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**26.05.2022**

**Opening address**

Autocontrol General Assembly

Margarita Delgado

Deputy Governor

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I would like to thank Autocontrol for inviting me to open this General Assembly. It is a pleasure for me to be able to take part in this event. This is not the first time the Banco de España has opened an Autocontrol general assembly. In 2017, the Director of the Institutions' Conduct Department took part in an event just like today's.

Indeed, that very Department, within the Banco de España's new Directorate General Financial Conduct and Banknotes, works in regular collaboration with Autocontrol, at all times with the aim of ensuring that the advertising of banking products and services is clear, balanced, impartial and sufficient. These aims and principles are common to advertising across all sectors of the economy, not only the financial sector, and fall within the remit of Autocontrol.

Advertising is the first point of contact between businesses and potential customers, so the messages and information conveyed tend to have a major impact on the expectations raised regarding products, and on the decision-making process that ensues. It is essential that potential customers can trust that the environment is sufficiently secure and conducive to relationships that are less prone to conflict once a product has been bought or a contract signed.

As far as banking products and services are concerned, given that the financial commitments undertaken by a bank's customers are often long-term in nature, this **bank-customer relationship is particularly important**. With this in mind, **oversight of the advertising activities** of financial institutions is a core element of the framework of conduct, in order to ensure that relationships between banks and their customers are properly established and maintained. In recent years it has become clear that ensuring that banks conduct themselves appropriately with their customers and raising the level of financial literacy among the general public are of crucial importance for financial stability, the sector's reputation and trust in the banking system itself.

**The key role played by financial institutions** in channelling funds to the real economy explains why the financial sector is **regulated**. Moreover, the sector is subject to **rigorous supervision**. Such supervision seeks to **guarantee the solvency of financial institutions** and to uphold appropriate conduct on the part of banks, with the aim of ensuring that bank customers are duly protected.

Without doubt, the **trust** of the general public is necessary if the financial services market is to function properly. Recent years have seen a growing number of **disputes** between banks and their customers, which, moreover, have come in for considerable **media scrutiny**, **undermining that necessary principle of trust**. Supervision of banks' conduct now has a **pivotal role to play if such trust is to be restored**.

Allow me to note that, in late April 2022, the Banco de España's Governing Council approved the creation of the new **Directorate General Financial Conduct** and Banknotes, seeking to highlight the importance of institutions' conduct and better harness potential synergies within the Banco de España in a bid to boost financial literacy.

Supervision of conduct is thus key and must be carried out at every stage of the **bank-customer relationship**. As I mentioned earlier, advertising is the first point of contact in such relationships and calls for specific rules and regulations, to which I now turn.

The rules and regulations on transparency and bank customer protection have evolved over time, alongside the specific regulations governing the advertising of bank products and services. It is worth remembering that, until 2010, Spain had a system of prior administrative authorisation for advertising by credit institutions. The entry into force of Ministerial Order EHA/1718/2010<sup>1</sup> brought an end to this prior authorisation system, replacing it with an advertising oversight system based on a **dual approach**. First, **prevention**, consisting of the criteria drawn up by the Banco de España on the clarity, sufficiency and impartiality of advertising messages, as well as the internal procedures and controls set in place by banks to ensure that these criteria are observed. Second, correction, whereby any advertising not in line with the regulations can be withdrawn or rectified and any inappropriate conduct sanctioned.

The general criteria and principles to be met by advertising, and the general criteria concerning the minimum content and format of advertising messages, were set out in Circular 6/2020. I would like to highlight that one of the major new developments introduced by this circular was to encourage banks to **sign up to advertising self-regulatory bodies, systems that have** undoubtedly earned the approval of the European authorities.

Subsequently, among other aspects, **Circular 4/2020** amended the scope of application of the advertising rules and regulations to include new parties, such as real estate lenders and credit intermediaries. It also sought to fine tune the principles and criteria in order to adapt advertising to developments in the advertising sector and, in particular, to the impact of digital technology, while at the same time ensuring more effective oversight.

