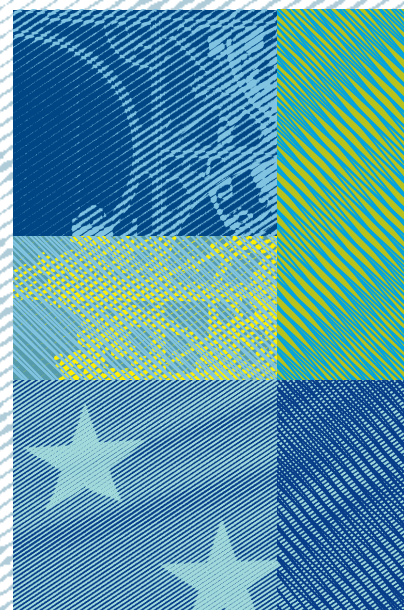


INSTITUTIONAL REPORT

2017

BANCO DE **ESPAÑA**
Eurosistema



INSTITUTIONAL REPORT 2017

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FOREWORD BY THE GOVERNOR

Luis M. Linde

The Banco de España, in the exercise of the functions assigned to it by law, has a long tradition of publishing various reports that analyse and assess, in relation to the institution's different areas of work, the main developments shaping economic activity, the financial system and payment systems in Spain and internationally.

These specific documents are complemented by others, such as this report, that are intended to provide an overall view of the structure and functions of the Banco de España, and to summarise the principal institutional activities carried out over the year. The aim of this report is to give the public at large a fuller view of our organisation and of the different operational frameworks in which the Banco de España performs its functions.

As in 2016, its first year of publication, the Institutional Report is again divided into three chapters, describing the main features of our organisation and the activities it performed in 2017.

The first, entitled "Corporate Governance Report", explains what the functions, tasks and responsibilities of the Bank are, its governing and management bodies, the main documents it regularly publishes and the form and means by which the public can access information about our institution. The second chapter, "Activity Report", summarises the main areas of activity of the Banco de España, both as a central bank and banking supervisor. The third chapter, "Institutional Responsibility Report", covers other social activities carried out by our institution, such as those relating to financial education, research grants and contributions to culture and art heritage.

With this publication, the Banco de España wishes to provide all those interested in the work of our institution with a document, set out in a straightforward and accessible format, that promotes greater transparency and a better understanding of our organisation and of our core functions and activities.





Accounting ledgers of the Banco de San Carlos, from the Historical Archive of the Banco de España. 1787-1824.

1.1 FUNCTIONS OF THE BANCO DE ESPAÑA

The Banco de España is the national central bank and, together with the ECB, the supervisor of the Spanish banking system, within the framework of the SSM.

The Banco de España is the national central bank and, together with the European Central Bank (ECB), the supervisor of the Spanish banking system, and as such performs the functions conferred on it within the framework of the European System of Central Banks (ESCB) and the Single Supervisory Mechanism (SSM).

The activity of the Banco de España is regulated by Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España (hereafter, the “Law of Autonomy”). This law is mainly implemented through the Internal Rules of the Banco de España (IRBE), approved by the Governing Council Resolution of 28 March 2000. These rules have been amended on several occasions, in order to incorporate European and Spanish regulatory changes over the years. Particularly noteworthy are the changes arising at the beginning of stage three of Economic and Monetary Union, on 1 January 1999, which led to some of the functions carried out until then by the national central banks (NCBs) of the euro area being redefined, especially as regards monetary policy. Equally important was the entry into operation of the SSM on 4 November 2014, which established a single banking supervision system for European banks directly affecting the most significant credit institutions in the euro area.

In accordance with the Law of Autonomy, the Banco de España acts with autonomy and independence from the central government, and may not accept instructions from the government or any other national or EU body in the exercise of its functions as an ESCB member.

The Banco de España is part of the ESCB and of the Eurosystem.

The Banco de España forms part of the ESCB, together with the ECB and the NCBs of all the Member States of the European Union. The Banco de España also forms part of the Eurosystem, together with the ECB and the NCBs of the EU Member States which have adopted the euro as the single currency. In this context of integration, the Banco de España is subject to the provisions of the Treaty of the Functioning of the European Union (TFEU), the Statutes of the ESCB and the ECB and Council Regulation (EU) 1024/2013 of 15 October 2013, which confers specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions.

The Banco de España’s functions and action principles as a central bank and member of the ESCB and Eurosystem, and as a banking supervisor within the SSM framework, are summarised below.

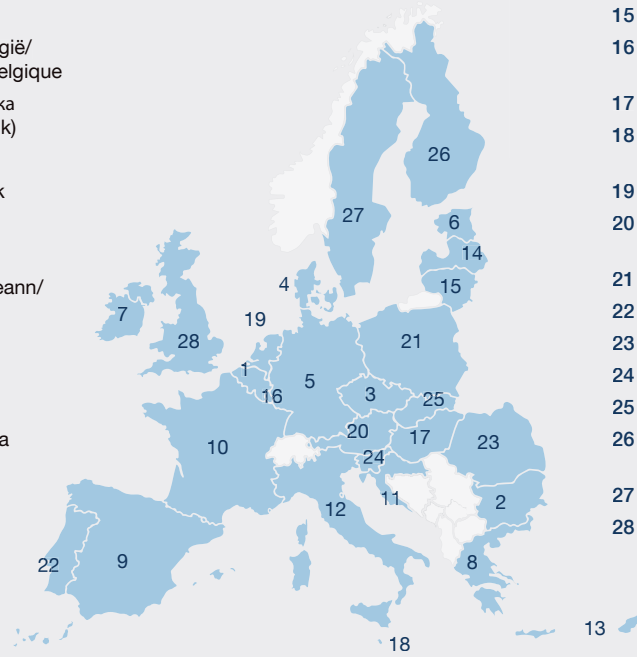
1.1.1 Functions as a member of the ESCB and as a national central bank

As a member of the ESCB and the Eurosystem, the Banco de España contributes to defining and implementing monetary policy in the euro area.

The ESCB comprises the ECB and all the NCBs of the EU Member States, regardless of whether or not they have adopted the euro as the single currency. As a national central bank, since 1 January 1999, the Banco de España has been involved in performing certain basic functions attributed to the ESCB. In this context, as part of the Eurosystem, the Banco de España’s main function is to contribute to defining and implementing European monetary policy, with the principal aim of maintaining price stability across the euro area for the common good.

EUROPEAN SYSTEM OF CENTRAL BANKS: THE ECB AND THE 28 NATIONAL CENTRAL BANKS OF THE EU

- € European Central Bank
- 1 Nationale Bank van België/
Banque Nationale de Belgique
- 2 Българска народна банка
(Bulgarian National Bank)
- 3 Česká národní banka
- 4 Danmarks Nationalbank
- 5 Deutsche Bundesbank
- 6 Eesti Pank
- 7 Banc Ceannais na hÉireann/
Central Bank of Ireland
- 8 Bank of Greece
- 9 Banco de España
- 10 Banque de France
- 11 Hrvatska narodna banka
- 12 Banca d'Italia
- 13 Central Bank of Cyprus
- 14 Latvijas Banka



- 15 Lietuvos bankas
- 16 Banque centrale du
Luxembourg
- 17 Magyar Nemzeti Bank
- 18 Bank Ċentrali ta' Malta/
Central Bank of Malta
- 19 De Nederlandsche Bank
- 20 Oesterreichische
Nationalbank
- 21 Narodowy Bank Polski
- 22 Banco de Portugal
- 23 Banca Națională a României
- 24 Banka Slovenije
- 25 Národná banka Slovenska
- 26 Suomen Pankki/
Bank of Finland
- 27 Sveriges Riksbank
- 28 Bank of England

THE EUROSISTEM: THE ECB AND THE 19 NATIONAL CENTRAL BANKS IN THE EURO AREA



As part of the ESCB and the Eurosystem, the Banco de España performs different functions relating to the management of official reserves, foreign exchange transactions, the promotion of the strong functioning of payment systems, and the issuance of euro banknotes.

In addition, as a national central bank, the Banco de España places coins into circulation, provides treasury and financial agent services for government debt and gives emergency liquidity assistance.

The Banco de España performs supervisory functions within the framework of the SSM.

In this sphere, the Banco de España is also responsible for the function of carrying out foreign exchange transactions which are consistent with the provisions of Article 219 of the TFEU, and those arising from the management of the official reserves. In addition, the Banco de España must promote the sound working of payment systems in the euro area, ensuring that they are safe and effective, as well as guarantee the safety of payment instruments. It also shares the task of issuing banknotes in euros.

Moreover, recognising the functions resulting from membership of the ESCB and the Eurosystem, the Law of Autonomy attributes to the Banco de España the performance of different functions as a national central bank.

The Banco de España has been attributed certain tasks such as placing coins into circulation, providing treasury and financial agent services for government debt, and granting emergency liquidity assistance to institutions. The latter function is part of the task of promoting the sound working and stability of the financial system and of national payment systems.

1.1.2 Functions as a supervisory authority

Until the entry into operation of the SSM on 4 November 2014, the Banco de España acted as the supervisory authority for all credit institutions and other financial institutions operating in Spain, and in that capacity, supervised the solvency, conduct and compliance of the specific regulations of banks, savings banks, credit cooperatives, branch offices of foreign credit institutions, payment institutions, specialised lending institutions, electronic money institutions, mutual guarantee and guarantee companies, currency exchange establishments and appraisal companies.¹

The entry into operation of the SSM on 4 November 2014 —a first step² towards the so-called “Banking Union”—, led to the establishment of a new integrated European system for the supervision of financial institutions that combines the leadership of the ECB, in a supervisory role, with the involvement of the national competent authorities (NCAs) of the

-
- 1 The powers of branch offices of institutions in EU countries are limited to controlling the branch's liquidity and ensuring compliance with rules laid down for reasons of general interest.
 - 2 To complete this process, another two fundamental pillars are needed: i) the Single Resolution Mechanism, which entered into operation in January 2015, and ii) a harmonised deposit guarantee system, still to be created.



The Governing Council of the European Central Bank.

euro area countries (including the Banco de España) and other EU Member States who wish to join it, establishing a close cooperation with the ECB. The main objectives of the SSM are to guarantee the security and solidity of the European banking system and to increase financial integration and stability in Europe.

The ECB is responsible for ensuring that the SSM is effective and consistent and exercises oversight over the banking system. To guarantee effective supervision, credit institutions are classified as “significant” and “less significant.”

The ECB directly supervises “significant” institutions, in collaboration with the NCAs.

The ECB directly supervises the institutions considered to be “significant” through the joint supervisory teams, whose work is coordinated by an ECB staff member, assisted by one or more NCA sub-coordinators. Among other duties, these teams are responsible for the ongoing assessment of institutions’ risk profiles, solvency and liquidity, and for preparing the draft decisions to be submitted to the governing bodies of the ECB.

The Banco de España takes part in decision-making relating to significant credit institutions through its representatives on the Governing Council (the Governor) and the Supervisory Board (the Deputy Governor) of the ECB.

With respect to significant institutions, the NCAs, including the Banco de España, provide assistance to the ECB, contributing their experience and the bulk of inspectors that form part of the joint supervisory teams.

The NCAs directly supervise “less significant” institutions, in accordance with ECB guidelines.

Less-significant institutions are directly supervised by the NCAs and indirectly by the ECB. In these cases, the ECB, which has ultimate responsibility for the functioning of the SSM, may issue guidelines to ensure consistent supervision in participating countries, request additional information, or even take over the direct supervision of a less significant institution if it considers it necessary.



The Supervision Council of the European Central Bank.

The applied supervisory model is risk-based and implements supervisory practices that take into account the proportionality principle, adapting the supervisory intensity to the systemic importance and risk profile of the supervised institutions. It is based on four key elements: i) effective and prudent regulation; ii) continuous supervision of financial institutions; iii) a set of corrective measures, and iv) a disciplinary and sanctioning system which may be applied to both institutions and their directors.

Lastly, the Banco de España also supervises institutions' compliance with the «rules of conduct», that is, those aimed primarily at establishing specific regulations regarding transparency in relation to banking products.

1.1.3 Other functions

In addition, the Banco de España undertakes other tasks such as preparing and publishing statistics and reports, advising the Government, promoting financial stability and implementing the preventive resolution of credit institutions.

The Banco de España prepares statistics and reports relating to its functions and advises the Government.

The statistical function of the Banco de España is established in its Law of Autonomy and in the National Statistics Plan. The Law of Autonomy provides that the Banco de España shall compile and publish statistics related to its functions and that it shall assist the ECB in the compilation of the statistical information needed for the fulfilment of the ESCB's functions. Accordingly, the Banco de España prepares statistics relating to financial institutions and markets and interest rates. The Banco de España also prepares the Balance of Payments and the International Investment Position, the Financial Accounts of the Spanish Economy, and Public Debt Market, according to the Excessive Deficit Protocol (EDP), the Survey of Household Finances and, since 2016, the Financial Competence Survey.

Finally, the functions of the Banco de España include, inter alia, advising the Government on different matters, including financial regulation developments.

The Banco de España is responsible for promoting the stability of the financial system and for the preventive resolution of credit institutions in the European framework.

The Law of Autonomy attributes to the Banco de España the smooth operation and stability of the financial system. Accordingly, the Banco de España analyses and monitors financial stability in the Financial Stability Report, a half-yearly publication. Also, in conformity with Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, and its subsequent implementing regulations, the Banco de España is also responsible for proposing macroprudential policy measures relating to its areas of competence.

Finally, Law 11/2015 of 18 June on the recovery and resolution of credit institutions and investment firms confers preventive resolution functions to the Banco de España. Specifically, according to the distribution of responsibilities established by the Single Supervisory Mechanism, the Banco de España is responsible for preparing preventive resolution plans which include the necessary measures to facilitate the resolvability of credit institutions in the event of failure.

1.2 GOVERNING BODIES OF THE BANCO DE ESPAÑA

1.2.1 *The Governor*

The Governor of the Banco de España heads the institution. He/she is appointed by the King, at the proposal of the Prime Minister, from among Spaniards of acknowledged competence in the fields of Economics or Law, for a non-renewable six-year term, to guarantee the independence of the institution. The current Governor is Luis M. Linde, whose appointment was made public by Royal Decree 909/2012 of 8 June. His mandate began on 11 June 2012 and will end on 11 June 2018.

