2 million in the week of 21-25 June.

With this in mind and to enable those wishing to exchange their pesetas to do so, in the days leading up to the deadline this service was opened to anyone calling at the

Banco de España's various offices, no appointment required. To this end, the technical and human resources were reinforced in order to cater to as many people as possible.

Exchange of pesetas for euro in figures

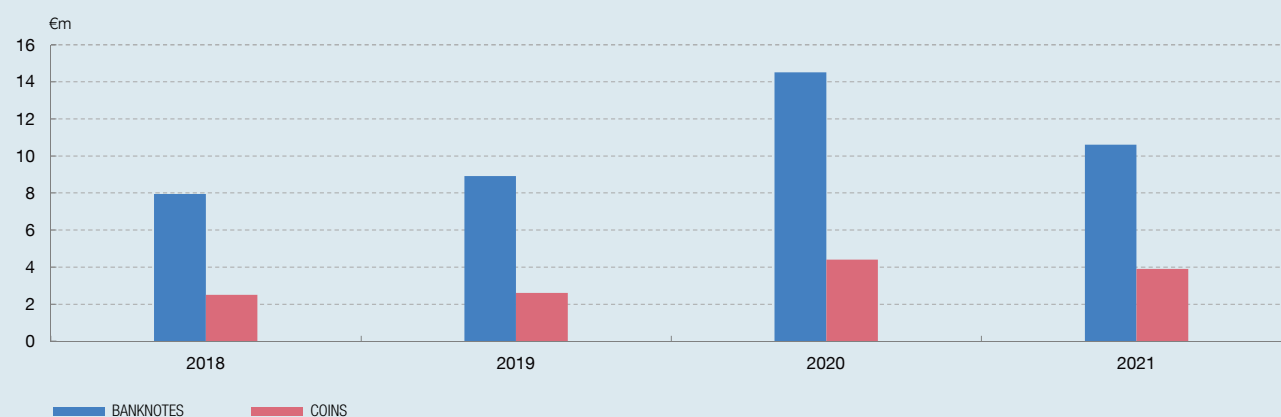
In 2021, peseta banknotes and coins were exchanged for an equivalent value of **€10.6 and €3.9 million**, respectively. By the end of the exchange period, the public had exchanged 96.8% of the amount of pesetas in circulation at 31 December 2001. Pesetas for an equivalent value of €1,575 million remained unexchanged. Banknotes accounted for €793 million of this amount, and coins for €782 million.

Chart 1 shows how the amount of pesetas exchanged for euro varied between 2018 and 2021.

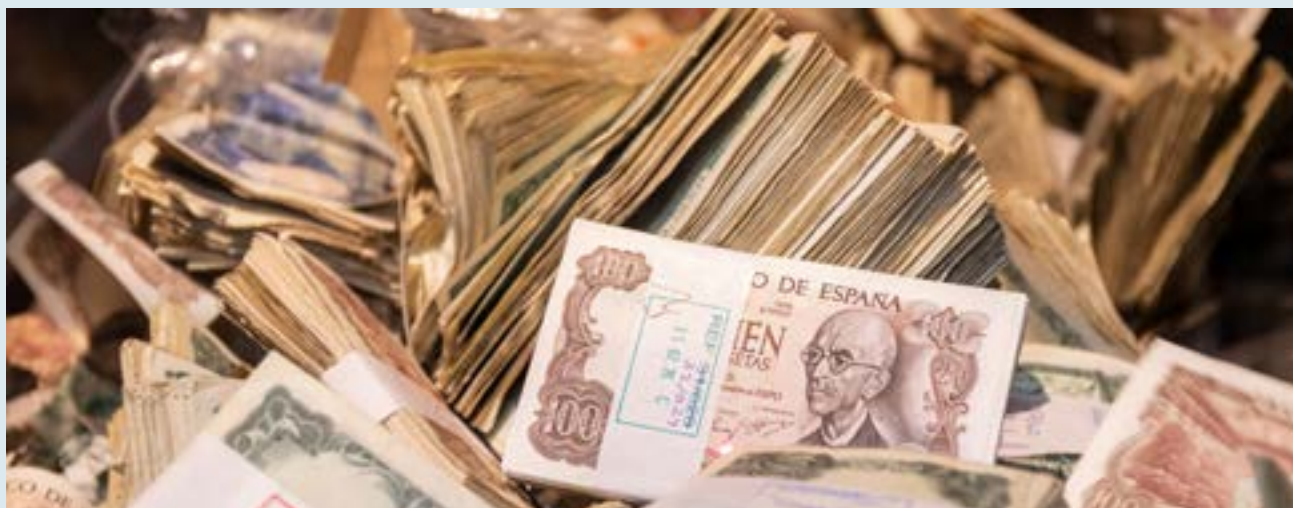
Awareness-raising initiatives

In order to inform the public of the end of the exchange period, in 2021 the Banco de España carried out more than 50 awareness-raising actions across different media outlets, alongside regular publications on its website and various social networks.

Chart 1
EXCHANGE OF PESETAS FOR EURO



SOURCE: Banco de España.



The deadline for exchanging peseta banknotes and coins for euro passed on 30 June 2021.



Watch the following video or see [Box 3.4 of the Institutional Report 2020](#) for more information on the history of peseta banknotes and coins.

PLAY ▶



3.3 Combating banknote and coin counterfeiting

Under Spanish law the Banco de España is the competent national authority for the protection of the euro against counterfeiting, while it is also designated as Spain's National Analysis Centre (NAC) and Coin National Analysis Centre (CNAC).

The NAC and CNAC are tasked with analysing and identifying counterfeit euro banknotes and coins in Spain. They work to identify counterfeits in coordination with the Banco de España Monetary Offences Investigation Brigade (BIBE, by its Spanish abbreviation). This police unit is attached to the Banco de España and is responsible for investigating and prosecuting offences relating to the counterfeiting of national or foreign currency, including, for example, the dismantling of illegal print shops.

a) Banknote counterfeiting

A total of 56,389 counterfeit euro banknotes were withdrawn from circulation in Spain in 2021, down by 5.6% on the 2020 figure. In addition, in 2021 the NAC recorded a further 19,516 counterfeit banknotes that were seized by the police before going into circulation.



Counterfeit €10 and €20 banknotes.

As in 2020, the bulk of the counterfeits identified in 2021 were unlawful reproductions of euro banknotes. These are low-quality counterfeits which the general public may mistake for genuine banknotes. They usually have poor imitations of security features and sometimes bear inscriptions such as “copy”, “not legal tender” or “prop money only”.

Chart 2.9 shows developments in counterfeit euro banknotes withdrawn from circulation since 2015, and a breakdown by denomination in 2021.

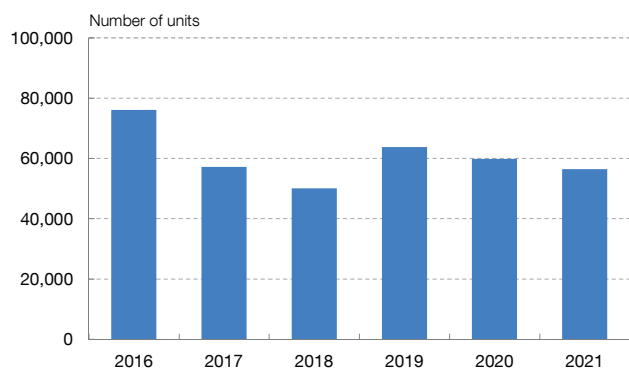
The €20 denomination is the most counterfeited banknote, followed by the €50 and €10 denominations; jointly these account for approximately 89% of all counterfeits withdrawn from circulation.

The likelihood of receiving a counterfeit banknote is very low, with just 17 counterfeits per one million genuine banknotes in circulation.

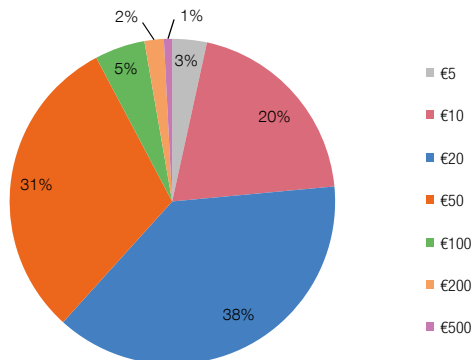
Chart 2.9

COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN. TIME SERIES (2016-2021) AND BREAKDOWN BY DENOMINATION IN 2021

1 TIME SERIES



2 BREAKDOWN BY DENOMINATION IN 2021



SOURCE: Banco de España.

In 2021 Spain ranked second in the Eurosystem for the identification and withdrawal from circulation of suspected counterfeit euro banknotes.

b) Coin counterfeiting

In Spain, **the total number of counterfeit coins withdrawn from circulation in 2021 was 29,073**, down by 30% on the 41,700 units recorded in 2020. In addition, 3,873 coins were withdrawn before going into circulation.

Chart 2.10 shows developments in the number of counterfeit euro coins withdrawn from circulation since 2015, and a breakdown by denomination in 2021.

The €2 coin remains the most counterfeited denomination, accounting for more than 92% of all counterfeit coins withdrawn from circulation in Spain. As with banknotes, the likelihood of receiving counterfeit coins is very low: there are seven counterfeits per million coins of the three highest denominations in circulation.

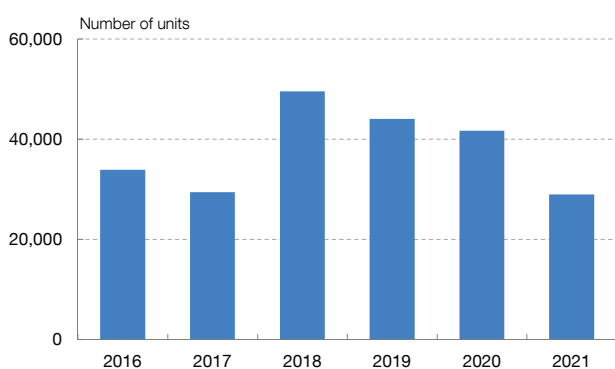


Further information on the design and security of cash can be found in the [Banknotes and coins](#) section of the Banco de España website. The [Training programme](#) section provides information on “Get to know the euro”, a free online course that familiarises users with the security features of euro banknotes and coins and what to do if they suspect one is a counterfeit.

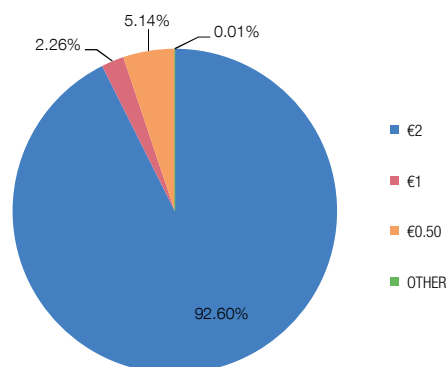
Chart 2.10

COUNTERFEIT EURO COINS WITHDRAWN FROM CIRCULATION IN SPAIN. TIME SERIES (2016-2021) AND BREAKDOWN BY DENOMINATION IN 2021

1 TIME SERIES



2 BREAKDOWN BY DENOMINATION IN 2021



SOURCE: Banco de España.

4 SUPERVISION OF FINANCIAL INSTITUTIONS

4.1 Prudential supervision

Since November 2014 the institutions of countries participating in the banking union have been supervised by the Single Supervisory Mechanism (SSM), which comprises the ECB and the different national supervisory authorities (NSAs). The ECB is responsible for direct supervision of the main credit institutions (“significant institutions”), in close collaboration with the NSAs. All other credit institutions (“less significant institutions”) are directly supervised by the NSAs according to a common policy laid down by the ECB.

At 31 December 2021, there were ten Spanish groups of significant institutions,⁸ which accounted for 90.2% of total assets in the Spanish banking system, and 57 Spanish institutions or groups classified as less significant, accounting for 5.7%. The remaining 4.1% were distributed among subsidiaries and branches of foreign credit institutions.

In 2021, supervisory activity remained conditioned by the risks arising from the pandemic. The supervisory work focused on four broad areas. First, proper credit risk management by the institutions, ensuring the early detection of asset impairment. Second, the soundness of their capital position, to which end the institutions’ capital plans and dividend policies were monitored. Third, the sustainability of the institutions’ business models and, in particular, the progress they have made in digital transformation. Lastly, supervision in the governance area focused on, inter alia, (i) the composition and functioning of the banks’ management bodies, (ii) the banks’ crisis management procedures and their ability to duly adapt and implement these, and (iii) technology and cyber risk, above all with respect to the risks arising from the outsourcing of services.

As part of its commitment to improving cyber security in the financial sector, the Banco de España has adopted the TIBER-ES framework for advanced cyber security tests. This constitutes the local adoption of the TIBER-EU framework published by the ECB, whereby any financial institution or financial market infrastructure operating in Spain can voluntarily undergo testing to identify potential weaknesses and improve its cyber security capabilities.

The activities comprising the microprudential supervision of credit institutions are grouped into two distinct areas: ongoing off-site supervision and on-site

⁸ Santander, BBVA, CaixaBank, Sabadell, Unicaja, Bankinter, Kutxabank, Ibercaja, Abanca and Banco de Crédito Social Cooperativo.

supervision. Ongoing off-site supervision assesses the institutions' situation and risk profile in order to adopt, on a timely basis, the appropriate supervisory measures and plan the required work and the depth thereof. In turn, on-site exercises comprise two types of action: inspections and internal model investigations. The latter specifically review capital requirement calculation models, while inspections serve to analyse in depth any other area relating to the institutions. Besides being tasked with the direct supervision of Spain's less significant institutions, the Banco de España makes an essential contribution to the supervision of Spain's significant institutions, carrying out ongoing off-site supervision through the joint supervisory teams (JSTs) and on-site inspections and investigations of significant institutions' models.

