



PRESS RELEASE

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Financial Stability Review. Spring 2020

The spring edition of the [Financial Stability Review](#), published today on the Banco de España website, contains the following articles:

“BigTech banks, financial stability and regulation”, by Jorge Padilla

The development of BigTechs may transform the retail banking industry in radical ways, by spurring competition in the short term, but also by increasing financial instability and encouraging even greater concentration in credit markets in the long term. This article analyses the implications of the development of BigTechs for traditional banks and competition. Further, the article considers the financial stability risks caused by these firms’ entry into banking and discusses policies aimed at curbing these risks. The author concludes that the final result will depend on several factors, including how regulators respond to the new challenges posed by the emergence of “BigTech banks”.

“Taxonomy of the Spanish FinTech ecosystem and drivers of FinTech performance”, by Santiago Carbó-Valverde, Pedro J. Cuadros-Solas and Francisco Rodríguez-Fernández

This article examines the evolution and drivers of Spanish FinTech firms’ performance. Compared to its international peers, Spain has a high ratio of FinTech firms per capita (five firms per million inhabitants), but relatively low levels of investment and FinTech credit (€3.4 per capita). Most of these companies are focused on B2B solutions, obtain revenue via fees or commissions and were founded by entrepreneurs in large cities such as Madrid and Barcelona. Moreover, the authors conclude that the increase in the funds invested in the Spanish FinTech sector is mainly due to increased venture capital investment, and that those firms that have received external financing in the form of seed capital exhibit lower returns.

“FinTech: outlook and data collection challenges”, by Jara Quintanero, Román Santos, Ana Fernández and Auxi Moreno

Changes stemming from digitalisation might affect the usefulness and representativeness of the more traditional sources of financial information. Accordingly, its scope needs to be measured and its implications assessed. In Spain there is no official register of FinTech firms and, consequently, the Banco de España is currently demarcating this ecosystem for statistical purposes and for monitoring financial innovation, identifying the various types of firms operating within it and some of their basic characteristics. It may be concluded that, for the time being, the FinTech sector is comparatively very small relative to the Spanish financial sector as a whole. Nevertheless, the authors consider it necessary

for the Banco de España to monitor this activity on an ongoing basis and to maintain close co-operation with the sector and other relevant domestic and international financial authorities.

“The outlook for the digitalisation of Spanish banks: risks and opportunities”, by Carolina Toloba and José Miguel del Río

The rapid developments in technology, expectations of digital customers and the emergence of new competitors have driven banks to overhaul. This article describes the current situation regarding the digitalisation of Spanish banks. In recent years, banks have reassessed their business models, improved their internal processes to be more efficient, developed digital transformation plans and pursued a customer-centred strategy, providing more personalised products and services. Lastly, the authors consider that digital transformation offers major opportunities for consumers and banks, but that it also generates risks that pose a significant challenge for supervisors.

“The Banco de España in-house credit assessment system”, by Sergio Gavilá, Alfredo Maldonado and Antonio Marcelo

For monetary policy operations, it is fundamental to have an assessment of the risks associated with the assets posted as collateral by counterparties. In the case of bank loans, the national central banks in the Eurosystem have the option of developing in-house systems to perform credit assessments of the debtors of such loans. The Banco de España has used such systems to perform credit assessments of Spanish companies since the late 1990s. This article presents these systems, known as ICASs. The authors also summarise the developments currently under way - spurred by the COVID-19 crisis - towards being able to assess any Spanish company.

“Euro risk-free interest rates: the transition from EONIA to the €STR”, by Inmaculada Álvarez López and Pablo Lago Perezagua

Following the financial crisis, the need for appropriate and reliable benchmark rates became clear, given the loss of EONIA’s representativeness owing to the decline in the volume of transactions and the manipulation of some of the main benchmark rates, such as LIBOR. The article describes the key features of the new euro risk-free interest rate, known as the euro short-term rate (€STR), and why it was created. Furthermore, the article details the transition required to gradually replace EONIA, which has until now served as the benchmark for many money market contracts and as an indicator for monetary policy decisions in the Eurosystem.

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