The Governor heads the Banco de España and acts as its representative at national and international institutions and organisations.

The Governor directs the Banco de España on an exclusive basis, chairs the Governing Council and the Executive Commission, and acts as the legal representative of the Bank at those institutions and international organisations in which its participation is envisaged. The Governor is also a member of the Governing Council and the General Council of the ECB. Lastly, the Governor represents the Banco de España before the Spanish Parliament in the institutional sphere.

1.2.2 *The Deputy Governor*

The Deputy Governor stands in for the Governor and performs the duties established by the IRBE or delegated by the governing bodies.

The Deputy Governor of the Banco de España is appointed by the Government, at the proposal of the Governor, from among Spaniards of acknowledged competence in the fields of Economics or Law, for a non-renewable six-year term.

The current Deputy Governor is Javier Alonso Ruiz-Ojeda, whose mandate commenced on 1 January 2017. His appointment was made public by Royal Decree 721/2016 of 23 December.

The Deputy Governor stands in for the Governor when the post is vacant or in the event of the latter's absence or illness, and performs the duties established by the IRBE or delegated by the Governor, or the Governing Council or Executive Commission of the Banco de España. The Deputy Governor is a member of the Banco de España's Governing Council and Executive Commission and is an ex officio member of the other collegiate bodies to which he has been appointed under current legislation.

1.2.3 *The Governing Council*

a) Composition

The Governing Council is comprised of the Governor, the Deputy Governor, six council members appointed by the Government and two ex officio members.

The Governing Council of the Banco de España is comprised of the Governor, the Deputy Governor, six elected council members and two ex officio members, according to their position: the General Secretary for Treasury and Financial Policy and the Vice-President of the National Securities Market Commission (CNMV, by its Spanish abbreviation).

The elected council members are appointed by the Government at the proposal of the Minister for Economic Affairs, Industry and Competitiveness, following consultation with

the Governor, from among Spaniards of acknowledged competence in the fields of Economics or Law. They are appointed for a six-year term, renewable only once.

The Governing Council is presided over by the Governor – or by the Deputy Governor in his absence – and the General Secretary of the Banco de España acts as secretary thereto, attending the meetings in a non-voting capacity. Finally, the Directors-General of the Bank and a staff representative also attend the Governing Council meetings as non-voting participants.

In 2017, the Governing Council was composed of:

- The Governor: Luis M. Linde.
- The Deputy Governor: Javier Alonso.
- Council members:³ Ángel Luis López Roa, Vicente Salas, Fernando Eguidazu, Guillem López i Casanovas, Carmen Alonso, Maximino Carpio, Rafael Castejón and Núria Mas.
- The General Secretary for Treasury and Financial Policy: Emma Navarro.
- The Vice-President of the CNMV: Ana María Martínez-Pina.
- The Secretary: Francisco-Javier Priego, General Secretary of the Banco de España.
- Non-voting participants: the Directors-General of the Bank (in 2017: Manuel Labrado, Julio Durán, Mariano Herrera, Pablo Hernández de Cos, Juan Ayuso, Concepción Jiménez and Jesús Saurina).⁴ The meetings are also attended by a staff representative (Mariano Serrano).

b) Functions of the Governing Council

The Governing Council approves the general guidelines for Bank activity, approves circulars and adopts resolutions for sanctioning proceedings.

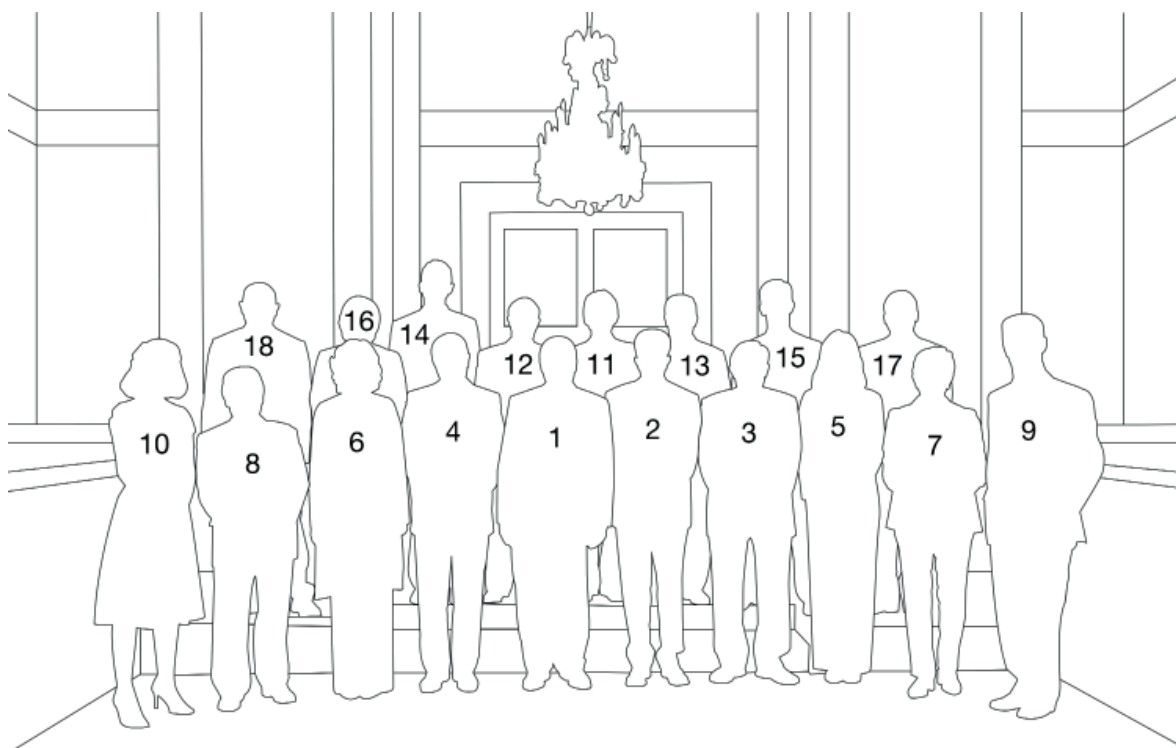
The functions of the Governing Council of the Banco de España are established in Article 21 of the Law of Autonomy, according to which the Governing Council of the Banco de España approves the general guidelines for Bank activity so it may fulfil the functions entrusted to it. Additionally, it discusses matters relating to monetary policy and supervises the Bank's contribution to the implementation of ESCB monetary policy, duly observing the ECB's guidelines and instructions and the Governor's independence and obligation of secrecy as a member of the ECB's governing bodies.

The Governing Council also approves the Banco de España's circulars, that is, the provisions it issues to develop the regulations. The Governing Council also imposes sanctions that fall within its remit, reporting quarterly to the Ministry for Economic Affairs, Industry and Competitiveness on any sanctioning proceedings in progress and on the resolutions adopted.

Lastly, the functions of the Governing Council include appointing, at the Governor's proposal, the two council members of the Executive Commission and the three council

³ Ángel Luis López Roa and Guillem López i Casanovas completed their respective terms as council members of the Banco de España in January and March 2017, respectively, and were replaced by Fernando Eguidazu and Núria Mas.

⁴ Mariano Herrera resigned from his post in February 2017.



The Governing Council of the Banco de España.

1. Luis M. Linde; 2. Javier Alonso; 3. Vicente Salas; 4. Fernando Eguidazu; 5. Emma Navarro; 6. Ana María Martínez-Pina;
7. Carmen Alonso; 8. Maximino Carpio; 9. Rafael Castejón; 10. Nùria Mas; 11. Francisco-Javier Priego; 12. Manuel Labrado;
13. Julio Durán; 14. Pablo Hernández de Cos; 15. Juan Ayuso; 16. Concepción Jiménez; 17. Jesús Saurina; 18. Mariano Serrano.

members of the Audit Committee from among its elected council members; ratifying the appointments of the Banco de España's Directors-General; preparing the annual accounts and approving the budget proposals of the Banco de España as well as its *Annual Report* and, if appropriate, any other reports that must be submitted to Parliament, the Government or the Minister for Economic Affairs, Industry and Competitiveness; and adopting any other resolutions that may be necessary for performance of the tasks assigned to the Bank that do not fall within the exclusive competence of the Executive Commission.

In 2017, the Governing Council held a total of 19 meetings.

1.2.4 The Executive Commission

a) Composition

Another of the Banco de España's collegiate decision-making bodies is the Executive Commission. It is formed by the Governor, as chair, the Deputy Governor and two members appointed by the Governing Council at the proposal of the Governor, from among the elected members of the council (for a period equal to the remainder of their ordinary mandates as council members).

The council members on the Executive Commission in 2017 were Ángel Luis López Roa (until 22 January 2017), Vicente Salas and Fernando Eguidazu (who covered the vacancy arising from the expiry of Ángel Luis López Roa's term as council member).

The Executive Commission meetings are attended, in a non-voting capacity, by the General Secretary of the Banco de España, who acts as secretary thereto. Finally, the Directors-General of the Bank also attend the Executive Committee meetings as non-voting participants.

b) Functions of the Executive Commission

The Executive Commission contributes to the implementation of ESCB monetary policy, adopts administrative resolutions and other measures within the scope of its supervisory powers, and manages the Bank's internal organisation and administration.

The Executive Commission is responsible for managing the Bank's internal organisation and administration in the private sphere.

Subject to the guidelines of the Governing Council, the functions conferred on the Executive Commission by the Law of Autonomy which include, inter alia, contributing to the implementation of ESCB monetary policy, resolving administrative authorisations to be granted by the Bank in connection with the supervised institutions, and adopting measures relating to intervention and replacement of directors, initiating and resolving sanctioning proceedings and issuing recommendations and requests of the Banco de España to credit institutions, all within the framework of the SSM.

Lastly, the Executive Commission is also responsible for the approval of internal circulars and for submitting proposals to be subsequently adopted by the Governing Council.

In 2017, the Executive Commission held a total of 54 meetings.

1.2.5 Committees and commissions

In addition to the aforementioned collegiate governing bodies, the Internal Rules of the Banco de España provide for the creation of other internal bodies, such as the Audit Committee and the Management Committee.

The Audit Committee is responsible for auditing the annual accounts of the Banco de España and supervising the functioning of audit and internal control services.

The Audit Committee is responsible for auditing the annual accounts of the Banco de España and supervising relations with external auditors and the functioning of audit and internal control services.

It is formed by three members of the Governing Council, appointed by the latter, from among the elected council members. In 2017, this committee comprised Ángel Luis López Roa (as chairman until January 2017), Carmen Alonso and Maximino Carpio. In January 2017, Maximino Carpio replaced Ángel Luis López Roa as chairman, upon expiry of the latter's mandate, and Rafael Castejón joined the committee as a new member.

The Management Committee advises the governing bodies and coordinates the activities of the Directorates General.

The Management Committee is made up of the Governor, the Deputy Governor and the Directors General. Its functions notably include: i) advising the Governor and the Deputy Governor on matters or decisions, as required; ii) assisting them in the preparation of matters to be presented to the Governing Council and the Executive Commission, and compliance with the agreements reached with these bodies, and iii) coordinating the activities of the different Directorates General.

Lastly, the Executive Commission may set up internal commissions and committees to examine and resolve any matters considered appropriate. Accordingly, the Banco de España has a number of internal commissions and committees whose fundamental role is to provide advice and coordination to the Directorates General.

The purpose of the internal committees is to coordinate the institution's various activities relating to different operational areas. The Bank's main external committees, and their key functions, are described below:

Risk Management Committee: This committee is chaired by the Deputy Governor, and its main functions are to propose the key risk policies of the Banco de España, and the risk measurement methodologies and risk monitoring and control frameworks.

Business Continuity Committee: Its core mission is to design the business continuity strategy and ensure that the Banco de España puts in place the necessary measures and means to implement it. This committee is chaired by the Deputy Governor.

Information Systems Committee: This committee is chaired by the Deputy Governor and is responsible for establishing, and monitoring, the Banco de España's annual systems plan, participating in any strategic measures relating to information systems affecting the Bank.

International Cooperation Committee: The Deputy Governor chairs this committee, which is chiefly responsible for defining the strategic lines of action as regards international cooperation, and for decision-making at the highest level and strategic coordination.

Budget Committee: The main tasks of this committee, chaired by the Director General Services, are to analyse the Banco de España's draft annual budget and monitor the approved budget; analyse and monitor the inclusion of appropriations from one year to the next; report and, if is the case, submit proposals for the transfer of budget appropriations; and give advance notice of proposals to grant extraordinary and supplementary appropriations.

Comprehensive Security Committee: This committee is responsible for proposing the adoption of decisions by the Banco de España relating to security matters. It is chaired by the Director General Services.

Documentary Policy and Assessment Committee: This committee is responsible for defining the characteristics for the classification, use and preservation of Banco de España documents, and for studying and delivering an opinion on its classification criteria, conservation periods, transfers, elimination and conservation of documents. It is chaired by the General Secretary.