The **ongoing off-site supervisory tasks** notably include those relating to the supervisory review and evaluation process (SREP), which provide a comprehensive view of the institutions' risk profile, making these key tasks in this supervisory area. It is worth recalling that last year, in view of the COVID-19 crisis, both the ECB and the Banco de España decided to take a simplified, pragmatic and flexible approach. In 2021 the return to relative normality allowed the JSTs to apply the full SREP methodology, as set out in the European Banking Authority (EBA) guidelines (EBA/GL/2014/13) and in the SSM supervisory manuals.

Among other tasks, the ongoing supervision teams worked on horizontal reviews of supervisory priority areas, such as adequate coverage of non-performing exposures and the alignment of institutions' practices with supervisory expectations on climate-related and environmental risks. They also reviewed institutions' recovery plans and participated in both the European and Spanish stress tests conducted in 2021, which assessed the banks' resilience to hypothetical adverse macroeconomic scenarios.

As for **on-site supervision**, the inspections and internal model investigations were largely conducted online. From October 2021, the first steps were taken towards a hybrid model, combining remote work and ad hoc visits to institutions' offices. A total of 15 inspections of significant institutions belonging to Spanish groups were conducted in 2021, of which 12 were led by Banco de España staff and three by their ECB counterparts. More than half centred on credit risk. Banco de España staff also led the inspection of a significant institution of another SSM Member State. In 2021 a total of 13 internal model investigations were conducted at Spanish significant institutions, of which 11 were led by Banco de España staff, one by the Banco de Portugal and another by ECB staff. Most of the investigations focused on credit risk models. Lastly, six inspections were conducted at less significant institutions. These focused on assessing credit quality, foreclosed assets, governance and solvency, along with IT-related matters.

The Executive Commission of the Banco de España was briefed on the **528 decisions and actions of the ECB's Supervisory Board**, on which the Banco de España is represented, which affected Spanish institutions in 2021: 518 supervisory decisions

addressed specifically to Spanish institutions (282 to significant institutions and 236 to less significant institutions) and a further ten decisions on more general matters or on SSM policy or organisational issues.

Following the different prudential supervisory tasks carried out on less significant credit institutions, the Banco de España issued 108 recommendation and requirement letters, of which 57 were on capital decisions, 45 on recovery plans and six on inspections.

In 2021, the Banco de España processed a total of 431 files concerning the suitability assessment of senior officers: 233 relating to credit institutions, 64 to specialised lending institutions, 61 to payment institutions, 32 to mutual guarantee companies, 26 to electronic money institutions, nine to currency-exchange bureaux and six to appraisal companies.

Table 2.1 lists the different types of credit institution operating “with an establishment” in Spain at end-2021.

Beyond the scope of the SSM, the Banco de España also has exclusive **supervisory powers over institutions other than credit institutions** that provide financial services or perform functions related to the financial sector. In 2021, a total of 399 ongoing off-site supervision actions and three inspections were performed at these institutions. Four recommendation and requirement letters were sent as a result of these supervisory actions: three in connection with inspections and one in relation to ongoing supervisory actions.

Table 2.2 lists the institutions other than credit institutions operating “with an establishment” in Spain that were recorded in the registers of the Banco de España in 2021, grouped by type and area of activity.

Table 2.1

CREDIT INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN

	2021
Banks	48
Savings banks	2
Credit cooperatives	61
ICO	1
Branches of EU credit institutions	79
Branches of non-EU credit institutions	4
Total	195

SOURCE: Banco de España.

Table 2.2

INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN OTHER THAN CREDIT INSTITUTIONS

Year-end data

	2021
Specialised lending institutions	23
Specialised lending institutions - Payment institutions	9
Branches of financial institutions subsidiaries of EU credit institutions	1
Real estate lenders	136
Real estate credit intermediaries	384
Branches of EU real estate credit intermediaries	2
Mutual guarantee companies	18
Reguarantee companies	1
Appraisal companies	32
Currency-exchange bureaux (a)	16
Payment institutions	49
Payment institutions exempt under Article 14 of Royal Decree-Law 19/2018	9
Payment service providers excluded under Article 4 of Royal Decree-Law 19/2018	15
Account information service providers	1
Branches of EU payment institutions	7
Electronic money institutions	9
Branches of EU electronic money institutions	3
Banking foundations (b)	10
Sareb (c)	1
Total	726

SOURCE: Banco de España.

a Does not include establishments authorised only to purchase foreign currency with payment in euro.

b Banking foundations are not entered in the Register of Institutions of the Banco de España. As at 31 December 2021, just five of the ten banking foundations have to fulfil the requirements laid down in Chapter IV of Title II of Law 26/2013.

c Sareb is not entered in the Register of Institutions of the Banco de España.

Schema 2.3 details the main institutions supervised by the Banco de España.

The Banco de España cooperates closely with the Commission for the Prevention of Money Laundering and Monetary Offences (CPMLMO) and its Executive Service (SEPBLAC) in the supervision and inspection of compliance with **anti-money laundering and countering the financing of terrorism (AML/CFT) obligations** by institutions supervised by the Banco de España, pursuant to Spanish legislation and the cooperation and coordination agreement entered into with the CPMLMO. The Banco de España further strengthened this function in 2021. Three inspections were completed, two of which were general inspections reviewing compliance with AML/CFT obligations at two institutions. The third was a specific inspection focused on reviewing the internal control systems implemented by an institution to ensure the application of AML/CFT policies to its group abroad. Three other general inspections were also launched during the year, two at less significant institutions and one at a significant institution.

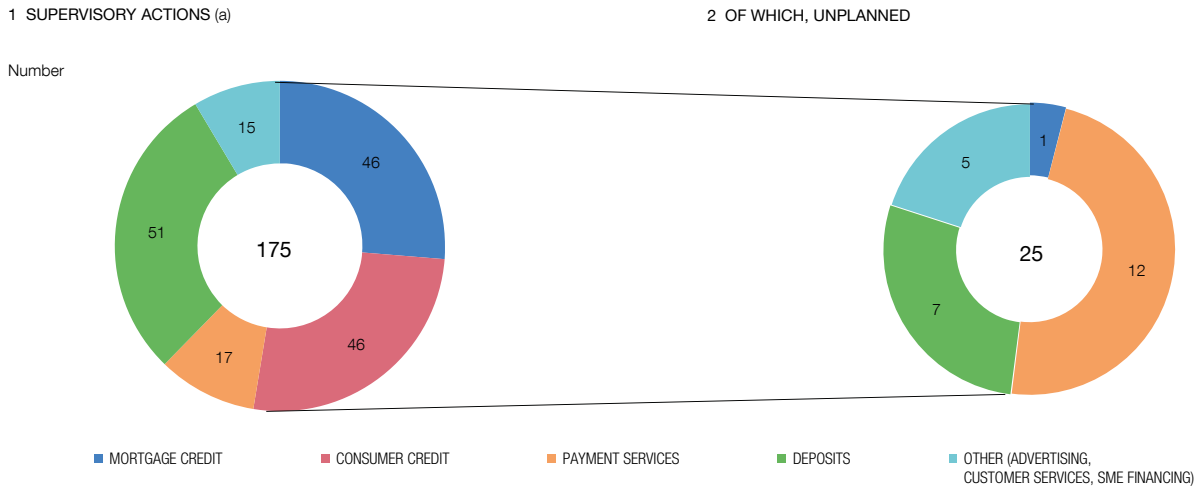
MAIN TYPES OF INSTITUTIONS SUPERVISED BY THE BANCO DE ESPAÑA

CREDIT INSTITUTIONS	Any individual or legal entity, whether Spanish or foreign, wishing to pursue the activities of a credit institution in Spain (especially, taking deposits and other repayable funds from the public) must first obtain the necessary authorisation and be entered in the Banco de España's official registers of credit institutions. Credit institutions include commercial banks, savings banks, credit cooperatives and the ICO.
	COMMERCIAL BANKS Public limited companies with an initial share capital of not less than €18 million whose business consists of taking deposits and other repayable funds from the public and granting credits for their own account.
	SAVINGS BANKS Institutions organised as foundations and with a social purpose, whose financial business is essentially geared to taking repayable funds and providing banking and investment services to retail customers and small and medium-sized enterprises.
	CREDIT COOPERATIVES Companies whose corporate purpose consists of serving the financial needs both of their members and of third parties by pursuing the business of credit institutions.
	BRANCHES OF FOREIGN CREDIT INSTITUTIONS Having no legal personality, they are part of a foreign credit institution and directly pursue all or any of the operations inherent to the business of that institution.
SPECIALISED LENDING INSTITUTIONS	Enterprises which, while not classed as credit institutions, professionally pursue one or more banking business activities, such as granting loans or credits or providing guarantees. They are subject to a minimum share capital requirement of €5 million. They may also provide payment services or issue electronic money, subject to prior authorisation by the Banco de España and entry in the Banco de España's Special Register, in which case they will be considered hybrid payment institutions or hybrid electronic money institutions, respectively.
ELECTRONIC MONEY INSTITUTIONS	Legal entities authorised by the Banco de España to issue electronic money. They must have minimum initial capital of €350,000 and sufficient own funds. They may also provide payment services, whether or not linked to electronic money.
PAYMENT INSTITUTIONS	Legal entities authorised by the Banco de España to provide and execute payment services in Spain (e.g. payment transactions, issuance of payment instruments, money remittances, payment initiation, information on accounts, etc.) with minimum initial capital and own funds requirements according to the payment services provided.
MUTUAL GUARANTEE COMPANIES	Business entities with variable capital established by small and medium-sized enterprises to facilitate their access to credit and related services and generally enhance their financial conditions. They may provide personal guarantees to their members but they may not extend credit of any kind to them.
REGUARANTEE COMPANIES	Companies whose purpose consists of reguaranteeing guarantees furnished by mutual guarantee companies, to provide sufficient guarantee and cover for the risks assumed by the latter and help reduce the cost of furnishing personal guarantees to members.
CURRENCY-EXCHANGE BUREAUX AUTHORISED TO PURCHASE AND SELL FOREIGN CURRENCY	Individuals or legal entities, other than credit institutions, that purchase foreign banknotes and travellers' cheques. Public limited companies that purchase and sell foreign banknotes and travellers' cheques.
APPRAISAL COMPANIES	Public limited companies that provide appraisal services. They are subject to prior authorisation, independence and secrecy requirements and to a minimum capital requirement of €300,506.
SOURCE: Banco de España.	

Chart 2.11

CONDUCT-RELATED SUPERVISORY ACTIONS IN 2021, BY TYPE

The supervisory actions chiefly focused on areas of activity relating to mortgage credit, consumer credit, payment services and deposits.



SOURCE: Banco de España.

a A total of 98 of these supervisory actions were initiated before the start of 2021.

4.2 Supervision of institutions' conduct

In 2021, the supervision of conduct was marked by expectations of a return to pre-pandemic conditions. Specifically, supervisory activities gradually began to return to normal, with efforts refocused to ensure the appropriate conduct of institutions, in particular in their dealings with customers when these take out banking products and services.

Against this backdrop, the supervisory actions (set out in Chart 2.11) were largely cross-institutional.

These notably included actions related to **consumer credit**, analysing issues such as responsible lending practices and policies, loans in the form of overdrafts on sight deposits and financing for car purchase. In addition, review work continued on the measures adopted by institutions following the cross-institutional action on the marketing of revolving credit cards, while two inspections of two credit institutions were completed, culminating in supervisory measures to remedy the shortcomings identified.

Cross-institutional actions were taken in relation to **real estate lending**. The aim was to verify the correct application of "floor clauses", i.e. clauses that set a lower limit on interest rates, the information provided on the interest rates applied and the

transparency of mortgage loans arranged after the implementation of supervisory measures.

Similarly, checks were performed, by means of cross-institutional actions, on the **remote marketing of current and savings accounts and on payment account switching**. Adequate conduct-related governance at institutions calls for responsible and transparent customer relations at all times, regardless of the channel used for marketing products and services. To ensure this, in 2021, once the main restrictions prompted by the pandemic were lifted, supervisory actions were conducted at bank branches to verify compliance with certain obligations in relation to transparency and the protection of bank customers, particularly with respect to payment accounts.



For more information on the payment account-related supervisory action conducted at bank branches, see Box 4.3 (page 107) of the [Supervision Report 2021](#).

The marketing of **various types of banking products through digital channels** was also reviewed. The aim is to ensure that the lack of face-to-face contact does not undermine compliance with transparency and customer protection regulations.

Further, in 2021 monitoring continued of certain key indicators of bank conduct, such as customer complaints and the activity of the institutions' customer service departments (CSDs). Indeed, the ongoing supervision of CSDs paved the way for the publication in 2021 of [conduct supervision guidelines on the organisational and operational criteria of the CSDs](#).



The Banco de España has published conduct supervision guidelines on the organisational and operational criteria of customer service departments.

Similarly, **the supervision of banking product and service advertising** played an important role in 2021. Over the course of the year particular attention was paid to how institutions have adapted to Banco de España Circular 4/2020 of 26 June 2020 on the advertising of banking products and services.