**Digitalisation** is clearly on the rise across the board. In this area in particular, **the advantages it offers for the dissemination** of advertising messages can be harnessed. In 2021, for the third year running, **digital media** ranked first in volume of advertising investment, accounting for more than 45% of the total. The financial sector took second place in advertising investment by sector, surpassed only by the **distribution and food service activities** sector.

Taking their lead from the European model, the current advertising rules and regulations seek to ensure that advertising activities are properly managed in two ways.

First, the aim is to ensure that responsibility for the design of advertising lies with the banks themselves. The rules and regulations require that they draw up suitable business communication policies and internal procedures. The idea is to foster a more disciplined approach to the marketing of banking products and services by **involving banks' governing bodies** and, in particular, their **internal control** functions. Banks are also encouraged to voluntarily sign up to advertising self-regulatory bodies. The goal is to encourage **clear and honest** advertising practices, thereby safeguarding the **interests of**

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<sup>1</sup> <https://www.boe.es/buscar/doc.php?id=BOE-A-2010-10315>.

**customers**, while also minimising the **specific legal and reputational risks of financial institutions**.

**Second**, the **ex post** oversight of advertising activities by the Banco de España seeks to ensure that any inappropriate conduct may be remedied, while also enabling the supervisor to require that advertising campaigns and adverts be withdrawn or rectified.

Since the current ex post advertising oversight system was set in place, the Banco de España has required that certain advertising campaigns and adverts be withdrawn or rectified, and has carried out supervisory initiatives aimed at verifying compliance with the advertising rules and regulations. It has also pursued much regulatory and interpretative activity in this area.

In 2021, as part of its supervision of advertising activities, the Banco de España's Institutions' Conduct Department paid particular attention to the manner in which banks had adapted to Banco de España Circular **4/2020**, as well as other aspects of particular interest, such as the marketing of revolving credit cards and auto finance. The Department also analysed the commercial communication policies of new banks embarking on advertising activities. A total of 146 requirements to withdraw or rectify advertising were made, of which 57 (39%) culminated in withdrawal and 77 (53%) in rectification.

That said, I would like to stress that the Banco de España takes a positive view of self-regulation in various areas of conduct, and in advertising in particular. Banks should not restrict themselves to merely complying with the rules and regulations. They must go the extra mile, fostering a **culture of good practice** within their organisations, at all times acting honestly and professionally, with the rights and interests of their customers in mind.

Autocontrol is currently Spain's only advertising self-regulatory body, with a track record stretching back over more than two decades, and can count around **120** banking sector institutions among its members.

At the European level, self-regulatory mechanisms are considered useful, effective instruments for guaranteeing the suitability of the business relationships and practices of the different economic agents, and work is currently under way, particularly at the European Economic and Social Committee, on defining the scope and raising the profile of such mechanisms.

To conclude, advertising is our first introduction to a product, and helps customers to choose the one that best meets their needs. With an ever broader range of products and services marketed via increasingly innovative channels, the **clarity and veracity** of advertising messages takes on greater importance. It is also a key factor underpinning competition between banks, which, as I stressed earlier, is key to safeguarding the best interests of customers in their financial choices.

It is incumbent upon all of us – banks, advertisers, self-regulatory systems and supervisors – to ensure that the advertising messages that reach the public are clear and impartial and create reasonable expectations in keeping with the actual characteristics of a product. Here at the Banco de España we are committed to this task, both in the form of supervision of

conduct and our participation in the agreements and measures designed to enhance **financial literacy**.

Moreover, in response to this changing environment, our new internal organisation will enable us to better capitalise on the synergies and close contact with the general public our branch network offers. This network will increasingly support our activities in the areas of conduct supervision and financial literacy, ensuring they reach a wider audience. And I have no doubt that advertisers, supervised institutions and Autocontrol itself will maintain and step up their efforts in this area, for which they can count on our unstinting support.

Thank you.