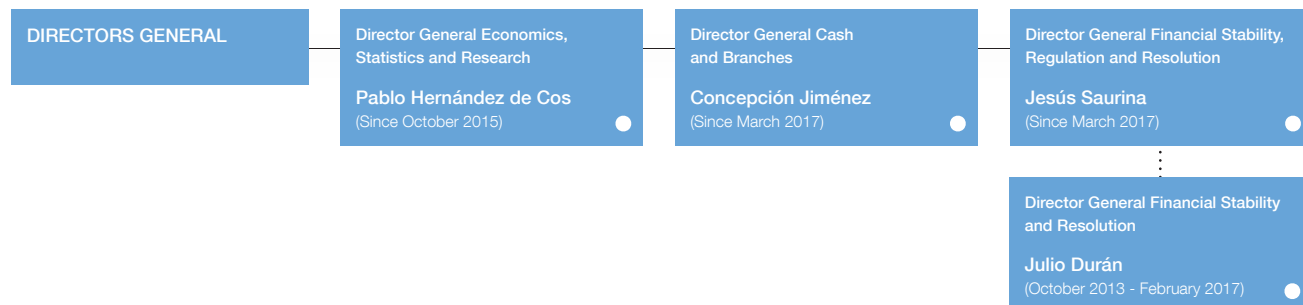
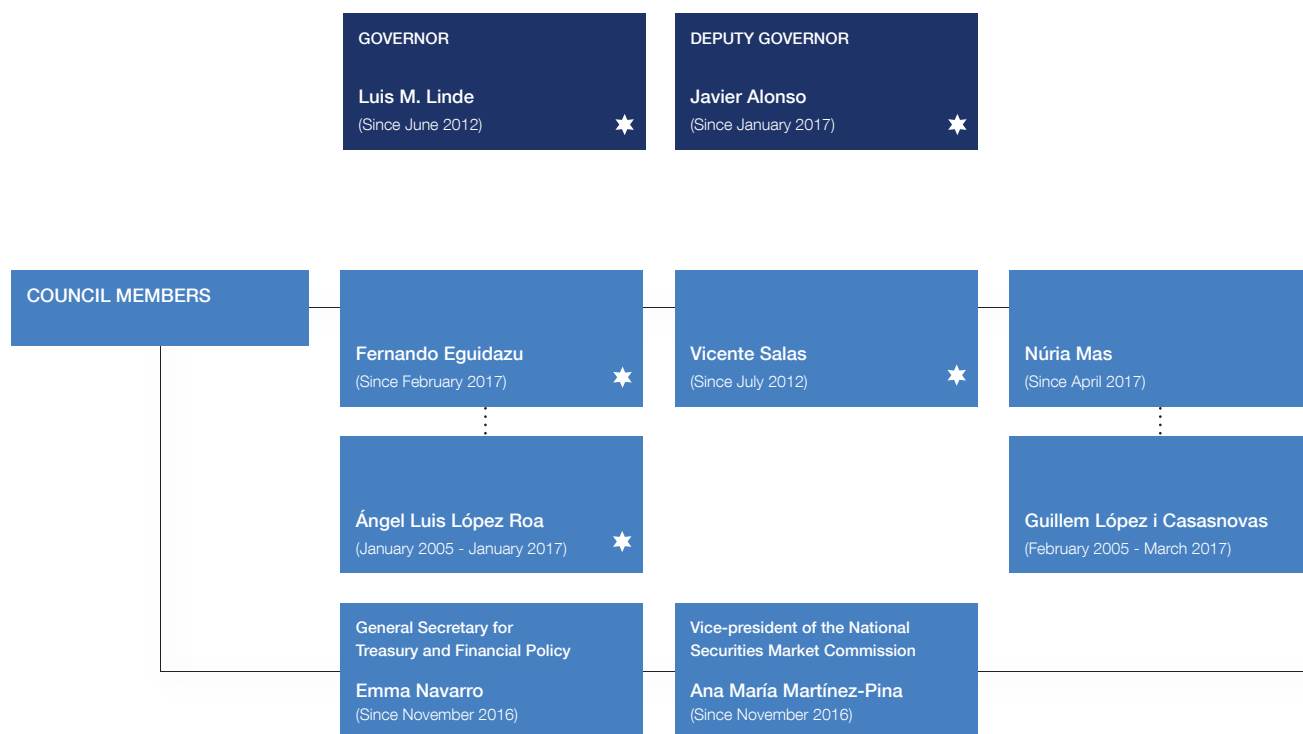
Committee Receiving Reports on Suspected Money Laundering: This committee, which was set up for the purpose of complying with the Banco de España's internal regulations on the prevention of money laundering and terrorist financing, is chaired by the Deputy General Secretary and receives and examines reports submitted by the departments and branches of the Banco de España in connection with its internal operations.

Leave of Absence Assessment Committee: This committee's main task is to assess the mandatory cooling-off periods applicable to Banco de España employees who request leave of absence to work for supervised or financial sector institutions. It is chaired by the Deputy General Secretary.

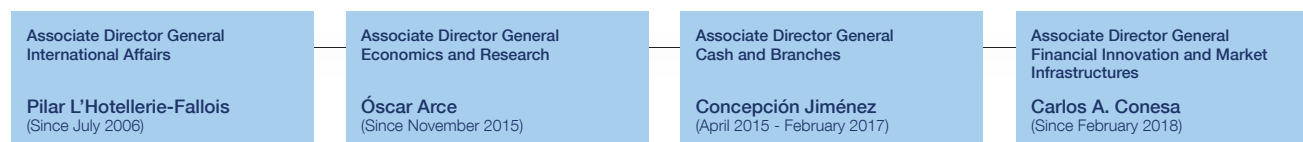
Workplace Health and Safety Committee: This committee's key tasks are to propose the policies and basic criteria for workplace health and safety, to coordinate and monitor preventive action and to submit the annual prevention plans for approval. It is chaired by the Associate Director General Services.

Independent Experts' Committee for the Evaluation of Supervised Institutions' Senior Officers: This committee, established in application of the provisions of Royal Decree 256/2013, comprises three external members (currently, Ignacio Sierra Gil de la Cuesta, Mercedes Vérguez Sánchez and Antonio Salinas Casado), who are appointed by the Bank's Governing Council, at the proposal of the Governor. Its main function consists of advising the Bank in the analysis of the suitability to take up office of the members of the board of directors, general managers and the like, and all those individuals who assume internal control functions and key functions, both in cases where a sentence has been handed down for the commission of offences or misdemeanours and where the individual being assessed is subject to a relevant and well-founded criminal investigation.

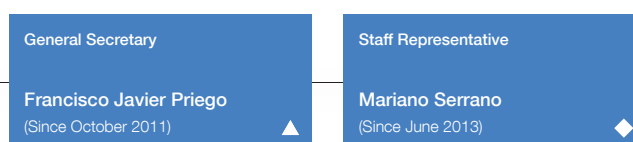
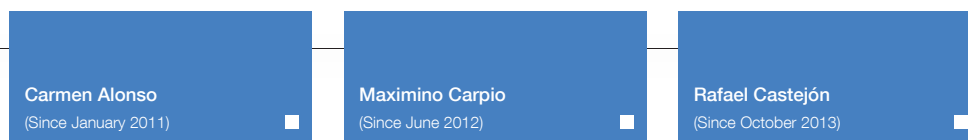
MEMBERS OF THE GOVERNING BODIES OF THE BANCO DE ESPAÑA. GOVERNING COUNCIL



OTHER SENIOR MANAGEMENT MEMBERS ASSOCIATE DIRECTORS GENERAL



- ★ Members of the Executive Commission
- ▲ The General Secretary of the Banco de España acts as non-voting secretary to the Governing Council and the Executive Commission
- The Directors General of the Banco de España attend meetings of the Governing Council and Executive Committee as non-voting members
- ◆ A staff representative attends the meetings of the Governing Council
- Members of the Audit Committee



1.2.6 Appearances by the Governor and the Deputy Governor

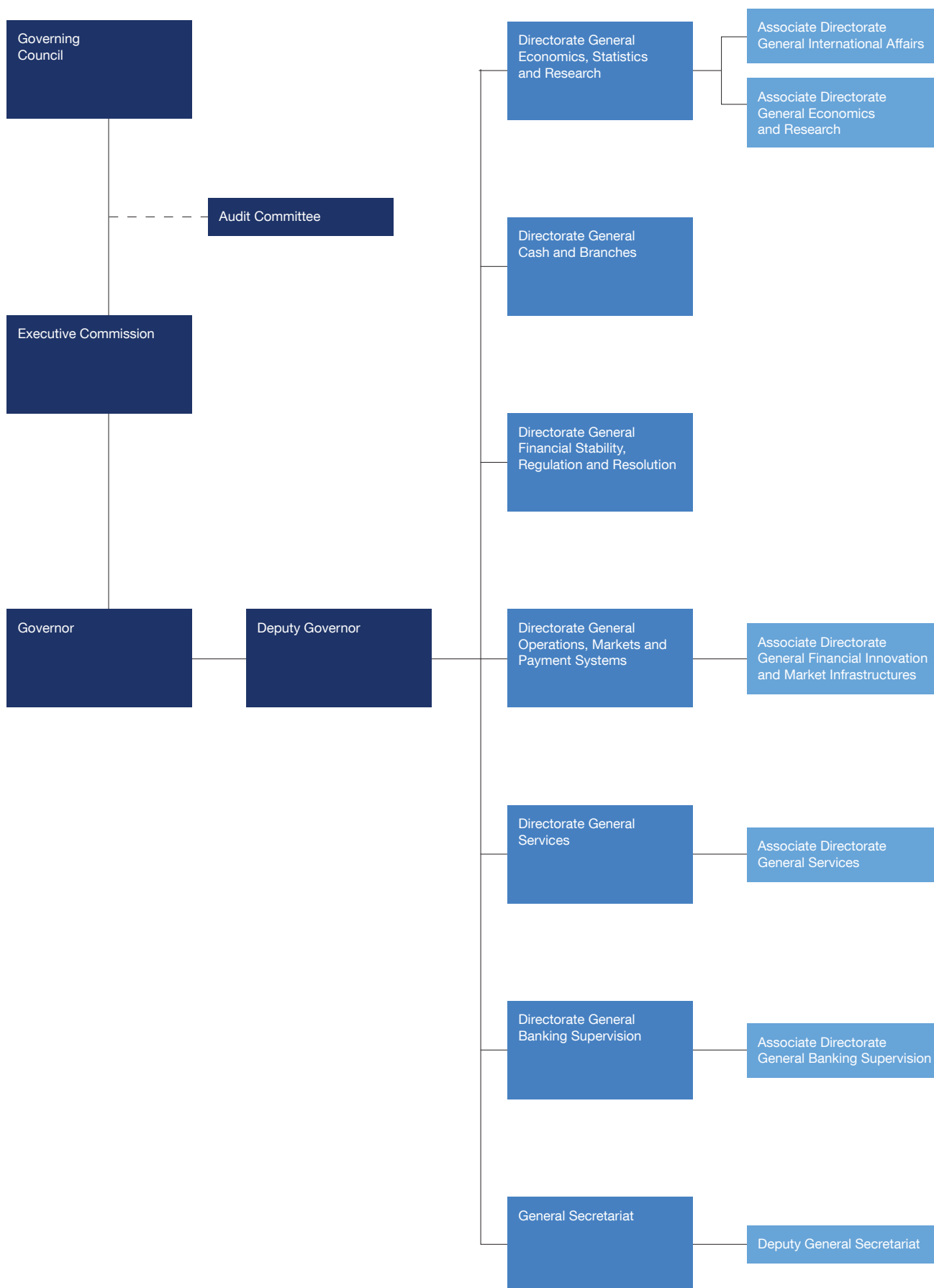
The Governor represents the Banco de España and regularly appears before the Spanish Parliament.

The Governor, as the representative of the Banco de España at the Spanish Parliament, makes regular appearances before the lower and upper houses of Parliament (Congreso and Senado, respectively). In 2017, the Governor appeared before Parliament on five occasions:

- Testimony before the Parliamentary Committee for the Monitoring and Assessment of the Toledo Pact Agreements, on 15 February.
- Testimony before the Parliamentary Budget Committee in relation to the draft State Budget for 2017, on 25 April.
- Testimony before the Upper House of Parliament, in relation to the draft State Budget for 2017, on 6 June.
- Testimony before the Lower House Parliamentary Committee for Economic Affairs and Competitiveness, on 20 June.
- Testimony before the Lower House Parliamentary Committee of Inquiry into the Financial Crisis in Spain and Financial Assistance Programme, on 12 July.
- Testimony before the Upper House Parliamentary Committee of Inquiry into the Financing of Political Parties, on 14 November.

The public appearances of the Governor and the Deputy Governor at different fora and organisations can be found on the Banco de España website.

ORGANISATION CHART OF THE BANCO DE ESPAÑA

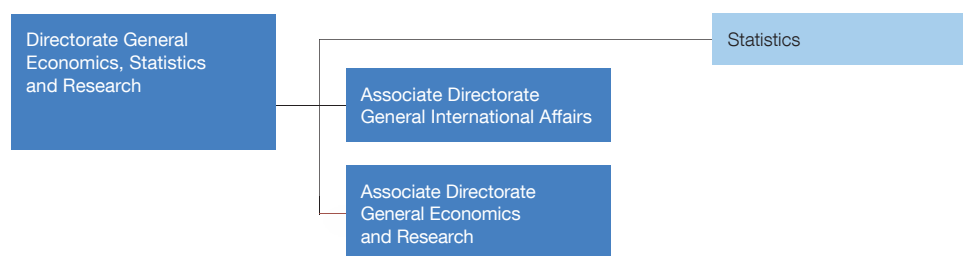


1.3 STRUCTURE OF THE BANCO DE ESPAÑA

1.3.1 Organisational chart and structure. Directorates General and General Secretariat

The Banco de España performs its functions through its governing bodies, as described earlier, and its Directorates General, whose main tasks are summarised below.

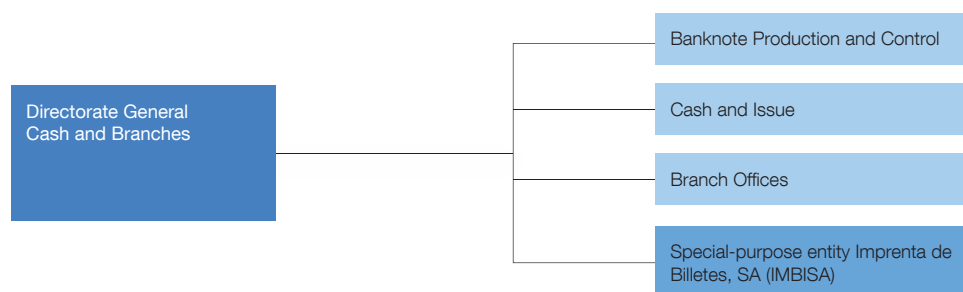
The Directorate General Economics, Statistics and Research prepares studies, research and statistics to advise the Bank's management.



The Directorate General Economics, Statistics and Research conducts the studies and research needed to advise the governing and management bodies of the Banco de España on economic and financial matters within the sphere of the Spanish, European and international economy, and for the ongoing monitoring of the formulation and implementation of the Eurosystem's monetary policy. It collaborates with other national and international agencies and fora and drafts the reports and publications within its remit (including the Annual Report), preparing, analysing and disseminating the statistics entrusted to it. In April 2017, the Associate Directorate General International Affairs was integrated into this Directorate General. Its functions include developing and managing the Bank's international relationships with different international bodies, coordinating international cooperation and technical assistance, and performing tasks deriving from the regulation of country-risk positions.