Moreover, 1 December 2021 saw the publication of Banco de España [Circular 4/2021](#) of 25 November 2021 to credit institutions and other supervised institutions on confidential return models relating to market conduct, transparency and customer protection, and on the complaints register.

In addition to the above-mentioned actions, 12 inspections were also conducted in 2021 to verify the information reported to the Banco de España by the supervised institutions in the return “Interest rates on lending transactions in Spain with the resident private sector”, included in Annex 9 of Banco de España Circular 5/2012, with a view to contributing to the determination of benchmark rates. Various supervisory measures were also adopted. A further supervisory action was carried out to gather information on consumer exposures affected by the elimination of certain benchmark rates.

4.3 Oversight and supervision of market infrastructures

Financial market infrastructures, through which most of an economy’s trade and financial transactions are cleared, settled and registered, are a cornerstone of the financial system. Given their importance, the smooth operation of these infrastructures is a priority area for central banks, hence the need for supervision and oversight.

In 2021, a significant portion of the supervisory work in payment service provision focused on assessing compliance with Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 for strong customer authentication (SCA) and common and secure open standards of communication (CSC).⁹

Supervision was also performed to ensure that account servicing payment service providers that offer other payment service providers access to online payment accounts through specific interfaces have identified and removed potential obstacles to such access, in accordance with the EBA Opinions of 4 June 2020 and 18 February 2021.¹⁰ In addition, various problems reported by payment service providers relating to the proper functioning of these specific interfaces have been

9 Commission Delegated Regulation (EU) 2018/389 of 27 November 2017, supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication, also known as “RTS on SCA and CSC”.

10 EBA Opinion on obstacles under Article 32(3) of the RTS on SCA and CSC ([EBA/OP/2020/10](#)) and EBA Opinion on supervisory actions to ensure the removal of obstacles to account access under PSD2 ([EBA/OP/2021/02](#)).

assessed, resulting in the corresponding improvement plans. Further, a significant number of communications from payment institutions and electronic money institutions reporting the outsourcing of operational functions were assessed. Lastly, participation in authorisation procedures for new payment service providers (mainly payment institutions, including payment initiators, account information service providers and small institutions partially exempt from certain requirements) entailed a significant supervisory effort.

With respect to financial market infrastructures, oversight and supervision tasks were conducted in relation to the Spanish retail payment system (SNCE, by its Spanish abbreviation), operated by Iberpay. Oversight of the national payment card scheme (Sistema de Tarjetas y Medios de Pago, SA) was likewise performed. Also, as a member of the Eurosystem, the Banco de España continued to participate in the groups exercising cooperative oversight of pan-European payment systems, along with the Single Euro Payments Area (SEPA) – transfers, instant transfers and direct debits – and the international card schemes AMEX, VISA Europe and Mastercard. The Banco de España was also involved in developing the new oversight framework for electronic payment instruments, schemes and arrangements (PISA), which was approved in November 2021.

In addition, in its capacity as overseer and acting on behalf of the Eurosystem (as the central bank of issue and the central bank whose post-trade infrastructures clear and settle the cash leg of its transactions), the Banco de España undertook various actions in relation to Iberclear and BME Clearing. Notable among these were the monitoring of the recommendations identified for Iberclear in the assessments conducted in the framework of the European regulation on central securities depositories, and the preparation of mandatory reports as a result of changes in BME Clearing internal regulations. Lastly, major work was conducted in 2021 on technical developments and specific regulations arising from the new Regulation (EU) 2020/2011 of the European Central Bank of 1 December 2020 on payments statistics, under which institutions will have to report information for 2022.

4.4 Sanctioning activity

Sanctioning powers, as a corollary of supervisory powers, continued to be exercised in 2021, both in the area of transparency and customer protection (which continued to account for the largest number of sanctioning proceedings) and in the prudential area.

In transparency and customer protection, five proceedings were opened in 2021 (four against banks and one against a Spanish branch of a foreign credit institution), in addition to an ongoing proceeding from 2020. The sanctions imposed in this area relate to conducts such as the inclusion in loan application documents of credit lines

unrelated to the financing originally sought by the customer (moreover, these were not clearly and separately disclosed in the pre-contractual information document), and the inaccurate reporting of information to the Banco de España in the return “Interest rates on lending transactions in Spain with the resident private sector” included in Annex 9 of Circular 5/2012.

Noteworthy **in the prudential area** were the proceedings conducted against appraisal companies and their directors and executives. These essentially owed to alleged misconduct relating to their organisation, methodology and quality control procedures and, in general, their internal control mechanisms. Two such proceedings were initiated in 2021, on top of another ongoing proceeding initiated the previous year.

A further two proceedings relate to the same need to ensure, inter alia, the adequacy of internal control mechanisms: one initiated against a savings bank and its directors and executives (resumed in 2020 after it had been suspended due to other criminal proceedings in relation to the same facts) and another initiated against a specialised lending institution in 2021.

Lastly, the Banco de España’s sanctioning powers were also used against shareholders who had acquired a qualifying holding in an electronic money institution without serving prior notice to the Banco de España.



Further information on the Banco de España’s supervisory functions can be found in the [Supervision Report 2021](#).

Lastly, Box 2.4 details a new channel set up by the Banco de España, through which any individual can report potential breaches of the obligations laid down in the organisational and disciplinary rules by parties supervised by the Banco de España.

REPORTING POSSIBLE INFRINGEMENTS OF THE ORGANISATIONAL AND DISCIPLINARY RULES AND REGULATIONS

In late 2018 the Banco de España set in place two procedures via its Virtual Office (website), whereby any natural or legal person could report any circumstance that might, in their opinion, constitute a breach on the part of credit institutions and/or payment service providers of the obligations set out in the organisational and disciplinary rules and regulations.

In June 2021 the Banco de España replaced these two channels with a new [specific procedure](#) via its Virtual Office for the reporting of potential breaches by any of the parties subject to Banco de España supervision of the obligations envisaged in the organisational and disciplinary rules and regulations. This new procedure can also be used to send the Banco de España information on any persons or entities not duly authorised or registered on the Banco de España's official registers that pursue activities legally reserved for the institutions subject to its functions and competences, or that use names reserved for such institutions.

Potential infringements may be reported electronically, by mail or in person at the Banco de España's registries. Communications must include, as material information, the particulars of the reporting party, the details of the potential infringement and the alleged offender and any other documentation evidencing the infringement reported. All communications received are treated confidentially. In particular, the confidentiality of the identity of reporting party and of the information reported is guaranteed. Anonymous reports are also accepted.

Potential breaches of the prudential regulations by credit institutions supervised by the ECB — the so-called "significant institutions" — may be reported via the above procedure to the Banco de España — which will forward such information to the ECB on the terms envisaged in the rules and protocols applicable within the framework of the Single Supervisory Mechanism — or directly to the ECB, via the [specific channel](#) set in place for such purposes by that organisation.

5.1 Macroprudential policy

Under current legislation, the Banco de España has macroprudential policy powers to set credit institutions' capital buffers, in addition to microprudential solvency requirements, and to establish limits on credit standards and on the sectoral concentration of exposures, in order to help prevent or mitigate the emergence of risks and imbalances that pose a threat to financial stability.

In 2021, the **main actions undertaken** in this area related to the quarterly review of the countercyclical capital buffer (CCyB) and the annual review of the list of systemically important banks in Spain. Specifically, the Banco de España left the CCyB unchanged at 0%, against a macro-financial backdrop of a gradual recovery in activity, albeit not yet closing the negative output gap generated by the pandemic, and marked by the absence of warning signs of a build-up of systemic risk.

Once again, the Banco de España identified one institution – Banco Santander, S.A. – as a global systemically important institution (G-SII) and four – Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., and Banco de Sabadell, S.A. – as other systemically important institutions (O-SII) at the domestic level, based on objective criteria related to size and business model. In line with the applicable legislation, macroprudential capital buffers were set for each of these institutions to shore up their resilience, to help their senior officers to understand the special significance of their decisions for the financial stability of the system as a whole and to counterbalance potential advantages in terms of financing conditions stemming from their systemic importance.¹¹ As compared with 2020, Bankia, S.A., was removed from the list of O-SIIs due to its merger (by absorption) with CaixaBank, S.A.

In the macroprudential regulation area, in late 2021 the Banco de España published [Circular 5/2021](#), which expanded its macroprudential toolkit. The new tools are as follows: 1) a sectoral component of the CCyB; 2) sectoral concentration limits; and 3) limits and conditions on bank lending.¹² The [Financial stability and macroprudential policy](#) section of the Banco de España website was updated to include explainers on this important regulatory development.

11 For instance, better market financing conditions due to prospects of the bank receiving State aid should it run into difficulties (too big to fail).

12 Banco de España [Circular 5/2021](#) of 22 December 2021, amending 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.



The Financial Stability and Macroprudential Policy section of the Banco de España website was updated to include explainers on regulatory developments in this area.

In the performance of its macroprudential functions, **the Banco de España provides advance notice of its actions to the ECB and, at the domestic level, to the Spanish macroprudential authority (AMCESFI)**. This authority is a collegiate body attached to the Ministry of Economic Affairs and Digital Transformation. Its members include the National Securities Market Commission (CNMV) and the Directorate General of Insurance and Pension Funds. It is tasked with oversight of the financial system as a whole.

Banco de España staff participate in AMCESFI at the highest level: the Governor (Deputy Chairman of the Board), the Deputy Governor (Board Member and Chair of the Financial Stability Technical Committee (FSTC)), the Director General Financial Stability, Regulation and Resolution (member of the FSTC) and the Director General Supervision (member of the FSTC). Notably, in July 2021 AMCESFI resolved to issue a favourable advisory opinion on the Banco de España's proposal to revise the macroprudential buffer requirements of O-SIIs. AMCESFI publishes annual reports on its [website](#) providing updated information on its activities.

The **macroprudential stress tests** conducted by the Banco de España on Spanish credit institutions in 2021 assessed their resilience over a three-year horizon. The stress tests were based on the macroeconomic scenarios and the methodological framework for stress testing developed by the Banco de España, known as the Forward-Looking Exercise on Spanish Banks (FLESB). The two scenarios were: (i) a baseline scenario, in line with the most likely projections of economic activity following the outbreak of the pandemic, and (ii) an adverse scenario, assuming the materialisation of the main risks to the European economy identified by the ESRB in early 2021, related to the uncertainty over the course of the COVID-19 pandemic.

Two adjustments were made to the **FLESB analytical tool** to factor in this uncertainty. First, a potential latent worsening of credit quality over the projection horizon was considered, as a result of the sharp slowdown in activity in 2020 and the use of support measures to soften the immediate blow. Second, the effect of such measures was assessed, specifically the extension of the ICO guarantee programme. The tool was also made more granular by introducing sector-specific aspects, in order to reflect the disparity of the impact of the crisis across borrower sectors of activity. Lastly, the FLESB was also used to analyse how climate change-related risks, and specifically the transition to a sustainable economy, affect the banking industry.

5.2 Preventive resolution

In 2021, **resolution plans** were drafted for a total of 43 Spanish credit institutions¹³ and five foreign groups with Spanish subsidiaries, in close collaboration with the Single Resolution Board (SRB) and other resolution authorities in the euro area, in accordance with the distribution of responsibilities established under the Single Resolution Mechanism Regulation (SRMR). Within this collaboration framework, 36 workshops were organised during the year for members of the respective Internal Resolution Teams (IRTs) to discuss the most important aspects of resolution planning and to set new objectives to improve institutions' resolvability. In addition, following its usual practice, the SRB sent a team to Spain to conduct face-to-face meetings with all significant institutions.

The **Banco de España participates in the resolution colleges and crisis management groups** that are organised on a regular basis for the most internationally active institutions to discuss resolution planning matters. In 2021 that participation was confined to the respective resolution colleges for a Spanish significant institution, a foreign significant institution with a relevant branch in Spain and a foreign less significant institution with a subsidiary in Spain.

The SRB and the EU resolution authorities outside the euro area signed joint decisions relating to the resolution plans and decisions on the minimum requirement for own funds and eligible liabilities (MREL) of three foreign significant institutions with material subsidiaries or branches in Spain, in whose colleges the Banco de España participates as observer. A joint decision was also signed between a group-level resolution authority and the Banco de España, as the preventive resolution authority of the Spanish subsidiary of the group concerned.

As regards **resolution planning**, the following was noteworthy in 2021:

¹³ The resolution plans drafted relate to ten significant institutions and to 33 less significant institutions.

- 36 credit institutions were informed of their MREL.
- The recovery plans of ten Spanish significant credit institutions were reviewed (in collaboration with the SRB), as were those of 65 Spanish less significant credit institutions.

Furthermore, to promote the effective implementation of resolution legislation, the Banco de España participated actively in the development of **preventive resolution criteria and strategies**. The actions warranting special mention on account of their significance include: a) monitoring of the MREL targets approved in the previous resolution cycle; b) participation in the committees of the FROB, the Deposit Guarantee Scheme and Sareb, and c) research and analysis, in collaboration with the SRB, of matters relating to separability, liquidity, the assessment of the information available for resolution decision-making, the development of tools to measure headway in the resolvability of institutions and the review of information reported by institutions on site.

Lastly, a new [dedicated section on resolution](#) was included on the Banco de España website, with information on the resolution authorities, the tools available, resolution planning, the international setting and the role of the institutions in the area of resolution.