The Director General Economics, Statistics and Research is Pablo Hernández de Cos, and Pilar L'Hotellerie is the Associate Director General International Affairs, and Óscar Arce, Associate Director General Economics and Research.

The Directorate General Cash and Branches controls production and issuance of banknotes and the circulation of coins.



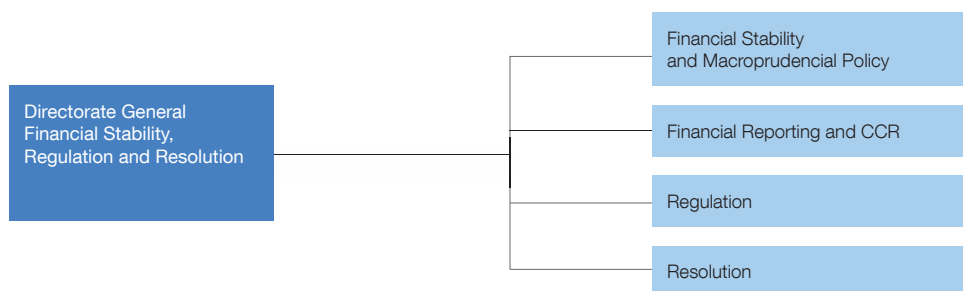
In March 2017, the Directorate General Cash and Branches was created (formerly an Associate Directorate General). It is responsible for, among other matters, monitoring the Banco de España's euro banknote production process (entrusted to the special-purpose entity IMBISA), the issuance of banknotes, the circulation of coins, and tasks relating to the withdrawal, exchange and custody of banknotes and coins. It also performs the



Scales for weighing ingots in the Gold Vault.

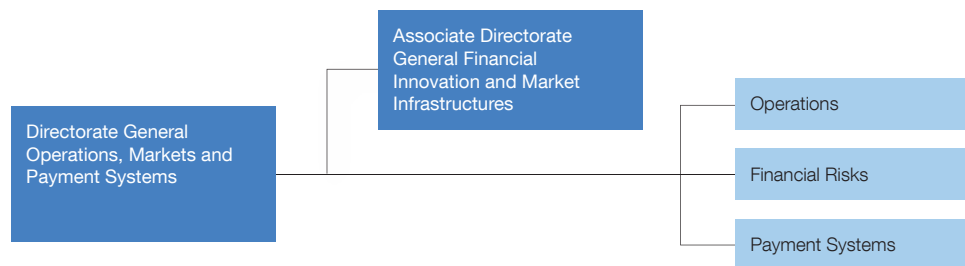
functions of detecting and analysing counterfeit banknotes and coins. Moreover, it is responsible for managing the Bank's branch network. The Director General is Concepción Jiménez.

The Directorate General Financial Stability, Regulation and Resolution ensures financial stability, formulates macroprudential policy and is competent to resolve credit institutions.



The Directorate General Financial Stability, Regulation and Resolution is responsible for analysing and monitoring financial stability, preparing the Financial Stability Report, and analysing and formulating proposals on macroprudential policy. It drafts reports and proposals on the issuance of rules on the regulation and disciplining of institutions subject to supervision, contributing to the design of regulatory policy. This Directorate General also manages the Central Credit Register and performs all preventive resolution tasks assigned to the Banco de España. It cooperates with the international bodies that are competent in these matters. Until March 2017, when it was still known as the Directorate General Financial Stability and Resolution, its Director General was Julio Durán. He was then replaced by Jesús Saurina, and the Directorate General adopted its current name.

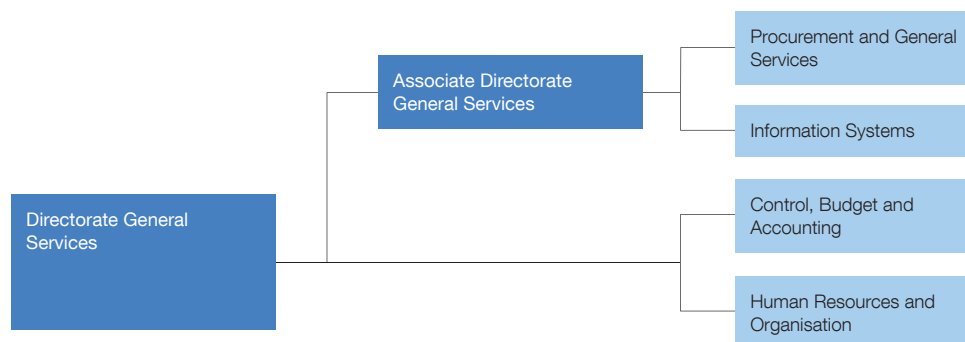
The Directorate General Operations, Markets and Payment Systems manages reserves and financial risks and oversees payment systems.



The Directorate General Operations, Markets and Payment Systems is mainly responsible for functions relating to the implementation of the operations of the Banco de España in its capacity as a central bank and member of the Eurosystem, the management of gold, foreign currency reserves and euro-denominated financial assets owned by the Bank, and the management of financial risks and the rendering of various payment and other government debt-related services. It also promotes and oversees the sound functioning of payment systems and instruments and manages the TARGET2-Banco de España system. The Director General Operations, Markets and Payment Systems is Juan Ayuso.

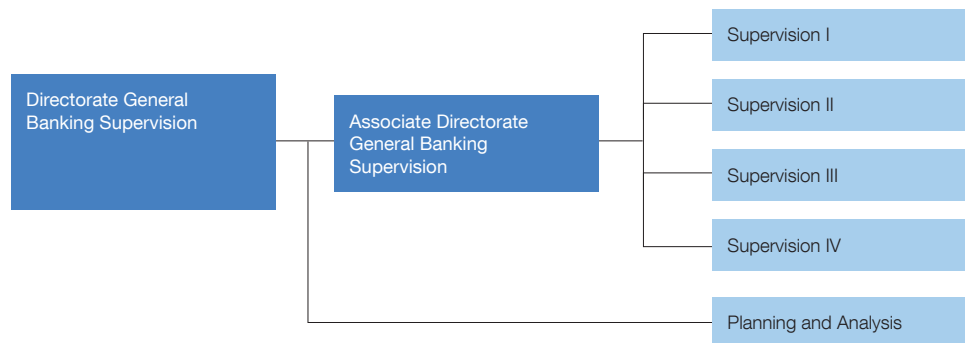
Although this report refers to 2017, the following updates the information contained therein at the closing of this edition. In February 2018, an Associate Directorate General Financial Innovation and Market Infrastructures was established under this Directorate General, with Carlos Conesa as the Associate Director General.

The Directorate General Services manages and administrates the Bank's internal services.



The Directorate General Services manages and administrates the internal services and functions common to the entire Bank, and its responsibilities encompass the following: human resources and workplace health and safety, hiring arrangements, preparation of draft budgets and annual accounts, accounting and control of the Bank's accounts, acquisition, maintenance and administration of its assets, information systems, and organisation and management of internal security services. The Director General of this area is Manuel Labrado and the Associate Director General is Antonio Pérez Ocete.

The Directorate General Banking Supervision supervises the solvency of credit institutions and their compliance with regulations with the SSM framework.

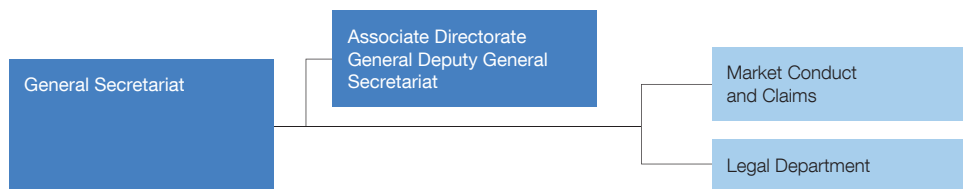


As regards the tasks performed by the Banco de España as a supervisory authority within the framework of the SSM, the Directorate General Banking Supervision is entrusted with supervising the solvency of credit institutions and their compliance with the specific regulations governing them, indirectly in the case of significant credit institutions and directly in that of less significant credit institutions and other financial institutions supervised by the Banco de España. For this purpose it monitors the supervised institutions and their groups on an ongoing basis, proposing, where appropriate, preventive, disciplinary and precautionary measures, reporting on requests of credit institutions and other financial agents, and contributing to the drawing up of draft rules on accounting. It also collaborates with Spanish and international organisations and fora within the scope of its competencies. Until March 2017, the Director General of Banking Supervision was Mariano Herrera and the Associate Director General, Pedro Comín. From that date, they were replaced by Julio Durán and Alberto Ríos, respectively.

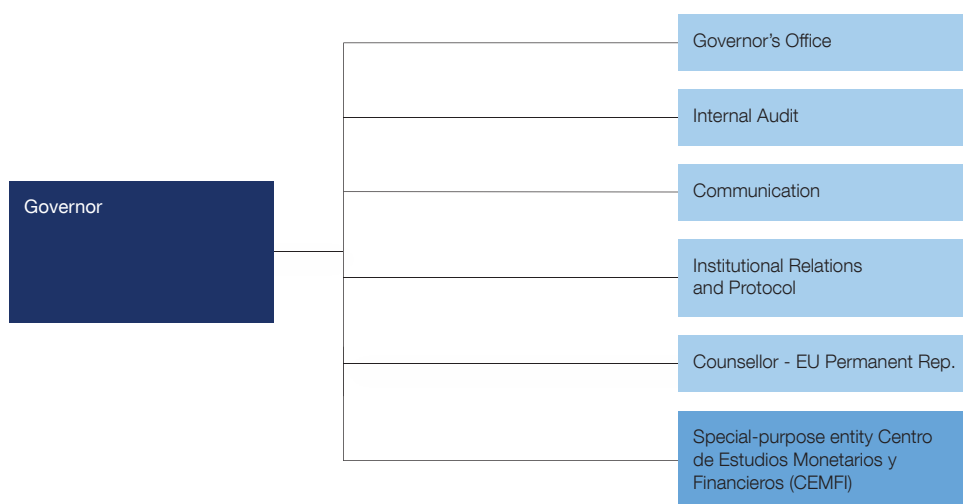


View of the inside of the building in Calle de Alcalá, 522.

The General Secretariat provides the secretariat for the governing bodies, heads the institution's legal advice service and exercises competencies in matters relating to transparency, customer protection and documentation management.



The General Secretariat provides the secretariat for the governing bodies of the Banco de España and heads the legal advice service for the governing bodies and the institution as a whole. Other functions include conducting sanctioning proceedings, keeping official registers and processing authorisation procedures for new institutions, supervisory functions, supervisory and regulatory policy in respect of banking transparency and customer protection, and claims settlement. It is also responsible for areas relating to transparency and access to public information, E-Administration and Virtual Office, institutional responsibility, and documentation, such as the Register, the archives and documentation management. The General Secretary is Francisco Javier Priego, and the Deputy General Secretary is Jaime Herrero.



Lastly, and reporting directly to the Governor, there are various departments which have been entrusted with cross-departmental functions. These departments, in their respective fields of competence, are responsible for internal audit functions as regards reviewing processes and procedures entrusted to them in connection with the institution's business areas; media relations and implementation of the Bank's communication policy and institutional image; functions relating to institutional activities and protocol, and to the Bank's advisory functions for the permanent representation of Spain to the European Union.

1.3.2 Banco de España head offices and branches

The Banco de España has its head offices in Madrid and 15 branch offices located throughout the country.

The Banco de España performs its functions through its Madrid offices, at two different locations, and its network of branches located throughout the country.

Since 1891, the head offices of the Banco de España have been located in Calle de Alcalá, 48, next to Plaza de Cibeles, in Madrid, in one of the city's most emblematic buildings, representative of Spanish architecture in the 19th and early 20th centuries. The Bank's central services and senior management are based in this building. The Banco de España has



Map of Spain showing the Banco de España's regional organisation and branch network.

another building in Madrid, located in Calle de Alcalá, 522, where more operational functions are carried out, such those relating to cash management and information systems.

In addition to its head offices, the Banco de España has 15 branches located in the following cities, as shown in the map below: A Coruña, Alicante, Badajoz, Barcelona, Bilbao, Las Palmas, Málaga, Murcia, Oviedo, Palma, Sevilla, Santa Cruz de Tenerife, Valencia, Valladolid and Zaragoza.

1.3.3 *Special-purpose entities*

The Banco de España has two special-purpose entities: a) the commercial-law company Imprenta de Billetes, SA (IMBISA), and b) the Fundación Centro de Estudios Monetarios y Financieros (CEMFI, by its Spanish abbreviation).

a) IMBISA

IMBISA is a publicly-owned commercial-law company whose sole corporate purpose is the production of euro banknotes. This special-purpose entity was created in response to the need to adapt to the legal framework for euro banknote production, following approval of Guideline (EU) 2015/280 of the European Central Bank of 13 November 2014, on the establishment of the Eurosystem Production and Procurement System (ECB/2014/44).

In the specific case of Spain, the option chosen was a model under which the national quota of euro banknotes for the ESCB could be produced by a commercial-law company



Central courtyard in the CEMFI head offices (left). Printing of Europa series €50 euro banknotes (right).

assigned the status of a specific resource and technical service of the Banco de España. Accordingly, Law 36/2014 of 26 December 2014 on the 2015 State Budget amended the Law of Autonomy of the Banco de España so that the central bank could entrust its euro banknote production quota to a commercial-law firm in which it held a majority stake.

The company is 80%-owned by the Banco de España and 20%-owned by the Spanish National Mint (FNMT-RCM, by its Spanish abbreviation), which may maintain its stake in IMBISA for as long as the company carries out its banknote production activities on the premises of the FNMT-RCM.

b) Centro de Estudios Monetarios y Financieros (CEMFI)

CEMFI is a foundation engaging in graduate education and research in Economics and Finance.

CEMFI is a public-sector foundation created by the Banco de España in 1987 with the principal aim of organising a post-graduate programme focusing on education for high-level specialists in Economics and Finance.

The Bank set up the CEMFI in 1991, with the aim of promoting education and research in Economics, focusing particularly on monetary and financial issues. The Foundation was recognised and classified under a Ministerial Order dated 12 April 1991 and is registered in the Foundation Register of the Ministry of Education, Culture and Sports.