5.3 Financial reporting and reporting to the Central Credit Register

In 2021, the required procedures were enabled to allow institutions to report to the Banco de España the information needed to monitor various measures approved by the Government.

First, a series of measures were introduced to allow the restructuring of State-backed financing extended to mitigate the impact of COVID-19, through the voluntary adherence of financial institutions to the **Code of Good Practice** approved to this end. The rules establish that the financial institutions adhering to the Code must report to the Banco de España on the applications approved and rejected and complaints received.

In addition, the support measures approved following the eruption of the Cumbre Vieja volcano on the island of La Palma included a legislative moratorium to suspend interest and principal repayments on mortgage and non-mortgage loans extended to individuals and firms affected by the volcano. Again, for the purposes of monitoring the measure, **financial institutions were required to report on the applications for moratoria received**, their processing status, number and amount, and the economic activity of the beneficiaries. The Banco de España prepares a monthly briefing note with the information reported by the institutions, which it publishes in the [Press room](#) section of its website.

CENTRAL CREDIT REGISTER DATA IN BELab

In December 2021 work began on uploading Central Credit Register (CCR) data to the Banco de España's Data Laboratory (BELab). To this end, a gradual strategy has been designed, progressively increasing the volume of information and factoring in all of the measures required to safeguard confidentiality. In this initial phase, researchers are provided access to **annual data for the**

period 2016-2020 on loans extended to resident and non-resident legal entities in Spain by financial institutions reporting to the CCR. A subset of variables or features relating to borrowers and their loans (e.g. currency and drawn and undrawn amounts) are included for each transaction. In total, data on more than 5 million loans and 1.1 million debtors per period are available.

In January 2021, with the entry into force of [Circular 5/2020](#), **payment institutions and electronic money institutions began disclosing public and confidential financial statements**, having hitherto reported these on a voluntary basis. This reporting will provide the Banco de España with more detailed information on the financial situation and business of these institutions – thus facilitating their supervision – and a better understanding of their operations in payment service provision or electronic money issuance, along with their other business activities.

As regards the **Central Credit Register (CCR)**, payment institutions and electronic money institutions were included as new reporting agents in January 2021 following the entry into force of Banco de España [Circular 1/2021](#). In addition, **the threshold for information reported back to banks was lowered from €9,000 to €1,000**. In 2021 there was also a very significant increase in the complaints lodged by exposure counterparties with the CCR, rising by nearly 90% in 2021, from just over 5,000 to nearly 10,000. The lower reporting threshold may have been a factor in this.

Moreover, in compliance with the provisions laid down in Ministerial Order ETD/699/2020 of 24 July 2020 on the regulation of revolving credit, the Banco de España sent to the Ministry of Economic Affairs and Digital Transformation a report on the different aspects of the workings of the CCR to assess the expediency of promoting reforms to help improve the information reported back to institutions, so that they can more accurately assess the creditworthiness of their borrowers.

Box 2.5 summarises the process of uploading CCR data to the Banco de España's Data Laboratory (BELab).



For more information on the Banco de España's Data Laboratory (BELab), see the [What is BELab?](#) section of the Banco de España website.

On the international front, following implementation of the Basel III standards, in the first half of 2021 the European Commission published legislation that revised and updated the prudential disclosures that credit institutions are required to provide, starting with the data for June and September 2021. This information is needed to monitor institutions' solvency and liquidity. In relation to MREL reporting, regulation was published establishing the obligations for G-SIIs on total loss-absorbing capacity (TLAC), along with MREL disclosures for institutions obliged by resolution authorities to comply with these requirements.

Lastly, it is worth noting that national, European and international reporting requirements for the banking industry have grown exponentially in recent years, in particular since the financial crisis, due to the emergence of new data needs. The various reporting frameworks (statistical, supervisory and resolution) were developed separately to meet different needs and at different points in time, resulting in occasional overlaps and duplication. The industry has called for greater coordination and information sharing between authorities to avoid duplication and inconsistent requirements.

In response to this situation, on 17 December 2021 the EBA published a report on the feasibility of developing a consistent and integrated system for collecting statistical, prudential and resolution data. As a member of the EBA reporting groups, the Banco de España played an active role in preparing the report.

For its part, the ECB and the Banco de España, together with the other Eurosystem central banks, have been working since 2016 on the **Integrated Reporting Framework (IReF)**, which aims to integrate the ESCB statistical reporting requirements for banks. In December 2021 the ECB Governing Council approved the non-IT design phase of the project, which will be conducted over the course of 2022 and will include the redesign of the ESCB's statistical function.

The EBA and ECB projects will eventually converge in the medium term. For now, the authorities involved – including the EBA, the ECB, the SRB, the national central banks and the corresponding national authorities – are working towards this on an informal basis. The aim is for the two processes to culminate in an integrated reporting system in Europe based on a common dictionary and a unique data model.

6 COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

The Banco de España is tasked with resolving any complaints and claims filed by financial services users in relation to the activities of the institutions it supervises. Moreover, it handles any enquiries made by financial users regarding the legislation on transparency and customer protection, as well as the legal channels available for exercising their rights.

This function — which the Banco de España is legally bound to perform — has a key role to play both in settling individual disputes and in obtaining crucial information for taking regulatory and pre-emptive supervisory action aimed at ensuring that banks conduct themselves appropriately with their customers.

Box 2.6 analyses the key developments in the way the Banco de España has managed complaints, claims and enquiries from the creation of the Complaints Service in May 1987 to the present day.

In 2021, 34,341 **complaints** were made by financial services users, up 61.1% on 2020.

Chart 2.12 shows how the number of complaints received has varied over the past decade. As can be seen, 2021 was a busy year, exceeded only by 2013 and 2017 in terms of the volume of complaints registered. In those two years, specific mortgage loan-related disputes accounted for the bulk of the complaints filed. In 2021, however, no one specific reason can be identified for the complaints processed, with a fairly even spread across different types of products and services, as shown in Chart 2.13.

Complaints concerning mortgage loans, cards, accounts and deposits were responsible for much of the 2021 increase in complaints received (see Chart 2.14).

As can be seen, the products which accounted for most complaints were mortgage loans. This category notably includes complaints deriving from the payment of arrangement costs and the need to take out linked products.

After mortgage loans, the products attracting the most complaints in 2021 were credit, debit, revolving and prepayment cards. This increase is largely due to complaints concerning suspected fraudulent card transactions and failure to provide transaction-related documentation (copies of contracts and payment records).

As far as current accounts and deposits are concerned, complaints regarding fees charged to accounts stand out.

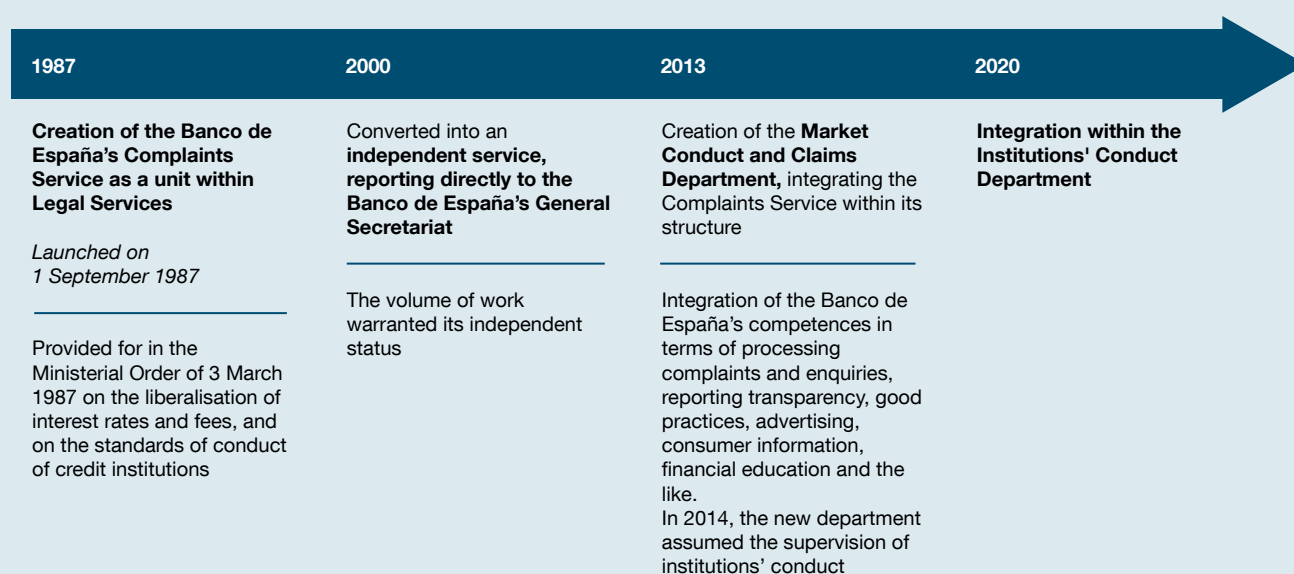
RESOLUTION OF COMPLAINTS AND ENQUIRIES: 35 YEARS OF PUBLIC SERVICE

In May 1987, per the provisions of the Ministerial Order of 3 March 1987 on the liberalisation of interest rates and fees, and on the standards of conduct of credit institutions, the Banco de España created the Complaints Service, tasked with receiving and processing the complaints filed by banks' customers regarding any actions by banks that might breach the disciplinary rules or sound banking practices in dealings with such customers.

Since then, the Banco de España's complaints system has analysed hundreds of thousands of cases referred by the public and has helped resolve a huge number of their

disputes with the supervised institutions. This analysis has enabled it to draw up a series of standards of conduct for institutions based on the doctrine of sound banking practices. The Complaints Service's remit has been expanded to include the handling of enquiries on matters of general interest, relating to the rights of financial services users regarding transparency and bank customer protection, or on the legal channels for exercising such rights.

2022 marks the 35th anniversary of the Banco de España's Complaints Service, the key milestones of which are summarised below:

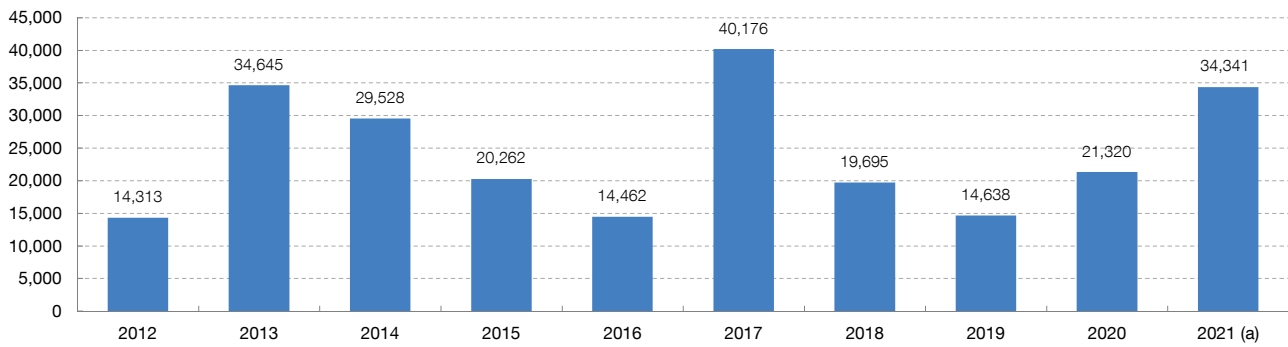


The main features of this service are:

- A **pioneering** system in Europe, handling the largest volume of complaints of any in the FIN-NET network.
- Since 1987, the Banco de España has resolved **more than 350,000 complaints** and **almost 600,000 enquiries** (in writing and by phone).
- **Case-by-case dispute resolution**, focusing on the individual circumstances of each citizen.
- Definition and preparation of the principles of **good banking practice**, published annually since 1987 in the **Complaints Report**.
- **Contribution to the regulation of banking transparency**: many criteria have been cemented in new transparency regulations. The analysis of claims enables legislative problems and/or gaps to be identified.
- Resolution of complaints in an **ever-changing environment**. Over the past 35 years, banking and payment services have become more widespread, digitalised and open to new operators.
- A source of **information for the exercise of supervisory functions**.

Chart 2.12

COMPLAINTS FILED IN THE LAST TEN YEARS



SOURCE: Banco de España.

a Provisional data at 31 December 2021.

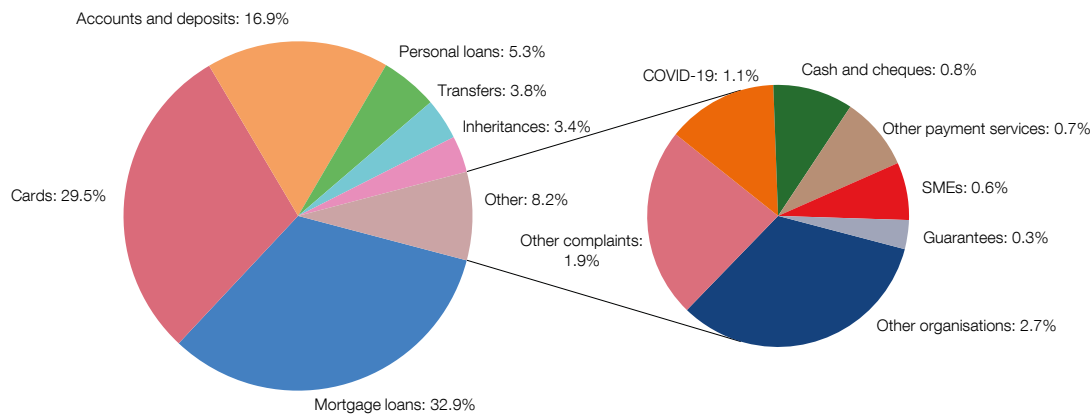
Meanwhile, 2021 saw a total of 48,955 **enquiries** submitted: 42,207 were made by phone and 6,748 in writing, further consolidating the significant rise already seen in 2020 (up 3.9% and 7.7%, respectively, on 2019).

An analysis of the **written enquiries** received reveals a fast growing trend. 1,672 enquiries were received in 2018, followed by 3,719 in 2019, 6,259 in 2020 and 6,748 in 2021. The [Bank Customer Portal](#) is currently the most popular channel for submitting enquiries, followed closely by the [Banco de España’s Virtual Office \(website\)](#).

Chart 2.13

TYPES OF COMPLAINTS

Provisional data as at 31 December 2021

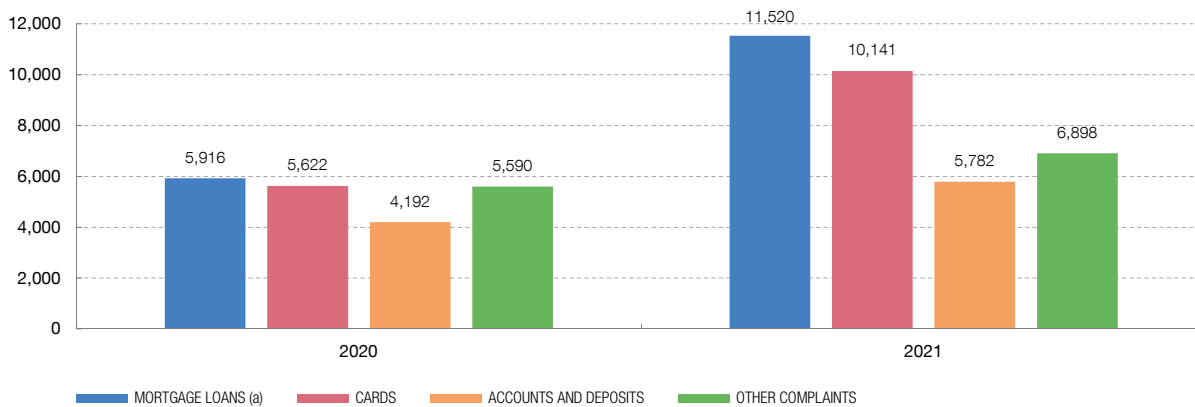


SOURCE: Banco de España.

Chart 2.14

MOST FREQUENT TYPES OF COMPLAINT IN THE LAST TWO YEARS

Provisional data as at 31 December 2021



SOURCE: Banco de España.

a Mortgage moratoria-related complaints are included under mortgage loans.

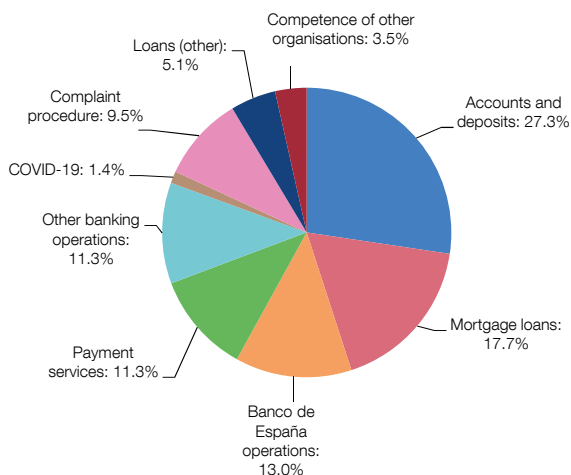
In terms of **telephone enquiries**, the upward trend is equally notable. Taking the same years, 28,341 enquiries were fielded in 2018, followed by 26,743 in 2019, before rising to 40,623 in 2020 and 42,207 in 2021.

Chart 2.15 shows a breakdown of the written and telephone enquiries received in 2021.

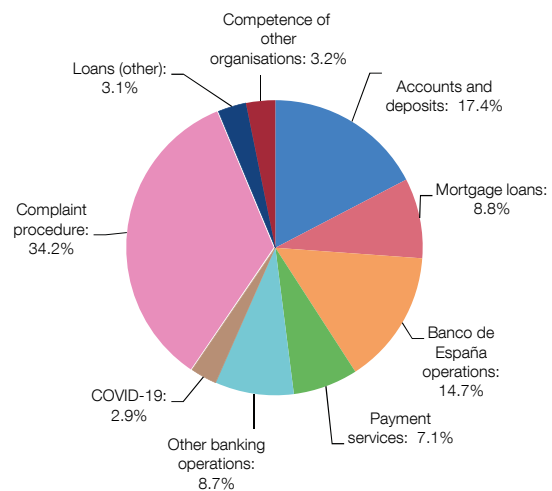
Chart 2.15

WRITTEN ENQUIRIES AND TELEPHONE ENQUIRIES RECEIVED IN 2021

1 WRITTEN ENQUIRIES



2 TELEPHONE ENQUIRIES



SOURCE: Banco de España.

The issues raised in the written and telephone enquiries were somewhat similar. Worth noting is the substantial increase in telephone enquiries regarding the complaints procedure (mainly enquiries concerning the status of a complaint). That said, most enquiries, whether in writing or by phone, tend to concern matters relating to mortgage loans, accounts and deposits, information on other Banco de España services, payment service-related incidents (cards) and other types of banking operations.



See the annual *Complaints Report* for further information on the complaints and enquiries handled by the Banco de España. All of the reports since 1999 can be found on the [Banco de España website](#). The reports from previous years are available at the [Banco de España Library](#).

7 FINANCIAL EDUCATION

7.1 Promoting financial education

Financial education is an essential tool for enhancing the protection of consumers and users of financial products and services, facilitating responsible decision-making and contributing, in turn, to the smooth functioning and stability of the financial system.

The Banco de España's [Strategic Plan 2024](#), which seeks, among other aims, to build trust in the institution itself and to create greater value for society, includes the promotion of financial education among its initiatives.

In turn, the financial education initiative comprises a range of activities. Some of these seek to bolster financial education among university students and primary school pupils (efforts have so far centred on secondary education). Others aim to set in place programmes targeting specific groups (such as journalists or various social partners) or to involve other collaborators in the dissemination of financial education, which could include tapping the potential of the Banco de España's own employees.

In 2021, steps were also taken to strengthen the national financial education strategy and the Banco de España's contribution in this regard. This culminated with the signing of the Financial Education Plan 2022-2025. See Box 2.7 for further information.

7.2 The Banco de España's financial education initiatives

In 2021, as in the preceding year, the restrictions on movement and on public events influenced the planning of educational and institutional activities, the bulk of which had been attendance-based events before the pandemic. The need to use online systems was in no way detrimental to these activities, such systems proving able to reach a larger slice of the public, and they have now become the norm.

The main financial education-related initiatives carried out in 2021 are summarised below.

a) Initiatives aimed at the education community

The core block of activities carried out by the Banco de España targets the education community. These notably include activities under the Financial Education Plan that are based on the [School Financial Education Programme](#), whereby secondary

SIGNING OF THE AGREEMENT ON THE FINANCIAL EDUCATION PLAN 2022-2025. KEY DEVELOPMENTS

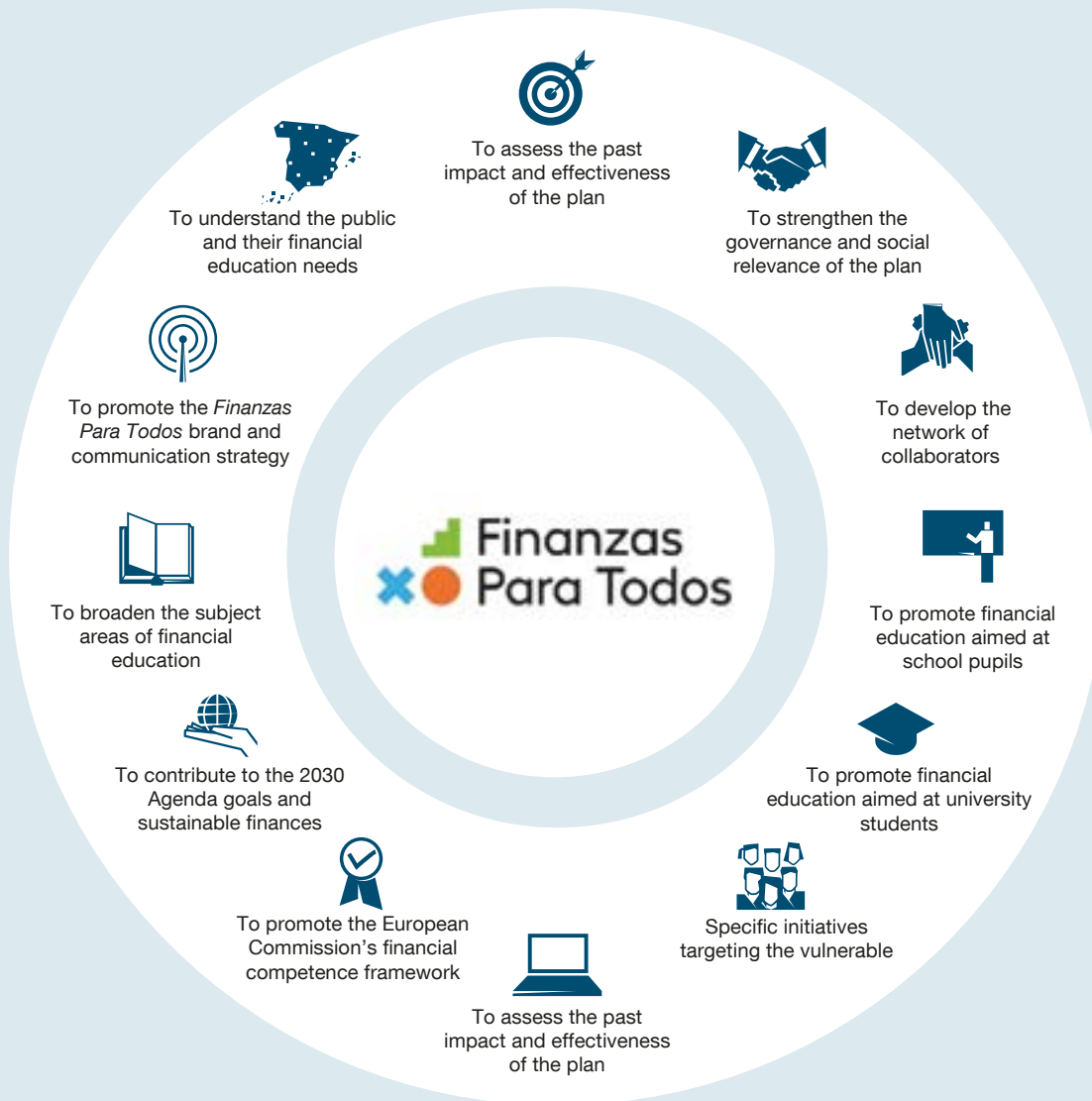
In 2008 the Banco de España and the Spanish National Securities Market Commission (CNMV) were tasked with devising a national financial education strategy, in the form of the Financial Education Plan 2008-2012. Since then, the Banco de España and the CNMV have renewed the commitment assumed in 2008, signing new agreements that have given shape to four-year financial education plans (2013-2017 and 2018-2021).

To give continuity to their financial education-related actions, a new four-year agreement on the Financial

Education Plan was signed on 14 January 2022, the most notable new development being **the incorporation of the Ministry of Economic Affairs and Digital Transformation as a plan sponsor**, alongside the Banco de España and the CNMV.

The goals of the new [Financial Education Plan 2022-2025](#) are highly ambitious. Schema 1 shows the main goals.

Schema 1
KEY AIMS OF THE FINANCIAL EDUCATION PLAN 2022-2025



SOURCE: Financial Education Plan 2022-2025.

schools and vocational training centres are equipped with a range of training resources and educational materials. Thus, for instance, teaching staff and students are provided with support manuals and handbooks, teaching resource packs (games, activities, videos, etc.) and some teacher training and support materials. 590 schools signed up for the latest edition of the School Programme, continuing the upward trend of recent years.

The [Financial Literacy Competition](#) is another of the Financial Education Plan activities that has aroused considerable interest. 508 schools took up the challenge in 2021. Given that the health situation remained unsuited to an in-person event, the 2021 edition was arranged in a hybrid format, with the quarter and semi-finals being staged online and the final taking place on-site at the Banco de España's Madrid headquarters, as part of the main event of [Financial Education Day](#).

Of particular importance for the Financial Education Plan in 2021 was the collaboration with the Ministry for Education and Vocational Training to identify how the new education law (known as the LOMLOE) could accommodate additional financial training for students across different levels of education.

Alongside these Financial Education Plan initiatives aimed at younger students, other notable activities included those pursued under the Banco de España's [Central Bank and Supervision Programme](#), which aims to further understanding of monetary policy and the functioning of the financial system, in order to familiarise the education community with the Banco de España's mission as a Eurosystem-member central bank and a supervisory authority within the framework of the SSM.