The governing and management bodies of the Foundation are its Board of Trustees and its Executive Commission. In 2017, the Board of Trustees was composed of a total of 16 members. Its ex officio members are the Governor, who chairs it, and the Deputy Governor of the Banco de España. The other members are appointed by the Executive Commission of the Banco de España, at the proposal of the Board of Trustees, for a four-year term of office and with the possibility of re-election. The Executive Commission

of the CEMFI is composed of five members and chaired by the Deputy Governor of the Banco de España.

To develop its goals, CEMFI's activity focuses on two main directions: graduate education, most notably through the official post-graduate programme offering an Msc in Economics and Finance and a Phd in Economics, organised jointly with the Universidad Internacional Menéndez Pelayo (UIMP), and research on a variety of economic and financial topics, combining theoretical and applied approaches.

In 2017, CEMFI obtained accreditation from the María de Maeztu Excellence Unit, granted by the State Research Agency to boost the quality of Spanish scientific research.

1.4 REPORTS AND PUBLICATIONS

1.4.1 Regular publications

The Banco de España periodically publishes documents providing information on the activities that fall within its remit. These publications are listed below, together with a brief summary of their contents. While the complete list of Banco de España publications can be found on its website,⁵ this section briefly describes the most relevant ones.

The Banco de España publishes the following documents on an annual or half-yearly basis:



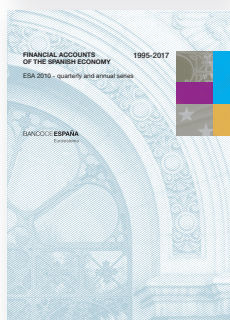
Institutional Report

The *Institutional Report* is intended to provide citizens and the public at large with a fuller view of the organisation and structure of the Bank, and of the various functions it performs. It also summarises the principal activities carried out over the previous year.



Annual Report

The *Annual Report* of the Banco de España analyses the performance of the Spanish economy in the context of the international economy, with particular emphasis on monetary and fiscal policy and economic and financial flows.



Financial Accounts of the Spanish Economy

The *Financial Accounts of the Spanish Economy* includes annual and quarterly series on financial and non-financial flows in the Spanish economy, and is divided into two sections: i) the non-financial national accounts, prepared by the Spanish National Statistics Institute (INE, by its Spanish abbreviation), and ii) the financial balance sheets and financial transaction accounts for the sectors and sub-sectors of the Spanish economy.

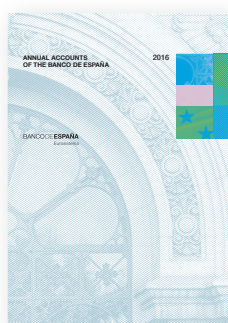


Report on Banking Supervision in Spain

This annual publication includes a detailed description of the supervisory functions of the Banco de España and the supervisory actions undertaken during the year, and of the organization of the Banco de España's supervision, the priorities and strategies

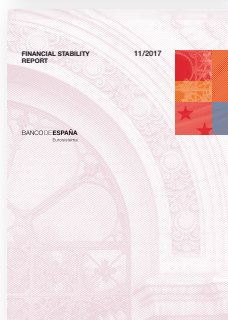
⁵ The Publications Catalogue, periodically updated, can be found at the following link <https://www.bde.es/f/webbde/Secciones/Publicaciones/Relacionados/Fic/Catalogopublicaciones.pdf>. Most of the documents listed there are available in pdf format, downloadable free of charge, at <http://www.bde.es/webbde/es/secciones/informes/>. If a publication cannot be found on the website, it can be requested from publicaciones@bde.es.

adopted, Banco de España circulars relating to supervision and its participation in international fora on banking regulation and supervision.



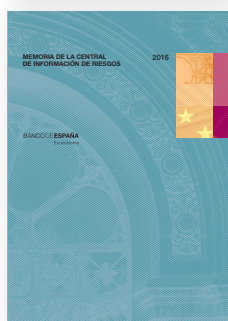
Annual Accounts of the Banco de España

The *Annual Accounts* comprise the balance sheet, the profit and loss account and the notes to the accounts. These accounts have been prepared in accordance with the accounting policies established framework established for national central banks in the ESCB.



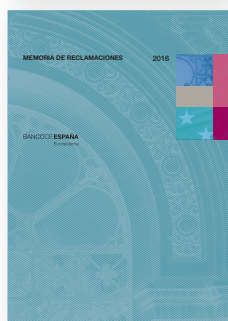
Financial Stability Report

This is a half-yearly publication that analyses the risks to the Spanish financial system and the profitability and solvency of Spanish credit institutions in both a backward- and forward-looking fashion. The report likewise presents the Banco de España's macroprudential policy and measures.



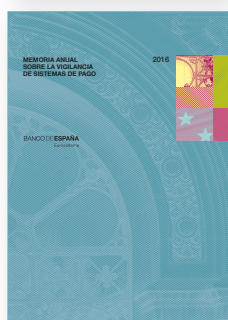
Central Credit Register Report

This publication contains the activities carried out by the Central Credit Register (CCR) of the Banco de España in the preceding year. The information in the CCR: i) allows the banking regulator to build its own credit risk models to compare and validate against those presented by supervised institutions, and ii) allows supervised institutions to model their credit risk and appropriately validate their own models.



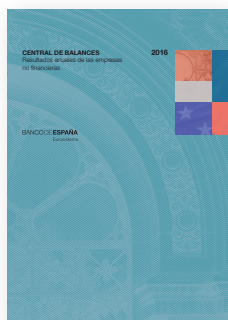
Annual Claims Report

The annual report provides a statistical analysis of the proceedings processed by the Market Conduct and Claims Department, indicating, amongst other issues, the areas in which claims and complaints were lodged, as well as the affected entities. It also indicates the transparency regulations and the best practice criteria applied in the resolutions issued during the corresponding year.



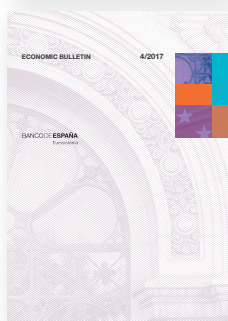
Annual Report on the Oversight of Payment Systems

This publication describes the main changes that took place in Spanish payment systems during the preceding year and explains the oversight activities carried out in this area.



Central Balance Sheet Data Office. Annual results of non-financial corporations

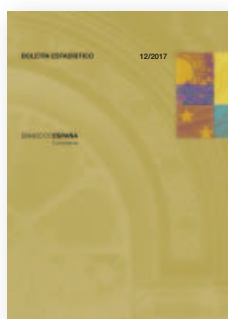
This publication contains the annual series of results of non-financial corporations over the last ten years (balance sheets, income statements, ratios, etc.) and non-financial information relating, *inter alia*, to employment and salaries.



In addition to the above publications, the Banco de España publishes another series of documents known as the *Economic Bulletin*, which presents the key messages relating to the macroeconomic performance of the Spanish economy and contains the “Quarterly Report on the Spanish Economy”.

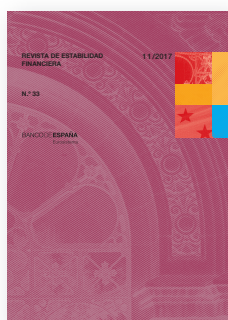
The Bulletin’s frequency of publication and contents have been changed, and with effect from January 2017, it has been published quarterly and includes the “Quarterly Report on the Spanish Economy”. The Analytical Articles in the Bulletin are published separately on the Bank’s website during the quarter. The change in format aims to highlight this type of publication, which complements the research of the Banco de España, seeking to bring the papers and analyses of the Banco de España to the attention of a broad audience interested in current economic and financial affairs.

In addition, there is a new section of Economic Notes focusing on specific issues, both of a methodological and statistical nature and relating to changes in the economy. At the end of each quarter, in addition to the Quarterly Report, the Bulletin includes the list of links for electronic access to the articles and notes published during the last three months on the Bank’s website.



Other publications issued by the Bank include the *Statistical Bulletin*, on a monthly basis and in electronic format, containing the economic statistics compiled by the Banco de España, and the *Research Update*, targeted at international experts in economic and finance, which provides a summary, every six months, of research activities at the Banco de España.

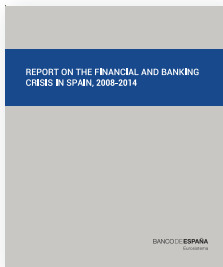
Mention should also be made of two daily publications: the *Operations Bulletin*, which provides information on the interbank market and official euro exchange rates against other currencies, and the *Public Debt Market Bulletin*, with information on debt transactions and the characteristics of outstanding debt.



Lastly, the Banco de España publishes the *Financial Stability Journal*, which acts as a platform for communication and dialogue regarding issues related to financial stability, with a particular focus on prudential regulation and supervision. It is an open publication, accommodating personal collaborations by financial sector researchers and professionals that will be subjected to an anonymous refereeing process.

1.4.2 Special publications

In addition to the documents regularly published by the Banco de España in the form of reports, bulletins or journals, mention should be made of two unique publications that were released in 2017, in view of their content and significance.

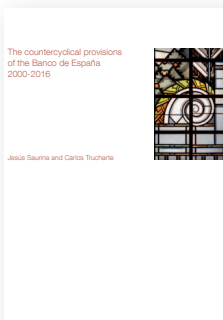


Report on the financial and banking crisis in Spain, 2008-2014

Although the Banco de España had already made publicly available, on its website and in the form of printed publications, extensive documentation relating to the international financial crisis that began in 2007, a specific report on this crisis was prepared in 2017. The purpose of this report was to provide an ordered and systematic analysis of the impact on the Spanish financial system of the international financial crisis that began in 2007, and of the regulation, supervision and intervention measures adopted in the 2008-2014 period.

The Directorates General Supervision, Economics, Statistics and Research, Financial Stability, Regulation and Resolution and the General Secretariat of the Banco de España took part in drafting this report, under the coordination of Fernando Eguidazu, member of the Governing Council of the Banco de España.

The report was structured around five chapters and two annexes. The first four chapters follow a chronological sequence, comprising four phases: the years of economic expansion (2000-2007), the onset of the crisis (2008-2011), the worsening of the crisis (2012-2013) and the economic and financial normalisation (2014). Chapter 5 reviews the restructuring process of the Spanish banking system. Annex 1 summarises the collaboration between the Banco de España and the FROB with judicial bodies in relation to the banking crisis, and annex 2 provides a list of the main documents published by the Banco de España before the aforementioned crisis.



The countercyclical provisions of the Banco de España, 2000-2016

This book, written by Jesús Saurina and Carlos Trucharte, was also published in 2017. It discusses the vicissitudes that had to be overcome by the countercyclical provisions pioneered by the Banco de España, long before there was talk of macroprudential regulation of credit institutions.

This publication also emphasises the role played by this instrument in moderating credit expansion, since it obliges institutions to record provisions linked to such growth and, above all, it highlights their effectiveness in preventing even greater credit contraction during the recession than that which occurred.

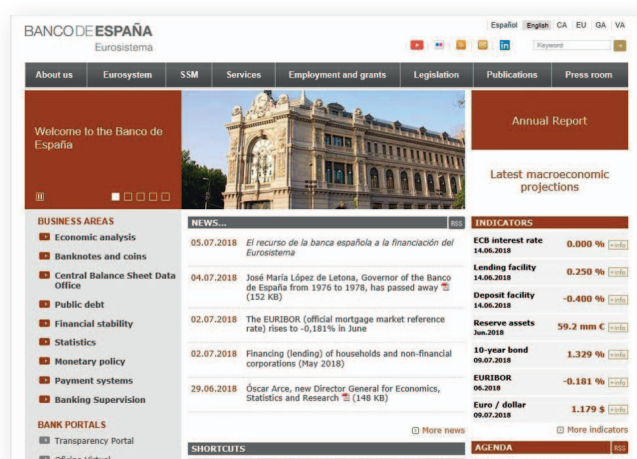
Furthermore, the publication stresses the role played by the provisions as a source of inspiration for the countercyclical capital buffer agreed by the Basel Committee on Banking Supervision in 2010, and concludes that, with some nuances along the way, these provisions can also be considered the precursors of the expected-loss concept to calculate credit provisions under the IFRS 9.

1.5 BANCO DE ESPAÑA WEBSITE AND PORTALS. VIRTUAL OFFICE

Through its website and various portals, the Banco de España offers the general public access to information and documents which, both in terms of volume and useful content, are a major source of economic and financial information.

The Bank's website is a vehicle that conveys and gives access to information about its main activities, such as those relating to the following areas: economic analysis, banknotes and coins, Central Balance Sheet Data Office, public debt, financial stability, statistics, monetary policy, payment systems and supervision.

The website also contains information on the services provided by the Bank, the main economic and financial indicators and the most relevant news concerning to the institution. The electronic versions of publications and an extensive database of sector-specific legislation are also available on the website. In addition, all the information relating to Banco de España job offers and scholarships can be found on the website.



Banco de España's website and portals.

The Banco de España has several specific portals that give access to a wealth of information and the possibility of carrying out online business or procedures. These include the Virtual Office, the Transparency Portal, the *Portal del Cliente Bancario* (Bank Customer Portal), the *Portal Educativo* (Education Portal) and the portal called *Finanzas para todos* (Finance for all), as well as the Economic Research Portal, which is only available in English.

The key aspects of these portals, of undoubted interest to the general public, are summarised below.

1.5.1 The Virtual Office and E-Administration

The Virtual Office of the Banco de España is a website available to all users wishing to conduct business with the Bank by electronic means in an efficient and reliable manner, and to access the electronic services provided by the Banco de España and the related standardised forms.

The Virtual Office enables users to electronically perform 68 different procedures with the Banco de España.

The Virtual Office enables users to perform 68 procedures undertaken or resolved by the Banco de España at the request of the party concerned. The website also provides access to a range of information. In 2017, the Virtual Office received 850,316 visits, 160,064 more than in 2016, an increase of around 23%, which confirms the upward trend of recent years.

Among the most visited sections of the Virtual Office are the “Catalogue of procedures” section – which includes an alphabetical list of all procedures and services offered –, accounting for 43% of all visits, and the “Citizens” section, with 38% of visits.