The Banco de España distributes teaching materials to preschool centres and primary and secondary schools. Under this programme, it also develops teacher-oriented initiatives, such as the [Teacher Days](#), in which a team of Banco de España experts travel to the regional branches to deliver training on its mission and functions. It was decided to suspend the Teacher Days in 2021 given the situation



Financial Education Day event held at the Banco de España's main headquarters.



Seminar for teachers, organised as part of the 11th edition of the Generation Euro competition.

brought about by COVID-19, until such time as circumstances allow for them to be resumed.

Another important pillar of this programme is the [Generation Euro](#) Students' Award competition on monetary policy, organised by the Banco de España and eleven other euro area central banks for students in upper-level secondary education and vocational training.

Almost 3,000 students took part in the 11th edition of the competition, a 59% increase on the previous academic year. A sizeable number of the schools signing up for the competition had already taken part in previous editions, thereby cementing their participation in Generation Euro as a school tradition within the academic year. Of the 583 teams enrolled, 56 made it to the second round. In December, the teachers of the 56 teams that qualified took part in a day of training delivered by Banco de España experts at the Madrid central headquarters.

Moreover, the Banco de España makes a range of educational resources aimed at students and teachers available via its [Education Portal](#), which received 34,320 visits in 2021, with 1,174,744 page views.

Meanwhile, the Central Bank and Supervision Programme offers a **programme of institutional visits** with the aim of familiarising the general public with the Banco de España. Visits to the central headquarters focus on the Banco de España's collection and history, whereas branch visits are educational in nature. Guided and free of charge, these visits must be reserved in advance through the Education Portal. In a bid to combat the spread of COVID-19, the Banco de España temporarily suspended

its programme of visits in 2021. Resumption of visits will depend on the epidemiological situation and will be announced on the Education Portal.

The **educational activities aimed at school pupils on banknotes and coins** are also worth singling out. A total of 955 pupils from 21 schools across the country took part in banknote and coin workshops. In these two-hour sessions pupils learn about banknote and coin-related security measures, enabling them to tell counterfeit notes and coins apart from genuine ones. The Banco de España's online training platform also played a key role in outreach on the subject of banknotes and coins in 2021. Training in this format was stepped up across schools as a result of the situation brought about by COVID-19, reaching more than 400 pupils.

b) Initiatives aimed at the general public

Alongside the efforts made, as is to be expected, to enhance the financial education of the younger generations, the Banco de España's initiatives also include actions targeting the wider public and certain specific groups.

Training on banknotes and coins

The training provided on banknotes and coins is one notable example. One of the goals of financial education is to enhance understanding of the security features and measures of euro banknotes and coins, thereby helping to combat counterfeiting. In 2021 the Banco de España continued its awareness-raising work in this area, providing training to over 6,100 specialist agents.

Notable examples of the face-to-face training delivered to professional cash handlers and other retail professionals include the courses "Euro banknotes and coins" and "Get to know the euro", in which almost 200 people took part.



One of the goals of financial education is to enhance understanding of the security features and measures of euro banknotes and coins (left). Courses were delivered by videoconference, given that many could not be resumed on a face-to-face basis (right).

Due to the pandemic, it was not generally possible to resume many of the courses on a face-to-face basis. The Banco de España therefore delivered these courses by videoconference. More than 700 professional cash handlers and other professionals from the retail sector were taught via this format.

Various online activities were run through both the Banco de España's training platform and via third-party platforms under training provision agreements. Three courses are available, each aimed at different learner profiles: "Manual cash selection", "Get to know the euro" and "The euro: security features and legal safeguards". More than 5,200 people were trained online.



These training courses are free of charge. All of the relevant information can be found in the [banknote and coin training section of the Banco de España website](#).

Training on topics of general interest

Also in 2021, taking advantage of its country-wide presence thanks to its network of branches, the Banco de España offered training on a range of subjects of interest for the general public and for professionals. This was provided either online or, wherever possible, face-to-face, and covered subjects ranging from the functions and services offered by the Banco de España to topical matters such as the digital euro or sustainable finance. These initiatives targeted a very broad range of audiences: associations of consumers, the elderly and women; university lecturers and students; entrepreneurs and financial institutions; professional associations; law enforcement authorities; and local and regional public bodies.

Resources available on the website

The initiatives aimed at the general public notably include those offering resources that can be shared digitally, e.g. on the Financial Education Plan website or the Bank Customer Portal.

The [Financial Education Plan - Finance for All](#) website was redesigned in 2021 to give it a more modern and dynamic look.

The [Banco de España's Bank Customer Portal](#) is intended specifically to help customers in their dealings with financial institutions. Alongside the permanent sections offering information on the main banking products, services and practices, the portal also provides very helpful tools and resources for the most common banking procedures, such as financial simulators. The public is also

assisted with channelling any enquiries or complaints, and highly topical content is published in blog form, with frequently updated posts on a variety of subjects (121 posts in 2021).

In 2021, work continued on upgrading the portal, with changes to the home page and the publication of brief educational videos using straightforward, user-friendly language. All of which kept visitor traffic to the portal on a rising path, reaching a new record of over six million visits in 2021 (6,422,285; up almost 17% on the previous year).

c) Institutional initiatives

Institutional initiatives notably include **Financial Education Day**, an initiative staged under the Financial Education Plan to raise awareness among the general public of the importance of responsibly managing their finances. The main event of Financial Education Day took place on Monday 4 October 2021 at the Banco de España's Madrid central headquarters, and was also streamed online. The slogan for the 2021 edition was "Your finances, also sustainable", with the aim of raising public awareness of the importance of sustainable finance. Participants included the First Vice-President and Minister for Economic Affairs and Digital Transformation, Nadia Calviño, the Secretary of State for Education, Alejandro Tiana, the Director General for Consumer Affairs, Bibiana Medialdea, the Chair of the CNMV, Rodrigo Buenaventura, the Governor of the Banco de España, Pablo Hernández de Cos and the Deputy Governor, Margarita Delgado.

Financial Education Day comprised 99 activities, carried out by both the organisers behind the plan and their partners. Moreover, the main event was joined online from various cities across Spain by some of the Financial Education Plan's partner institutions, which were delivering a very wide range of financial training activities to an array of different audiences.



Financial Education Day, an initiative staged under the Financial Education Plan, was held on 4 October 2021.

The Financial Education Plan also has a place for research-related aspects. To guide its financial education activities, the plan draws on robust data on the Spanish public's financial literacy. In this regard, Section 2.2 of this chapter describes two key studies that seek to equip the financial education initiatives and society as a whole with empirical evidence: the 2021 Survey of Financial Competences and the first Survey of Financial Competences at Small Enterprises.

8 ENVIRONMENTAL SUSTAINABILITY

Climate risks are relevant for their potential implications for financial stability through their impact on inflation, potential economic growth and monetary policy transmission. This section details the main new regulatory developments and the work performed in this area by the Banco de España in 2021.

8.1 Main regulatory developments

Recent years have seen an array of new legislative developments, both domestically and at European and international level, aimed at addressing the huge challenge of adapting to the new climate context. Some of the key aspects worked on in 2021 are summarised below.

a) International regulatory developments

Noteworthy on the international front were regulatory developments from the Network for Greening the Financial System (NGFS) and the Basel Committee on Banking Supervision (BCBS).

The NGFS is tasked with promoting the role of the financial system in the shift to a more sustainable economy and with mobilising capital towards “greener” projects. This forum is essentially made up of central banks and supervisors (including the Banco de España), alongside other observers such as the Financial Stability Board (FSB) and the BCBS. The forum’s main lines of work in 2021 included: a) assessing the progress made by supervisors in integrating climate and environmental risks into their supervisory frameworks and their activities; b) developing and updating the climate scenarios to be used both by supervisors and central banks and by institutions in stress testing vis-à-vis these risks; c) incorporating sustainable and responsible investment criteria in central banks’ portfolios and in monetary policy management, and d) identifying the missing data needed to improve the assessment of climate change-related risks in the financial system. Elsewhere, in December 2021 the NGFS published its [Guide on climate-related disclosure for central banks](#), aimed at offering central banks guidance on how to produce their own climate-related publications.

The BCBS, for its part, is a key international organisation on the regulatory and prudential banking supervision front, since: a) it is responsible for issuing international standards on prudential banking supervision, and b) it promotes cooperation on supervisory matters in order to strengthen financial stability. This



There has been an array of new legislative developments aimed at addressing the huge challenge of adapting to the new climate context.

committee published two analytical reports in April 2021 on the subject of climate-related financial risks — [Climate-related risk drivers and their transmission channels](#) and [Climate related financial risks-measurement methodologies](#) —, as well as the November 2021 consultation document [Principles for the effective management and supervision of climate-related financial risks](#), with a view to promoting principles to improve climate-related risk management and supervisory practices.

b) European regulatory developments

Notable on the European regulatory front were the initiatives adopted by the European Commission and the EBA.

In July 2021, the European Commission published its renewed sustainable finance strategy as a complement to the 2018 action plan and as a natural follow-up to the developments in sustainability since its publication. Of all the initiatives based on the action plan and the renewed strategy, the [Taxonomy Regulation](#), the [Proposal for a Corporate Sustainability Reporting Directive \(CSRD\)](#) and the [Green Bond Regulation](#) were of particular relevance for the financial sector. Also worth noting was the [Banking Package 2021](#) published by the European Commission in late October 2021, which will entail a review of the EU banking rules — the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) —, with the aim of ensuring that EU banks become more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality.



EU flags in front of the Berlaymont building, headquarters of the European Commission in Brussels.

Meanwhile, the EBA has instituted various initiatives as part of its mandate to analyse how to incorporate environmental, social and governance (ESG) risks within the three pillars of the banking regulation of the Basel Accords. Thus, with respect to Pillar 1 (Article 501c of the CRR), the EBA is looking into whether a specific prudential treatment for exposures related to assets or activities linked to environmental or social objectives would be warranted. With regard to Pillar 2 (Article 98(8) of the CRD), the EBA is assessing the possible inclusion of ESG risks¹⁴ in the supervisory review and evaluation process (SREP). As far as Pillar 3 (Article 449a of the CRR) is concerned, in March 2021 the EBA published for consultation a draft implementing technical standard (ITS) on disclosures on ESG risks, both in quantitative and qualitative terms. The [final draft](#) of the ITS was published on 24 January 2022.

c) Domestic regulatory developments

Notable on the domestic front was the approval of [Law 7/2021 on Climate Change and Energy Transition of 20 May 2021](#). The law provides that, among their prudential disclosures, credit institutions must include an annual report assessing the financial impact on society of climate change risks arising from their exposure to climate change, including the risks posed by the transition to a sustainable economy and the measures adopted to address these risks. Moreover, as of 2023, they must also publish specific decarbonisation targets for their loan and investment portfolios, in line with the Paris Agreement.

¹⁴ In this regard, in June 2021 the EBA published its report [EBA/REP/2021/18](#), making a series of recommendations to institutions and supervisors on integrating ESG risks into business and governance strategies and risk management.

This law also states that the Banco de España, the CNMV and the Directorate General of Insurance and Pension Funds, within their respective remits, must jointly draw up, every two years, a report on the degree of alignment with the climate goals of the Paris Agreement and EU regulations.

8.2 Sustainability at the Banco de España

The main actions taken by the Banco de España in 2021 in various environmental sustainability-related areas are detailed below.

a) Actions in the area of financial stability, regulation and supervision

In keeping with its mandate to maintain financial stability, in 2021 the Banco de España worked on developing a framework for identifying climate change-related risks for the early detection of potential threats to the financial system. Stress tests and the development of climate risk indicators are key to this task.

In 2021 the ECB conducted the first climate stress test on the significant institutions under its supervision, the [results](#) of which were published in September 2021. The ECB is expected to conduct a [second climate stress test](#) over the course of 2022. Meanwhile, in 2021 the Banco de España began to prepare climate-change stress tests for less significant institutions, to identify actions to reduce the probability of the most adverse events.

As far as regulation and banking supervision are concerned, in October 2020 the Banco de España published the [Banco de España supervisory expectations relating to the risks posed by climate change and environmental degradation](#), explicitly setting out how it expects less significant credit institutions to factor such risks into their business models and strategy, their governance and risk management and their third-party disclosures. These expectations are in line with the ECB's [Guide on climate-related and environmental risks](#) published in November 2020 and aimed at the significant institutions under its direct supervision. In 2021 the Banco de España began assessing the degree to which less significant institutions are in line with supervisory expectations, taking an approach similar to that defined by the ECB for significant institutions.

b) Actions in the area of monetary policy and the Banco de España's own investment portfolio

Since 2019, the Banco de España has incorporated the principle of sustainability and responsibility as one of the core principles of its own-portfolio investment policy

(complying with NGFS Recommendation No 2). Moreover, the Banco de España: a) takes part in the ECB action plan to include climate considerations in its monetary policy strategy; b) is making headway with the integration of climate sustainability criteria in the management of its non-monetary policy portfolios; and c) has agreed on a common stance with the other Eurosystem central banks as regards the application of such principles to their own portfolios, which is in line with the NGFS recommendations and which furthers the transparency and understanding of climate-related risks.

With this in mind, in 2021 the Banco de España worked on constructing an impact portfolio for sustainable and responsible investment, in the form of direct investment in green bonds denominated in different currencies and holdings in green investment funds (EUR and USD) managed by the Bank for International Settlements (BIS). Moreover, action was taken in 2021 in relation to climate change-related financial disclosures on own portfolios, in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) created in December 2015 at the request of the FSB.

c) Research and international fora

High on the Banco de España's research agenda is analysis of the numerous implications that climate change and the transition towards a more sustainable growth model have for the economy as a whole and for the financial system. Indeed, the economic and financial consequences of climate change constitute one of the



In 2021 the Banco de España approved its Corporate Sustainability Policy, representing a firm commitment to reducing the environmental impact of its activity.

lines of work set out in the [Analysis and research priorities for the Banco de España: 2020-2024](#), on which efforts will be stepped up in the near future.

In 2021 [the priorities defined a year previously were updated](#), reaffirming the need to make this area of research more prominent. With this strategic decision in mind, a growing number of Banco de España researchers are involved in a wide range of analytical projects on this subject.

Moreover, in 2021 the Banco de España continued playing an active role in the key [international fora](#) in this area.

d) Approval of a Banco de España corporate sustainability policy and organisational changes

Various organisational changes were made in 2021 with a view to effectively addressing climate change-related issues. Thus, the High-Level Steering Group was set up in May 2021 — made up of representatives from the different directorates general and coordinated by the Directorate General Financial Stability, Regulation and Resolution — with the aim of developing the Banco de España’s climate change strategy, and the Corporate Sustainability Service was created in July 2021, with cross-departmental coordination, inspection, legislative, advisory and engagement functions.

Meanwhile, in October 2021 the Banco de España approved its [Corporate Sustainability Policy](#), representing a firm commitment to reducing the environmental impact of its activity, to ongoing improvements in sustainability and to transparent accountability to its stakeholders in this area. This commitment is framed in the [Strategic Plan 2024](#) in the form of a series of initiatives regarding the promotion of sustainability and social responsibility, notable examples including:

- A project to set in place an environmental management system in line with the EMAS (Eco-Management and Audit Scheme) Regulation over the course of 2022 and 2023.
- A project to calculate the institution’s carbon footprint, starting with the direct emissions of the Bank’s installations and the indirect emissions via the producers of the energy consumed at the Banco de España’s facilities.
- An analysis of the environmental footprint of banknotes, to ensure that both euro banknotes and their production process are sustainable, ecological and environmentally friendly. This analysis will later be expanded to include coins.

- An analysis of how changes to the euro banknote security features affect the environmental footprint of cash.
- A gradual increase in the use of sustainably sourced cotton in euro banknotes. A commitment has been made to use only sustainably sourced cotton in euro banknote production processes by 2023.
- An end in 2021 to sending waste from banknote destruction to landfill sites. Recycling or energy recovery alternatives have been chosen in their place.

Lastly, it is worth noting that a new [section with environmental sustainability-related information](#) was added to the Banco de España website in December 2021.



The Banco de España's *Annual Report 2021* will include a chapter on environmental sustainability. All of the annual reports published since 1998 can be found on the Banco de España's [website](#).

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

9.1 The Eurosystem and other European Union institutions

In 2021, the Banco de España remained actively involved in the **ESCB's activities**. The Governor sits on both the Governing Council – which adopts decisions on monetary policy and the functioning of the Eurosystem – and the General Council of the ECB. These decision-making bodies continued to meet last year, largely in virtual format and more frequently than prior to the COVID-19 crisis, although not as often as in 2020, at the height of the pandemic. The Deputy Governor attended the meetings of the Supervisory Board of the ECB, of which she is a member. This Board discusses, plans and carries out the ECB's supervisory tasks within the framework of the SSM. The Supervisory Board proposes draft decisions relating to the prudential supervision of credit institutions for adoption by the Governing Council, based on a “non-objection” procedure.

The ECB's decision-making bodies are supported by the ESCB's various committees, including the Monetary Policy, Market Operations, Payment Systems, Financial Stability, Legal, Statistics, Banknote and Risk Management Committees. As a member, the Banco de España made an active contribution to these committees and to the discussions of their working groups. **The main decisions of the ECB Governing Council over the course of 2021 included the new monetary policy strategy approved in July.** Key elements of this included: (a) reframing the 2% inflation target as “symmetric” over the medium term, meaning negative and positive deviations of inflation from the target are equally undesirable; and (b) the harmonised index of consumer prices (HICP) remaining the appropriate measure for assessing price stability, although the Governing Council recommended the inclusion of owner-occupied housing in the HICP. It also approved an ambitious plan to incorporate climate change considerations in that strategy.

With respect to other EU institutions, **the Banco de España was represented at the two informal Ecofin meetings held in the year and participated in the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC).**

The activities of European institutions notably included the launch of the Recovery and Resilience Facility (RRF), the centrepiece of Next Generation EU, through the enactment of the corresponding regulation in February 2021. The RRF, approved by European leaders in July 2020, aims to help Member States to mitigate the economic and social impact of the COVID-19 pandemic. To access the funds (in the form of grants and loans), Member States must submit their respective recovery and resilience plans, setting out the investments and reforms for which



Christine Lagarde, president of the ECB, at the press conference held on 8 July 2021 to announce the new monetary policy strategy approved by the ECB Governing Council.

the funds will be earmarked. Thus far, the plans of 22 countries (including Spain) have been approved. These now move into the assessment phase, in which fulfilment of the commitments undertaken in exchange for the agreed disbursements will be monitored.

Another particularly significant development was the relaunch in October 2021 of the review of the EU's economic governance framework, which was suspended due to the pandemic. This includes a debate on reforming the fiscal rules (the Stability and Growth Pact) to ensure that fiscal policy can fully support the recovery and address the challenges ahead for the EU. In addition, the European Commission forwarded to the Council a set of proposed intervention and support measures to contend with the immediate impact of the increase in energy prices and to further strengthen resilience to future shocks. Negotiations also continued over other key issues for the EU, such as the European Green Deal, the prevention of money laundering, and the work needed to achieve the capital markets union and, albeit as a lesser priority, the banking union. Lastly, work is ongoing on a series of measures to boost the EU's strategic autonomy in the financial arena and in payment systems.

Schema 2.4 sets out the Banco de España's presence on the different EU bodies.

THE BANCO DE ESPAÑA'S PRESENCE ON EUROPEAN UNION BODIES



EUROSYSTEM / EUROPEAN SYSTEM OF CENTRAL BANKS

- Governing Council
- General Council
- Working groups



COUNCIL OF THE EUROPEAN UNION AND EUROPEAN COMMISSION

- ECOFIN Informal
- Economic and Financial Committee
- Economic Policy Committee
- Working groups



BANKING UNION

- Supervisory Board
- Joint supervisory teams
- International resolution teams
- Macroprudential Forum
- Single Resolution Board / Single Resolution Fund
- Working groups



EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

- European Systemic Risk Board
- European Banking Authority
- European Securities and Markets Authority
- European Insurance and Occupational Pensions Authority
- Working groups

SOURCE: Banco de España.

9.2 European Banking Authority

The Banco de España is a member and active participant of the EBA.¹⁵ Just as in 2020, the EBA's activity in 2021 was notably influenced by the COVID-19 crisis. Its work programme was structured around six specific priorities and two horizontal priorities, which guided the direction of its work. It also carried out various projects in the resolution field. The results of these activities can be found on the [EBA website](#).

¹⁵ The EBA is an independent EU authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. More information on its functions can be found on its [website](#).

a) Specific priorities

The first specific priority was **deployment of the risk reduction package and the implementation of effective resolution tools**, with the EBA making progress in fulfilling several mandates stemming from the Capital Requirements Regulation and Directive (CRR/CRD), the second Banking Recovery and Resolution Directive (BRRD), and the Investment Firms Directive and Regulation (IFD/IFR). Particularly significant during the year was the work conducted in securitisations and in internal governance and remuneration.

The second priority was to **review and upgrade the EU stress tests**. The EBA also published the results of the stress test exercise that was postponed the previous year due to COVID-19.

Third, the EBA focused on **reporting and transparency**, with a view to becoming an integrated EU data hub that compiles statistical, prudential and resolution information.

The fourth specific priority was to contribute to the **development of financial innovation and operational resilience in the financial sector**. Following the publication in September 2020 of the European Commission's Digital Finance Strategy, the three European Supervisory Authorities (ESAs) worked on the regulatory issues and challenges posed by digital platforms, mixed-activity groups and value chain fragmentation. The EBA also began preparatory work for implementation in the years ahead of the regulatory frameworks for crypto-assets¹⁶ (MiCA) and for information and communications technology risk management (DORA).

The fifth specific priority was to **coordinate and monitor AML/CFT supervision in the EU**. To do this, in 2021 it led policy development and promoted effective policy implementation by national competent authorities (NCAs). It also completed the definition of the central database of material AML/CFT weaknesses (EuReCa), which will help to foster the exchange of information between NCAs, support the new AML/CFT supervisory colleges and enable the identification of vulnerabilities.

Sustainable finance constitutes the sixth specific priority, aiming to promote improvements to **disclosure, governance and management of environmental, social and governance (ESG) risk factors**. The EBA published a report on how these risks should be incorporated into the management of institutions and their supervision. It also developed standards for the sustainability-related market disclosures that institutions are required to make, and began quantifying European banks' exposures to climate-related risk. It is likewise working on the prudential treatment of assets associated with environmental or social objectives.

¹⁶ Crypto-assets are digital assets that rely on cryptography and distributed ledger or similar technology.



EBA headquarters.

b) Horizontal priorities

With regard to its horizontal priorities, the EBA focused its efforts on **establishing a culture of sound and effective governance and good conduct in credit institutions**, and it played an active role – through various regulatory products – in **monitoring and mitigating the effects of COVID-19 on EU banks**.

9.3 European Systemic Risk Board

The **European Systemic Risk Board (ESRB)**, which is **entrusted with monitoring risks and vulnerabilities for the stability of the EU financial system**, brings together representatives from a broad range of domestic and EU institutions (central banks and regulatory and supervisory authorities in banking, securities and insurance), including the Banco de España.

Following the initial phase of responding to the challenges posed by the COVID-19 pandemic for financial stability, this body **resumed a busy work programme in 2021**, which included the following initiatives:

- a) Analysis of the current vulnerabilities of the residential real estate sector in EU countries.
- b) Formulation of proposals for regulatory reforms in money market funds.
- c) Development of mechanisms to mitigate systemic cyber risk.
- d) Analysis of the implications of the current low interest rate environment and of climate-related risks for the financial system.
- e) Assessment of the consequences of Brexit with regard to central counterparties.

- f) Monitoring of the government fiscal programmes introduced to mitigate the adverse impact of the pandemic on the financial system.

As a result of these initiatives, the ESRB approved and published a considerable number of reports, recommendations and warnings and various discussion papers on the matters discussed and agreed by its General Board. The ESRB's publications can be found on its [website](#).

At organisational level, the **Governor of the Banco de España continued to chair the ESRB's Advisory Technical Committee in 2021**. This body plays a central role in preparing the work and discussions of the ESRB General Board, and comprises representatives from each member institution. Javier Suárez, lecturer at Centro de Estudios Monetarios y Financieros (CEMFI), chaired the ESRB Advisory Scientific Committee in 2021, a body consisting of academics and independent experts.

9.4 Single Resolution Board

The SRB and the national resolution authorities (NRAs) form the Single Resolution Mechanism (SRM), whose mission is to ensure an orderly resolution of failing banks in the banking union, preventing or minimising adverse impacts on the real economy, the financial system, and the public finances of Member States (see the [SRB website](#) for more information).

In 2021, the SRB published its [Multi-annual Programme 2021-2023](#), which sets out the priority areas for the SRB during that period, with the aim of ensuring that institutions are fully prepared for a potential resolution by 2023. The programme envisages three lines of action for the SRB: (i) implementing the [Expectations for Banks](#) (EfB) in 2021; (ii) conducting resolvability assessments of each bank; and (iii) performing the first on-site inspections with banks deemed to be of specific interest, with a view to preparing an inspection plan for 2023.

In the extraordinary scenario brought about by COVID-19, the SRB – in cooperation with other authorities and the banks under its remit – is monitoring the situation and granting banks the flexibility they need to implement the EfB, taking into account their specific circumstances, with the most immediate objective of ensuring operational continuity and supporting the economy.

In keeping with the objective of achieving the full resolvability of banks by 2023, in 2021 the SRB approved the **Policy on Resolvability Assessment**, which must be included in 2021 resolution plans. Based on the principles of the EfB and the policy for setting minimum requirements for own funds and eligible liabilities (MREL), the SRB assesses banks' progress and the impact of these efforts on their resolvability.

In 2021 **the SRB also approved operational guidance for banks** in a number of different areas, notably including: (a) liquidity needs and funding in resolution, providing

banks with guidelines on their potential liquidity needs at different stages of the resolution process; (b) the unrealistic nature of bail-in clauses in contracts governed by third-country law, providing guidance on the notification procedure and the categories of liabilities for which bail-in clauses are considered unrealistic; and (c) the prior permissions regime for reducing eligible liabilities instruments from 1 January 2022, providing guidance to banks on the procedural requirements to obtain such authorisation.

In 2021 the **SRB also enhanced and updated various policies**, such as MREL (its calibration of transfer tools and developments in the operationalisation of the single point of entry (SPE) strategy) and the Public Interest Assessment. In the latter area, work was conducted on the regional impact of banks' critical functions, i.e. whether it is sufficient for these functions to be deemed critical and to justify a positive public interest assessment, with a view to triggering a resolution process.