The most viewed procedures are:

- Request for risk reports from the Central Credit Register, with 462,014 page views (48% of the total).
- Submission of claims, complaints and queries, with 167,207 page views (18% of the total).
- Reporting on economic transactions and cross-border financial asset and liability balances of residents in Spain (ETE form), with 109,674 page views (12% of the total).
- Exchange of pesetas for euros, with 89,142 page views (9% of the total).

In 2017, the Virtual Office received 2,321 electronic mails, which represents an increase of approximately 20% with respect to 2016.

In 2017, the Banco de España strengthened digitalisation by developing and enhancing the use of electronic means, such as the digitalisation of documents, the creation of the Electronic Register of Powers of Attorney or improvement of the Electronic Register.

In 2017, the Banco de España strengthened the use of electronic tools to optimise organisational processes, in line with its commitment to enhance E-administration, to facilitate as much as possible the functioning of electronic means in the conduct of its business. As a result, the guaranteed digitalisation of documents in the General Register was implemented, the Electronic Register of Powers of Attorney was created, the design of the electronic notification system was completed, and work was under way on simplifying the use of the Electronic Register by the general public.

The Electronic Register is the channel for the electronic receipt of requests, written submissions and communications relating to procedures available in the Virtual Office, which require submission to a register. It operates 24 hours a day, all year round.

Submitting documents through the Electronic Register, which operates 24 hours a day, has gained ground with respect to on-site registration.

In 2017, the number of documents submitted through Banco de España registers rose considerably. As the table below shows, there was an increase in both the on-site registers and in the Electronic Register, with the number of documents submitted to the latter significantly higher than in 2016, in line with recent years.

	2016	2017	Year-on-year change
On-site Register	69,232	95,427	37.84%
Electronic Register	29,539	51,342	73.81%
TOTAL	98,771	146,769	48.59%

1.5.2 The Transparency Portal. Information point and requests for access to public information

The Transparency Portal contains institutional, legal and economic information about the Bank of interest to the public.

The contents of the Transparency Portal include all the information stipulated by the Law on Transparency, Access to Public Information and Good Governance, as well as any other information considered by the Banco de España to be of interest to citizens, according to the following information categories:

- *Institutional and planning information*, which includes information relating to the functions of the Banco de España, the legal framework applicable to its activities, the organisational structure of the Bank, the Governor's agenda, codes of conduct and plans and schedules for the Bank's activities.



General Register counter, in the main banking hall (*Patio de Operaciones*).

- *Information of legal importance*, which includes circulars, documents subject to public consultation, reports, technical applications and guidelines prepared by the Bank and documents issued by international bodies developed within the framework of collaboration with the Banco de España.
- *Economic information*, which includes information relating to contracts, agreements, management delegation agreements, cultural and social work, budget management, annual accounts, salaries of members of governing bodies and senior directors, conflicts of interest of public employees, fixed assets and official vehicles and information relating to the Bank's historical and artistic heritage.

As shown in the table below, the visits to the Transparency Portal increased by 19% in 2017.

	2016	2017	Year-on-year change
Visits to the Transparency Portal	28,470	33,810	19%

The most visited section of the Transparency Portal, not counting the home page, continues to be the section on economic information, which accounts for 61% of total visits.

In this connection, it should be noted that, in 2017, the Transparency and Good Governance Council assessed the degree of compliance with the Law on Transparency of Spanish constitutional bodies and regulatory agencies, and established a ranking in which the Banco de España came third. The report analysed both mandatory transparency, referring to whether organisations fulfil their obligation to publish on their websites the information required by the Law on Transparency, and voluntary transparency, where organisations go a step further and publish the information most demanded by citizens, although the law does not require them to do so.

The information point gives citizens on-site or online access to information about procedures and services provided by the Bank.

The Banco de España also offers citizens an information point which gives them access, either on-site or online, to general information about procedures, requirements or documentation relating to the services it provides.

The information point handled 6,459 requests in 2017.

In 2017, the information point of the Banco de España handled 6,459 requests, in keeping with the volumes recorded in 2016. Of the total visits to the information point, 63% were on-site, while 37% were online, through the e-mail addresses of the Virtual Office and Transparency Portal.

Despite the prevalence of the on-site information point, as the table below shows, the use of online information systems by the general public has increased and is now preferred by 40% of citizens.

	2016	2017	Year-on-year change
On-site information point	5,092	4,054	-20.38%
On-line information point	1,995	2,405	20.55%
TOTAL	7,087	6,459	-8.86%



Participation by the Banco de España in the presentation of the report of the Transparency and Good Governance Council.

The Bank handled 13 requests for access to public information in 2017.

The section on the process for requesting access to public information of the Banco de España received 3,580 visits in 2017 and 13 requests for access to public information were submitted during the year.

1.5.3 The Bank Customer Portal

The Bank Customer Portal offers individuals who have (or may have in the future) dealings with a banking institution, information on banking products and services, statistics and indicators, the current financial situation, and e-mail boxes for complaints and queries.

The primary aim of the portal is to assist bank customers by providing useful information on good banking practices, and on the different types of financial institutions and their operational framework and activities, together with a detailed explanation of those that are supervised by the Banco de España.

This information is supplemented with an extensive list of general banking regulations and regulations more directly related to banking transparency and consumer protection.

The portal also provides detailed explanations, in language that is easy to understand, of the main banking products and services available in different areas such as financing, accounts and deposits, payment services, and cash, cheques or guarantees. For this purpose, there are simulators which allow the user to calculate, for example, the annual percentage rate (APR) of a mortgage or personal loan, the instalment payable on such loans or even the maturity date of the last instalment of a revolving card.

Other key elements of this portal worth mentioning are those relating to information on how to file a complaint or submit a query, or to financial education.

Proof of the broad public response to this portal is the number of visits it received in 2017 (a total of 4,043,337), notably higher than the already significant number received in 2016 (3,618,664).

	2016	2017	Increase
Visits to the Bank Customer Portal	3,618,664	4,043,337	11.7 %



2 ACTIVITY REPORT



Minutes of the Bank's committees. Historical Archive of the Banco de España. 1929-1934.

2.1 INTERNAL ORGANISATION AND ADMINISTRATION

2.1.1 Human resources

The Banco de España employs a total of 3,043 staff, whose average age was 44.8 years, with a proportion of 49.3% of women to 50.7% of men.

As at 31 December 2017, the total number of Banco de España staff was 3,043. In line with the trends observed in recent years, the average age of employees continued to decrease, to 44.8 years by the end of the year, and there was a greater gender balance, with 49.3% of women and 50.7% of men. As Chart 1 shows, it should be noted that the proportion of total Bank staff that are women has increased by almost nine percentage points, from 40.5% in 2011 to 49.3% in 2017.

In 2017, the Bank welcomed professionals from other central banks, and at year-end, 161 Banco de España employees were working in international organisations.

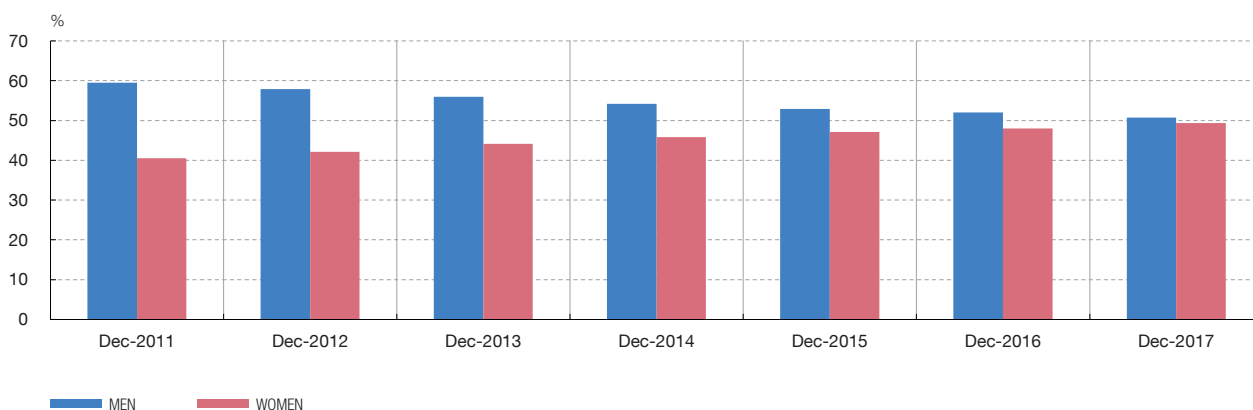
The average time devoted to training per employee amounted to 43 hours for the year as a whole, and the number of employees that participated in international courses increased.

More than 11,400 job applications were received 2017

Following a strategy aimed at attracting the best professionals and, in an effort to ensure that its employment opportunities reach the broadest possible audience, the Banco de España continues to strengthen the use of digital channels, particularly its website, and social media such as LinkedIn and employment portals. More than 11,400 job applications were received 2017. A total of 27 selection processes for permanent employees were carried out and 264 professionals were recruited, of which 162 were administrative staff and employees for various support services, and 102 were managerial staff, mainly specialists and professional staff.

STAFF COMPOSITION

CHART 1



SOURCE: Banco de España.

The transformation plan for the human resources function continued.

In addition to promoting the measures that began to be implemented in 2016 as part of the transformation plan for the human resources function, such as internal mobility, teleworking, the figure of the human resources manager and internal communications, the commitment to promote the internal mobility of employees to fill managerial positions continued in 2017, and a voluntary management training programme was launched. In addition, progress was made on improving and automating human resources processes. Work was undertaken on a human resource management platform which will integrate data and processes in a single application and provide new management tools for both employees and managers. One of the pillars of this integrated human resources management is the work carried out to create a simpler, more streamlined job architecture.

2.1.2 Reorganisation

2017 saw the creation of the Directorate General Cash and Branches, which became responsible for the Cash and Issue and Banknote Production Control departments, which had formerly reported to the Directorate General Operations, Markets and Payment Systems.

The structure of the Directorate General Economics, Statistics and Research was also changed, to incorporate the Associate Directorate General International Affairs, which had until then reported to the Deputy Governor.

Finally, the Directorate General Financial Stability, Regulation and Resolution and the Directorate General Banking Supervision were restructured with a view to, on one hand, achieving greater coordination in the regulatory policy formulation process in the international sphere, centralising these functions in its new Regulation Department, and, on the other, to strengthen the cross-departmental support and coordination functions in the Directorate General Banking Supervision, creating a Planning and Analysis Department for this purpose. In addition, Supervision Departments I, II, III and IV were reassigned to the Associate Directorate General Banking Supervision.

Section 1.3.1 “Organisational chart and structure. Directorates General and General Secretariat” refer to further details on the organisational changes that have taken place in 2018.

2.1.3 Services

The façades of the historical building were restored and cleaned, as were the stained-glass windows and ceilings.

In 2017, comprehensive restoration and cleaning work was carried out on the façades of the Banco de España building that look onto Paseo del Prado and Calle de Alcalá. In 2018, the project will continue with the restoration and cleaning of the façades of Calle Marqués de Cubas and Calle Los Madrazo. The stained-glass windows in the Echegaray rotunda and in the Reading Room of the Library in the old Banco de España building have also been restored, as have the stained-glass ceilings above these and the main staircase.

Work continued on refurbishing the Library’s reading room.

Work continued on the project to refurbish the Library’s reading room, the aim of which is to give the façades their original transparency by renovating the surrounding office spaces on the main floor. The work is expected to be completed in the first quarter of 2018. Another noteworthy refurbishment project was that carried out in the semi-basement in

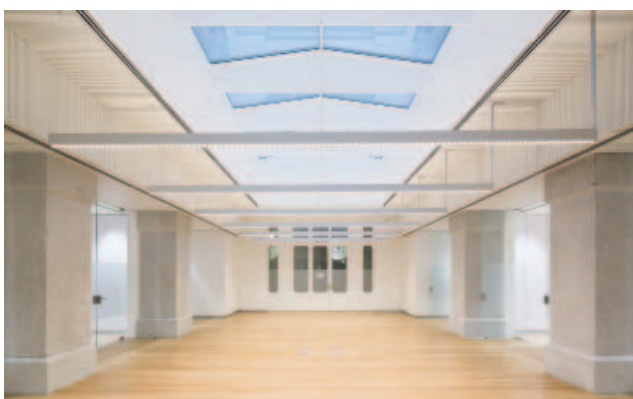


Façade of the Cibeles building after completion of restoration and cleaning work.

the Paseo del Prado wing of the old building, in which the original features of the patio were restored with the construction of a skylight.

A new version of the Bank Customer Portal was launched and the Bank continued to participate actively in IT developments for European projects.

In the area of IT systems, a new version of the *Portal del Cliente Bancario* (Bank Customer Portal) was launched and the Banco de España participated actively, for another year, in the IT development of projects for the Eurosystem in collaboration with other central banks, notably relating to payment infrastructures, securities, collateral management and treasury management of market operations (see Section 2.2.2). Also, jointly with the ECB,



Room in the Cibeles building after completion of refurbishment (left). Cashier's counter (current Library), before 1980 (centre). Restored stained-glass window in the Library (right).

the Banco de Italia and Banco de Portugal, further progress was made on the Anacredit (Analytical Credit Datasets) project.

2.1.4 Branch offices

Inspection of the operational centres of the ancillary deposit system was completed.

In 2017, the inspection of the operational centres of the ancillary deposit system (SDA, by its Spanish abbreviation) was completed. This inspection had commenced in mid-2016, to verify compliance with the regulations affecting them. The SDA is a network of Banco de España banknote deposits located throughout the country, where credit institutions can withdraw and return banknotes, and which provide support to the branch offices in performing their functions relating to the distribution and processing of cash. In addition, the branches provide support to the different Bank departments, offering the general government and the public decentralised services relating to functions and tasks assigned to the Banco de España. These include the exchange of pesetas for euros, replacement of damaged banknotes and coins, current accounts, submission of claims, requesting reports from the Central Credit Register and public debt subscription.

At the end of 2017, there were 422 employees at the Banco de España's 15 branch offices. There is a director in charge of each branch, who is responsible for the infrastructure and administrative and support services. In general, two units report to this director: Cash-Operations, which carries out cash and bank operations, and Financial Control, which audits and accounts for all operations.



Branch office at Santa Cruz de Tenerife (left). Palma branch office (centre). Málaga branch office (right).

2.2 FUNCTIONS RELATING TO BANKING OPERATIONS

2.2.1 Implementation of monetary policy and asset management

The implementation of monetary policy was mostly channelled through the purchase programmes, which were extended until September 2018, with a reduced volume target.

The Banco de España is responsible for implementing monetary policy in Spain. It injects or withdraws liquidity when the counterparty resides in Spain and buys securities that are essentially backed by a Spanish issuer. In 2017, the implementation of monetary policy was mostly channelled through the purchase programmes, as shown in Chart 2. There were no new developments as regards the policy rates or in regular or extraordinary liquidity-providing operations. As regards the latter, in March the last of the four targeted quarterly liquidity-injection operations, with a maturity of four years, was carried out (TLTRO II). Spanish institutions obtained €41,7 billion in this operation which, after deduction of debt repayments, amounted to net funding of €26,3 billion.

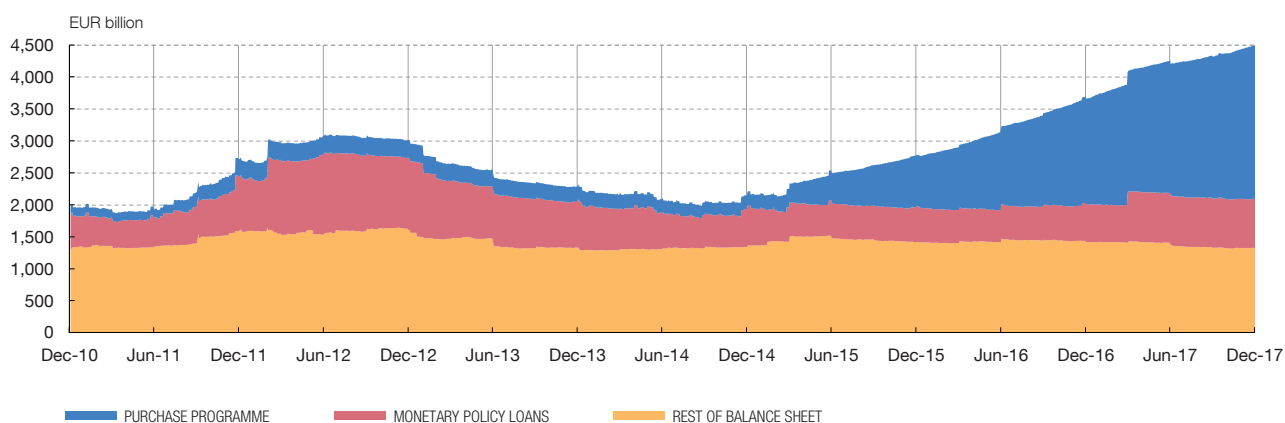
The target volume of the ECB's purchase programmes was reduced in April from €80 billion to €60 billion a month. In October, an additional reduction of €30 billion a month was announced, effective from January 2018. It was also announced that the purchase programmes would be extended for another nine months, until September 2018.

As regards the different elements of the programmes, shown in Chart 3 as a proportion of the total, it should be noted that two new measures started being applied in the public sector purchase programme (PSPP), aimed at expanding the number of eligible bonds: i) reduction of the minimum maturity required from two years to one year, and ii) the commencement of asset purchases at interest rates below that of the marginal deposit facility, from January in the case of government bonds and from October in the case of bonds issued by supranational entities.

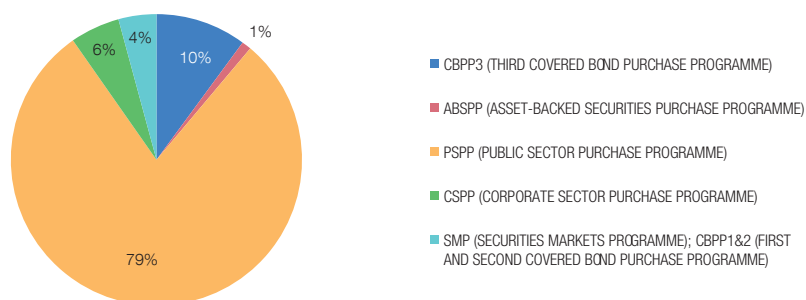
Also noteworthy was the successful implementation of the corporate sector purchase programme (CSPP), in both the secondary and primary markets. In the latter, the Banco de España participated in 21 new issues by 11 Spanish firms. This contrasts with the loss of dynamism in the covered-bond purchase programme (CBPP3), in which only two Spanish issuers had recourse to the primary market in 2017.

DEVELOPMENTS IN THE EUROSISTEM'S BALANCE SHEET

CHART 2



SOURCE: Banco de España.



SOURCE: Banco de España.

As regards portfolio management, in 2017, the Bank continued with the process of diversifying the own portfolios denominated in foreign currencies that had begun in the previous year, both in terms of new currencies and eligible instruments and issuers. It also continued to undertake other tasks for third parties, such as the management of part of the ECB's foreign reserves and acting as a financial agency in relation to the portfolios of the Social Security Reserve Fund and the Deposit Guarantee Scheme.

2.2.2 Management of payments and securities settlement

The migration to TARGET2-Securities was completed.

In 2017, the Bank finalised the adjustments and tests for the migration to TARGET2-Securities, the European platform for securities settlement operated by the Eurosystem. The migration took place in September, as scheduled, successfully completing the long process led by the Banco de España and the CNMV, through the national TARGET2 user group.

In addition, on completion of the related research phases, the Eurosystem approved the development of three projects relating to market infrastructures: the instant payment system (TIPS project), the project to modernise and strengthen the TARGET2 and TARGET2-Securities technical platforms, and Eurosystem Collateral Management System (ECMS) for management of the collateral of the central banks of the Eurosystem. To develop these projects, the Governing Council of the ECB has appointed a group comprising the central banks of Germany, Spain, France and Italy.

2.2.3 Banknote and coin management

There was demand for 3,088 million banknotes and 1,280 million coins from credit institutions.

The Banco de España, which issues euro banknotes together with the ECB and other national central banks in the euro area, must guarantee the continuous supply of banknotes and safeguard their integrity when in circulation. Moreover, the Banco de España puts euro coins into, and withdraws them from, circulation on behalf of the Spanish state.

The use of cash continues to play a key role in the Spanish payment system. A study conducted recently by the ECB revealed that, in 2016, 87% of payments at point-of-sale were made using banknotes and coins.



The main banking hall in the Madrid head offices, on the occasion of the presentation of the new Europa series €50 euro banknote.

In 2017, the Banco de España supplied credit institutions with 3,088 million banknotes to meet customer demand, for an amount of slightly more than €93 billion, either over the counter or through ATMs. They also withdrew almost 1,280 million coins, nearly 64% of which were of the three lowest denominations.

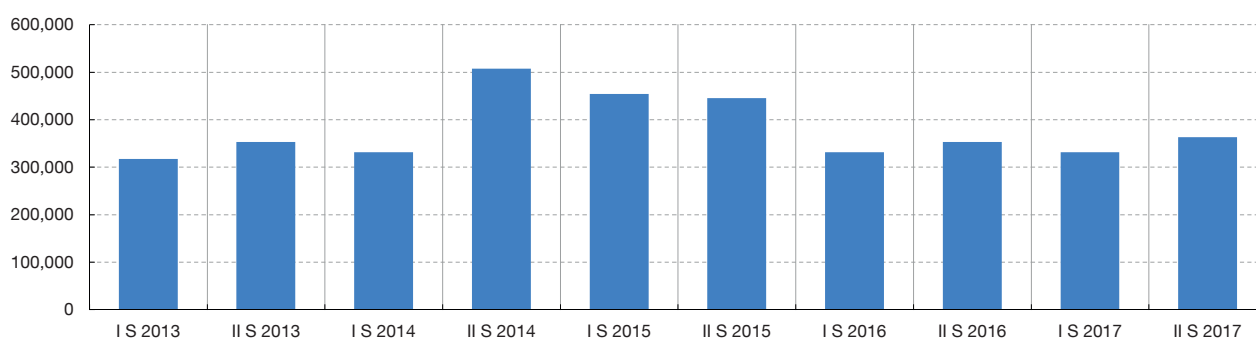
A total of 869 million banknotes were declared to be unfit to be returned to circulation.

As part of its task of safeguarding the integrity of banknotes in circulation, the Bank verified the authenticity and condition of 3,328 million banknotes in 2017. Of these, 869 million were declared to be unfit to be returned to circulation, and were consequently invalidated and destroyed.

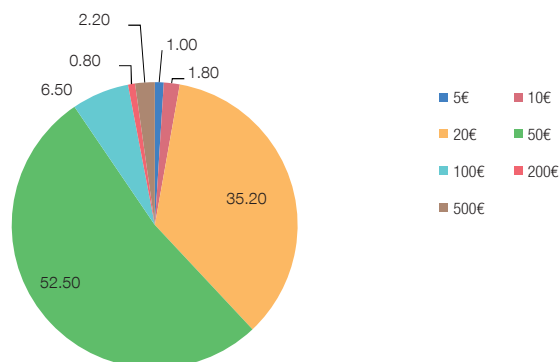
Charts 4 and 5 show the counterfeit banknotes withdrawn from circulation in the Eurosystem and the percentage of total counterfeits withdrawn represented by each denomination. In the second half of 2017, 363,000 counterfeit banknotes were withdrawn from circulation. Bearing in mind that there were around 21,000 million banknotes in

DEVELOPMENTS IN COUNTERFEITS WITHDRAWN FROM CIRCULATION IN THE EUROSISTEM
Half-yearly data

CHART 4



SOURCE: European Central Bank.



SOURCE: European Central Bank.

circulation in the Eurosystem at the end of 2017, there probability of receiving a counterfeit banknote was very low. 88% of the counterfeit banknotes were €20 and €50 banknotes. High-denomination counterfeit banknotes accounted for a much lower percentage, due to the fact that such denominations are subjected to closer scrutiny when received. Moreover, the reduced overall proportion of low-denomination banknotes suggest that counterfeiting them is less profitable for counterfeiters.

The Banco de España fosters initiatives to promote a better understanding of the key elements that help to verify the authenticity of banknotes. For instance, as well as raising awareness about these aspects during Financial Education Day, the Banco de España organised seminars to present the characteristics of the new Europa series €50 banknote, aimed at professional cash handlers, on the occasion of its entry into circulation in April 2017.

2.3 SUPERVISION, FINANCIAL STABILITY AND PREVENTIVE RESOLUTION

2.3.1 Prudential supervision

Since the entry into force of the SSM, in November 2014, the largest euro area credit institutions (significant institutions) are directly supervised by the ECB and the remaining credit institutions (less significant institutions) are supervised by the national supervisors.

The 13 Spanish banking groups directly supervised by the ECB account for 94% of the Spanish banking system's assets.

At the end of 2017, the ECB directly supervised 119 significant groups in the euro area, of which 13 were Spanish. These 13 groups¹ are made up of 52 individual Spanish credit institutions and 24 individual credit institutions located in other euro area countries, and account for 94% of the Spanish banking system's assets. The remaining 6% is accounted for by 69 Spanish banking groups classified as less significant.

Additionally, there are 8 Spanish credit institutions which are subsidiaries of 7 significant foreign banking groups in the SSM.

At the end of 2017, the Banco de España provided 157 employees to the JSTs of significant Spanish banking groups.

The Banco de España contributes to the supervision of significant Spanish credit institutions, both in ongoing monitoring tasks, through the Joint Supervision Teams (JSTs) and in on-site inspections and model reviews at these institutions. At the end of 2017, the Banco de España provided 157 employees to the JSTs of significant Spanish banking groups. Also, in 2017, inspections were performed at 21 significant credit institutions (of which 18 were headed by the Banco de España) and 12 model reviews were carried out, all of them led by the Bank. The Banco de España contributed approximately 90% of the staff assigned to the on-site tasks relating to Spanish banking groups.

¹ Currently 12 groups, following the integration of BMN in Bankia.



Detail of the stained-glass windows by the Mayer company.

Resources were also assigned to perform such tasks at other institutions that were not Spanish.

In 2017, a total of 239 supervisory decisions were adopted addressing significant Spanish institutions specifically, and a further 384 were of a more general nature or dealt with matters of SSM organisation and policies also affecting them. The decisions adopted notably included capital decisions resulting from the supervisory review and evaluation process (SREP), which establishes the level of capital required of each institution in 2018.

A total of 549 monitoring actions and 10 inspection visits were carried out with respect to less significant institutions, supervised by the Banco de España.

With respect to the less significant institutions supervised by the Banco de España, 19 banking groups were the subject of ongoing monitoring in 2017. Simplified monitoring was performed at the remaining 50 groups (based on a system of alerts). A total of 549 monitoring actions² were performed and 10 inspection visits were made. In addition, 70 monitoring actions were carried out at the Spanish branches of less significant groups in the SSM sphere, with head offices in other SSM countries.

At the end of 2017, the Banco de España adopted the capital decisions corresponding to less significant institutions. As in previous years, the SREP applied by the Banco de España to these institutions was similar to that applied to significant credit institutions.

The table below lists the number of credit institutions “with establishment” in Spain in the Spanish banking system in 2017. Institutions operating “without establishment” should also be taken into account. There are a total of 590 such institutions from other EU countries and four institutions from non-EU countries.

Credit institutions with establishment in Spain	2017
Banks	59
Saving banks	2
Credit cooperatives	63
ICO	1
Branches of EU institutions	78
Branches of non-EU institutions	4

The recovery plans of the less significant institutions were reviewed.

Within the recovery framework, in the first quarter of 2017, the Banco de España completed the reviews of the first recovery plans submitted by less significant credit institutions in 2016. These plans referred to December 2015. Following these reviews, letters were sent to institutions whose plans had revealed shortcomings. In September 2017, the updated recovery plans, referring to 31 December 2016, were received from institutions subject to full obligations. The review of these plans was completed in the first quarter of 2018. In addition, in 2017 the Banco de España updated the list of less significant institutions which may be subject to simplified obligations.

² Monitoring actions mainly include periodic monitoring both of a standard and simplified nature, reviews of external auditors' reports and internal capital adequacy assessment reports, analysis of recovery plans and the corresponding capital decisions.

A total of 316 monitoring actions and 6 inspections were performed at institutions supervised by the Banco de España which were not credit institutions.