9.5 The Financial Stability Board, the Basel Committee on Banking Supervision and the Bank for International Settlements

a) Financial Stability Board

The Banco de España is a member of the Financial Stability Board (FSB), whose Plenary and Steering Committee include the Governor of the Banco de España. **In 2021, the implications of the pandemic continued to shape the FSB work programme.** It published reflections on extending, amending and ending the support measures adopted, it coordinated the preliminary analysis of lessons learnt from a financial stability perspective, and continued to address the vulnerabilities that came to light in the non-bank financial intermediation sector during the market turmoil of March 2020. For further information, see the [FSB website](#).

In addition, **the FSB made further progress in various priority areas.** For example, the FSB published a progress report on the implementation of its high-level recommendations for the regulation, supervision and oversight of **global "stablecoins"**.¹⁷ It also developed a **roadmap on climate change** which establishes a framework to draw together and structure the numerous international initiatives. As for enhancing **cross-border payments**, the FSB published a document setting specific quantitative targets for addressing the challenges of cost, speed, transparency and access, and a progress report on the roadmap published in 2020. The FSB also continued its efforts to support the **transition towards new benchmark rates**.

Noteworthy in the area of resolution was the **2021 Resolution Report**, detailing progress towards the implementation of regulations to improve the resolvability of systemically important institutions and proposals for work in the future.

¹⁷ "Stablecoins" are crypto-assets whose value is pegged to a traditional asset or to a basket of traditional assets through a stabilising mechanism.

b) Basel Committee on Banking Supervision

The Banco de España also forms part of the Basel Committee on Banking Supervision (BCBS), which is chaired by the Governor of the Banco de España. Like other organisations, the BCBS' work programme was also marked by the fallout from the pandemic. For instance, it published a **preliminary assessment report on lessons learnt vis-à-vis the pandemic and the functioning of the Basel framework**. The Committee will continue to work on a more general assessment of the Basel III reforms.

The BCBS also made progress in initiatives to mitigate structural risks and trends. Notable among these are the publication of a consultation on the prudential treatment of banks' crypto-asset exposures. It published two analytical reports on **climate change**, showing how climate risk factors can be captured in traditional risk categories. The Committee will continue to evaluate whether the Basel framework duly picks up these risks and will consider possible regulatory, supervisory and transparency measures.

Other lines of work include those on **operational risk** (completion of the operational resilience principles) and the **Pillar 3 transparency requirements** (finalisation of the requirements relating to the new market risk framework and to sovereign risk exposures, which jurisdictions may adopt on a voluntary basis).

Lastly, with regard to the **annual preparation of the G-SII list, the Committee amended the methodology review process** and agreed to review the implications of developments relating to the European banking union. For further information, see the [BCBS website](#).

c) Bank for International Settlements

The Banco de España participates in the three committees of the Bank for International Settlements (BIS) that analyse the global economy and international financial markets:

- the Global Economy Meeting (attended by the Governor every two months);
- the Committee on the Global Financial System (attended by the Deputy Governor on a quarterly basis);
- the Markets Committee (of which the Director General Operations, Markets and Payment Systems is a member).

During the year, these committees published various reports drawn up with the active participation of Banco de España staff. These reports enable relevant aspects



Tower Building, BIS headquarters in Basel.

of the functioning of financial markets, including the impact of financial innovation, to become more generally known. In 2021 these reports notably included *Changing patterns of capital flows*.

Within the BIS, the Banco de España also participates in the Committee on Payments and Market Infrastructures (CPMI), which in 2021 focused its efforts on developing and implementing an ambitious programme for enhancing cross-border payments, in liaison with the FSB and other international committees and organisations.

9.6 The International Monetary Fund and the G20

In coordination with the General Secretariat of the Treasury and the Ministry of Economic Affairs and Digital Transformation, the Banco de España organises the two rounds of meetings held annually by the International Monetary Fund (IMF) team with economic authorities and the private sector to prepare the annual report on the Spanish economy, known as the *Article IV* report. These include meetings with the Bank's senior officers, in addition to other technical meetings and seminars open to other institutions, to discuss the economic outlook and the risks thereto, as well as to assess economic policies. All of this is ultimately detailed in the *Article IV* report. In 2021, the first round of meetings took place in June and the second in November-December, all held in virtual format. The final report was published in February 2022.

In addition, roughly every five years the Banco de España participates in the preparatory visits of the Financial System Assessment Programme (FSAP). The Banco de España is also actively involved in the IMF's Spring and Annual Meetings. Its three main reports (World Economic Outlook, Global Financial Stability Report and Fiscal Monitor) are presented and discussed at these gatherings. In 2021, the Spring Meetings were held online and the Annual Meetings in a hybrid format. The Banco de España has a representative seconded to the seat on the IMF's Executive Board. This representative reports to the Bank and adopts positions on all matters of interest relating to, inter alia, the IMF's funding policies, loans, governance and oversight of economies and financial systems.

The Banco de España is, furthermore, a fiscal agency and depository of the IMF. As such, it coordinates the payment of quotas, advises the Treasury on Spain's participation in the multilateral debt framework (New Arrangements to Borrow, or NAB) and its bilateral borrowing agreements with the IMF. At end-August, the Banco de España's balance sheet reflected special drawing rights (SDRs) amounting to just over 9 billion – some €11 billion – under the IMF's general allocation of SDRs. The Bank is a loan account holder of the Poverty Reduction and Growth Trust (PRGT) run by the IMF. In 2021 the Banco de España began negotiations to increase its loan to the fund by 350 million SDRs (around €438 million), for the provision of concessional financing to low-income countries. It thus rerouted a portion of the SDRs obtained in the general allocation.

As for the G20, where Spain has permanent guest status, the Banco de España collaborates with the Ministry of Economic Affairs and Digital Transformation. **Together with the representatives of the General Secretariat of the Treasury,**



In 2021, the IMF Spring Meetings were held online and the Annual Meetings in a hybrid format.

it participates in the working groups of the so-called “finance circuit”, including the Framework Working Group, which covers macroeconomic matters; the IFA Working Group, which focuses on international financial architecture-related matters; the Infrastructure Working Group, which handles infrastructure matters; the Global Partnership for Financial Inclusion, which deals with financial inclusion; and the Compact with Africa, which is of particular importance in this context and promotes cooperation to shape policies that benefit the continent.

A new working group was set up in 2021, called the Sustainable Finance Working Group. It mainly works to develop a roadmap to align investment and financing with the Sustainable Development Goals and to assess the financial implications of climate change.

Virtually all of the groups’ meetings were held online in 2021, with efforts focusing largely on policies to exit the COVID-19 crisis.

Indonesia assumed the G20 Presidency towards the end of the year, taking over from Italy. It published its priorities for 2022, which in the financial sphere indicate continuity along similar lines. The main items on the agenda in 2022 include crisis exit strategies and their fairness; their impact on financial stability and the reduction of scarring in the real and financial sector; improvements in cross-border payment systems; central bank digital currencies; the impact of transition policies in the financial arena; financial inclusion in this context; and international taxation.

The Banco de España has close cooperation ties with numerous central banks and other international institutions. In recent years, these relations have been strengthened by cooperative agreements entered into with several institutions, geared towards joint activities that lead to the dissemination of best practices in the various areas of central banking.



Box 2.10 of the *Institutional Report 2020* details the Banco de España's international cooperation with Latin America through memoranda of understanding.

Of particular note in 2021 were the memoranda of understanding signed with the Central Bank of Uruguay in the summer and with the Central Bank of Tunisia in Q4. Further, in May the Banco de España's membership of the Center for Latin American Monetary Studies (CEMLA) officially changed, making it the first central bank from another continent to join as "associate member". The Bank had previously been a "collaborating member". This is in recognition of the Banco de España's resolute support for the CEMLA and represents an opportunity to strengthen the Bank's presence and leadership in the community of Latin American central banks.

After more than a year of pandemic, 2021 was conditioned by the restrictions imposed as a result of COVID-19. The Banco de España's international cooperation activity could be said to have recovered and even exceeded pre-pandemic levels. The number of activities again surpassed the 200 mark (247 in total), rising by 15% as compared with pre-pandemic figures.

Use of IT tools and digital platforms has become the norm. **Many of the face-to-face meetings were moved to a virtual format and the missions and visits were held by videoconference.** The programme of activities – expert meetings, seminars and other fora – increased from eight in 2020 to a total of 25 in 2021, likewise exceeding the 2019 figure (17). Holding meetings in virtual format thus helped to overcome some of the time and distance limitations associated with in-person meetings. In short, the adverse impact of less contact between participants due to the impossibility of meeting in person was compensated by the rise in the number of those able to attend. These continued to climb, rising to 5,675 from 3,883 in 2020. The higher proportion of virtual activities not only helped to drive down economic costs, it also reduced the environmental footprint of the Banco de España's cooperation activities.

Taking into account the geographical areas of activity and continuing the trend of previous years, **Latin America accounted for the highest number of cooperation activities and initiatives in 2021.** Particularly noteworthy were the activities conducted with the central banks of Uruguay, Chile, Colombia, Mexico and Brazil, developing closer ties with these under their respective cooperation arrangements.

Additionally, as a member of the Working Group on International Cooperation, under the auspices of the ESCB's International Relations Committee, since 2019 the Banco de España has participated, together with the ECB and another 20 ESCB national central banks, in the Regional Programme of Strengthening Central Bank Competences and Banking Supervisors of the Western Balkans, financed by the European Commission. This highly successfully programme came to an end in December 2021. The Banco de España was a very active participant in various initiatives under the programme, which included seminars on internal auditing and international relations, high-level meetings on governance and financial stability, and bilateral activities such as an internship with National Bank of Serbia on matters relating to international and European relations. Lastly, work continued as part of the Task Force for Africa, comprising the Banco de España together with the central banks of Portugal, Germany, France, Belgium and Italy, which aims to design a pilot cooperation programme with a group of African countries for implementation once the pandemic is over.

11 REGULATORY CHANGES

Six Banco de España circulars were approved in 2021, in the exercise of the regulatory powers set out in its Internal Rules (IRBE). Further, other State and EU-level legislation affecting the Banco de España's functions and competencies was approved.

Schema 2.5 summarises the main regulatory developments in 2021.

Schema 2.5

MAIN LEGISLATIVE DEVELOPMENTS IN 2021

CIRCULARS APPROVED UNDER THE REGULATORY POWERS SET OUT IN THE IRBE

Banco de España Circular 1/2021 of 28 January 2021 amending Banco de España Circular 1/2013 of 24 May 2013 on the Central Credit Register and Circular 5/2012 of 27 June 2012 to credit institutions and payment service providers on the transparency of banking services and responsible lending.

Banco de España Circular 3/2021 of 13 May 2021 amending the definition of the benchmark interest rates based on the euro short-term rate (€STR) set out in Banco de España Circular 5/2012 of 27 June 2012 to credit institutions and payment service providers on the transparency of banking services and responsible lending.

Banco de España Circular 5/2021 of 22 December 2021 amending Banco de España Circular 2/2016 of 2 February 2016 to credit institutions on supervision and solvency, which completes the adaptation of Spanish law to Directive 2013/36/EU and to Regulation (EU) No 575/2013.

Banco de España Circular 2/2021 of 28 January 2021, amending Banco de España Circular 8/2015 of 18 December 2015, to institutions and branches belonging to the Deposit Guarantee Scheme for Credit Institutions (DGSCI), on information for determining the basis of calculation of contributions to the DGSCI.

Banco de España Circular 4/2021 of 25 November 2021 to credit institutions and other supervised institutions on confidential return models relating to market conduct, transparency and customer protection, and on the complaints register.

Banco de España Circular 6/2021 of 22 December 2021, amending Banco de España, Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and formats, and Banco de España Circular 4/2019 of 26 November 2019 to specialised lending institutions on public and confidential financial reporting standards and formats.

STATE-LEVEL LEGISLATION WITH A PARTICULAR BEARING ON THE BANCO DE ESPAÑA

Royal Decree 2/2021 of 12 January 2021 approving the Regulation implementing Audit Law 22/2015 of 20 July 2021. This Royal Decree envisages the creation of the Account Audit Committee, the Accounting Council and the Accounting Advisory Committee (all with a representative of the Banco de España among their members), with public supervision tasks.

Royal Decree-Law 7/2021 of 27 April 2021 amending, among others, Law 10/2010 of 28 April 2010 on the prevention of money laundering and terrorist financing. In particular, this legislation:

- Amends the **cooperation arrangement between the Banco de España and the competent authorities in the prevention of money-laundering and terrorism financing**.
- Creates the **register of providers engaged in exchange services between virtual and fiat currencies and custodian wallet providers** established to that end at the Banco de España.
- Amends other legislation that affects the activity of the Banco de España, specifically Law 41/1999 of 12 November 1999 on **payment systems and securities settlement**, and Law 10/2014 of 26 June 2014 on the **regulation, supervision and solvency of credit institutions**.

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

EU-LEVEL LEGISLATION WITH A PARTICULAR BEARING ON THE BANCO DE ESPAÑA

Guidelines (EU) 2021/2253 and 2021/2256 of the European Central Bank of 2 November 2021 laying down the principles of the **Ethics Frameworks for the Eurosystem and the Single Supervisory Mechanism**, respectively. These provisions must be transposed to the Banco de España's regulations by 1 June 2023.

SOURCE: Banco de España.