The Banco de España also has exclusive supervisory powers, outside the SSM context, over institutions other than credit institutions that provide services or perform functions related to the financial sector. In 2017, a total of 316 monitoring actions and 6 inspections were performed at these institutions.

For information purposes, the table below lists the institutions “with establishment” in Spain, other than credit institutions, in the Bank’s registers in 2017, by type and business area. Institution other than credit institutions operating in Spain “without establishment” should also be taken into account. These comprise 156 electronic money institutions and 400 payment institutions.

Financial institutions with establishment in Spain, other than credit institutions	2017
Specialised lending institutions (a)	31
Mutual guarantee companies	19
Reguarantee companies	1
Appraisal companies	35
Currency exchange bureaux (b)	14
Payment institutions	39
Hybrid payments institutions	3
Branches of EU payment institutions	14
Agent network for EU payment institutions	3
Electronic money institutions	5
Branches of EU electronic money institutions	2
Agent network for EU electronic money institutions	1
Sareb (asset management company for assets arising from bank restructuring)	1

a Does not include specialised lending institutions that have proven their status as hybrids, in application of Law 5/2015 on the promotion of business financing (eight in 2017).

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

Also, in cooperation with the Sepblac, in 2017, three inspections on the prevention of money laundering were carried out at significant Spanish institutions.

In the performance of its different supervisory tasks, the Banco de España sent 138 letters containing requirements and recommendations to less significant credit institutions.³ A further 13 such letters were sent to other institutions supervised by Banco de España outside the SSM sphere.

A total of 550 suitability assessment procedures were conducted for senior officers at supervised institutions.

With respect to the assessment of the suitability of senior officers of credit institutions, the Banco de España processed a total of 550 files in 2017, of which 281 related to credit institutions, 85 to mutual guarantee companies, 75 to payment institutions, 62 to specialised lending institutions, 23 to appraisal companies, 19 to electronic money institutions and 5 to currency exchange bureaux.

³ Of these, 55 relate to capital decisions, 54 to recovery plans, 19 to the result of standard annual monitoring and 10 to on-site inspections and monitoring of requirements.

2.3.2 Supervision of market conduct

At total of 37 on-site inspections and 223 verification actions were carried out. In addition to bringing sanction proceedings, the Bank sent 234 letters of recommendations and observations and 122 requirement letters.

Since one of its objectives is to ensure bank customer protection, in 2017, the supervision of market conduct centred on mortgage loans and the advertising of banking products and services of supervised institutions, without losing sight of other equally important areas.

In the area of mortgage loans, compliance with the pre-contractual and contractual transparency requirements for mortgage loans and credit was verified, as was the correct application of regulations on mortgage debtors without funds. In view of the prominent role played by the advertising of banking products and services in attracting new customers and influencing their decisions, priority was also given in 2017 to the verification of advertising activities, to check for accuracy, clarity, conciseness and compliance with regulations. Reviews of advertising were conducted at all the supervised institutions.

In 2017, 37 on-site inspections and 223 verification actions were carried out. As a result of these activities, in addition to bringing the corresponding sanction proceedings, 234 letters of recommendations and observations and 122 requirement letters were sent.

2.3.3 Sanctioning activity

Twelve sanction proceedings were initiated and a further ten were resolved. Six of the initiated proceedings and seven of those resolved were in relation to conduct, transparency and customer protection.

In 2017, the Banco de España initiated six sanction proceedings resulting from the exercise of its supervisory competences in relation to institutions' conduct, transparency and customer protection. These six proceedings were brought against banks. Also in this area, seven proceedings initiated in 2016 against four banks, one credit cooperative, one specialised lending institution and one currency-exchange bureaux and its managers and directors concluded with the imposing of sanctions.

Mention should be made of the sanctioning activity against unauthorised institutions for pursuing activities or using names reserved for credit institutions, and also that concerning payment institutions (primarily as regards own funds coverage, book-keeping and safeguarding funds).

As regards unauthorised institutions, three sets of proceedings were initiated, resulting in the activity of two of the institutions being temporarily suspended. Proceedings against the third institution concluded with the imposing of sanctions. In relation to payment institutions, two sets of proceedings were brought, with the activity of one of the institutions being temporarily suspended. A third set of proceedings, initiated in 2016, concluded with sanctions being imposed (including withdrawal of the institution's authorisation and the disqualification from holding office of several managers).

Lastly, also in 2017, sanction proceedings were initiated and resolved with sanctions being imposed for failure to comply with the regulations of the Banco de España's Central Credit Register.

2.3.4 Macroprudential policy

In 2017, in the area of macroprudential policy and analysis, the Banco de España continued to monitor cyclical risks in the financial system using a risk map with

information drawn from a broad set of indicators. Both the risk map and a smaller set of indicators that form part of the methodology used to determine the percentage of the countercyclical capital buffer (CCB) for credit exposures in Spain presented information consistent with the percentage of CCB remaining at 0% throughout 2017.

As regards identifying and determining the capital buffers of global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs), the Bank performed the corresponding annual review. The only noteworthy change during the year was the fact that Banco Popular, SA, ceased to be identified as an O-SII, following its acquisition by Banco Santander, SA, in June 2017.

A new, forward-looking, analysis of the solvency and resilience of Spanish banks was conducted, using the tool known as "FLESB".

In addition, in 2017 the tool known as "FLESB" (Forward Looking Exercise on Spanish Banks) was used to conduct a new, forward-looking, analysis of the solvency and resilience of Spanish banks in different macroeconomic scenarios, with a two-fold objective. First, the exercise has served as an internal benchmark for comparison with the stress test exercise performed by the International Monetary Fund (IMF) as part of its programme to assess the situation of the Spanish financial system [*Financial Sector Assessment Programme* (FSAP)]. Second, the use of the FLESB as a macroprudential tool has meant that the result of the exercise could be included in the *Financial Stability Report* of the Banco de España, published in November 2017, as an added element of forward-looking analysis.

2.3.5 Preventive resolution

Recovery plans were prepared for a total of 38 institutions and the Bank continued to be actively involved in defining criteria.

In 2017, resolution plans were prepared for a total of 38 institutions (13 significant and 25 less significant), in accordance with the distribution of competences established under the Single Resolution Mechanism (SRM) Regulation, in close collaboration with the Single Resolution Board (SRB), the FROB and other national resolution and supervisory authorities in the euro area. In addition, in compliance with the SRB's calendar, the Banco de España participated in the resolution college of a significant Spanish institution. Lastly, it should be noted that in 2017, the SRB and the EU resolution authorities outside the euro area signed joint decisions relating to the resolution plans of the three significant Spanish institutions currently requiring resolution colleges.

To promote the effective implementation of Directive 2014/59/EU, establishing a framework for the restructuring and resolution of credit institutions, the Banco de España continued to participate actively in the development of preventive resolution criteria and strategies in the international sphere, notably as a member of working groups for the definition of criteria for implementation of the Single Resolution Mechanism. Also worth highlighting due to their importance are: i) the criteria for determining the minimum requirement for own funds and eligible liabilities to absorb losses (MREL); ii) the promotion and analysis of the best resolution strategies based on the different tools available (sale of assets or bridge bank); iii) the definition of the basic guidelines for the analysis of what constitutes public interests; iv) the development of general principles for less significant institutions, and v) the drawing up of guidelines on maintaining an institution as a going concern with access to market infrastructures.

2.3.6 Financial and risk reporting

Implementation of the new models for individual confidential returns was completed, in line with FINREP, and the models for the financial statements of the new accounting circular were developed.

In keeping with their financial reporting requirements, in 2017 credit institutions concluded the implementation of the new models for individual confidential returns, thus completing the process of adapting their financial reporting to the criteria for preparation, terminology and definitions of the statements known as “FINREP” in European Union legislation, and the models for the financial statements of the new accounting circular were developed (published at the end of the year as Circular 4/2017). In addition, the quality control of the Eurosystem’s statistics on money markets (known as *Money Market Reporting Statistics*, MMRS) was addressed in depth. These statistics consist of granular information submitted daily to the ECB by certain credit institutions through the Banco de España. Finally, in the framework of the consumer protection legislation regarding floor clauses, credit institutions began to report on claims received in this connection on a monthly basis, through the Banco de España, starting with data corresponding to September 2017. As regards reporting from other financial institutions, the Banco de España began receiving financial information from banking foundations, and changes were made to the financial reporting of credit risk by mutual guarantee companies.

Circular 1/2017 was published, incorporating the reporting requirements established in what is known as the “AnaCredit” Regulation.

As regards the Central Credit Register, the reporting requirements under Circular 1/2013 were completed in 2017, with the receipt of information on collateral. As the table below shows, implementation of this circular led to a significant increase in the amount of information available in the CCR compared with that available under Circular 1/1995. Thus, based on data referring to March 2016, when information corresponding to both circulars was available, the number of borrowers, transactions and total exposures declared in the CCR rose by approximately 34%, 50% and 24%, respectively, under the new circular. In 2017, the Bank also worked on drafting Circular 1/2017, with the aim of integrating, within a single reporting framework, the new requirements established by ECB Regulation 867/2016 on the collection of granular credit and credit risk data (AnaCredit Regulation). This optimises the processing of information and mitigates the impact of the new obligations on reporting institutions. Credit institutions started to submit new information in 2018, with a view to establishing a centralised database comprising harmonised data on credit risk in all euro area countries. The Banco de España continued participating very actively in the preparatory work for AnaCredit, which included the drafting and publication of explanatory documentation for reporting institutions.

DEVELOPMENTS REGARDING CBE 1/1995 AND CBE 1/2013. MAIN FIGURES REPORTED

	March 2016		December 2016	December 2017
	CBE 1/1995		CBE 1/2013	
Reporting agents	267	267	266	262
Counterparties	15,288,206	20,499,014	20,861,080	20,779,411
Resident	15,259,410	20,282,757	20,641,097	20,411,093
Non-resident	28,796	216,257	219,983	368,318
No. of risks (CIR 1995) / instruments (CIR 2013)	26,518,210	39,693,649	42,294,916	44,912,329
Total exposure (EUR billion)	2.951	3.645	3.821	3.722

2.4 CLAIMS AND QUERIES RECEIVED FROM BANK CUSTOMERS

In contrast with the trend observed in recent years, the number of claims filed by users of bank services rose significantly, owing to claim relating to the distribution of the costs involved in arranging mortgage loans.

In 2017, the number of claims filed by users of bank services rose substantially, even exceeding the historical high recorded in 2013 (almost 35,000 claims, relating mostly to the so-called “floor clauses”). The continuing downward trend observed since 2013 was thus interrupted. As shown in Chart 6, in 2017 a total of 40,170 claims were filed, compared with 14,465 in 2016. This notable increase was mainly due to the 22,607 claims (56% of the total) filed in connection with claimants’ discrepancies regarding the distribution of the costs involved in arranging mortgage loans. The classification of claims filed, by item, reveals that 81.4% were mortgage-related, followed by accounts and deposits (7.9%) and card (3.6%).

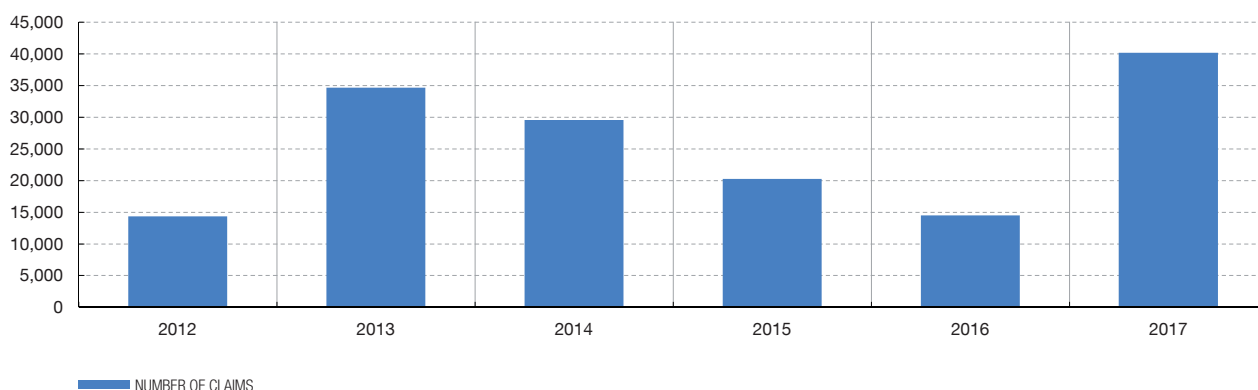
The number of telephone queries also increased in 2017 (39,167, compared with 31,660 in 2016), while those dealt with by electronic channels amounted to 1,889, 46 fewer than a year earlier (1,935).

Work to verify the internal rules applicable to customer services and customer ombudsman departments continued, with the validation of ten new sets of rules at ten institutions, and amendments to the contents of a further 30 sets of internal rules.

The Bank Customer Portal registered close to 4.1 million visits in 2017, as already mentioned in section 1.5.3. At the end of the year, the new, more attractive, design of the portal was launched, with new contents aimed at providing bank customers with more accessible information of interest.

CLAIMS SUBMITTED IN THE LAST SIX YEARS
2017 data, provisional as at 31.12.2017

CHART 6

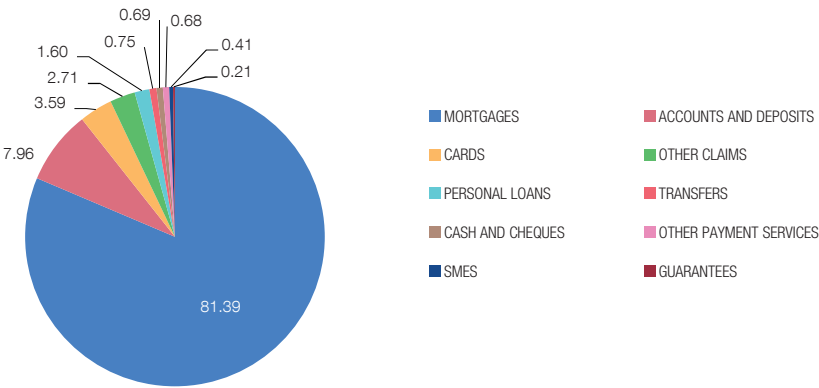


SOURCE: Banco de España.

TYPES OF CLAIMS
Provisional data as at 31.12.2017

CHART 7

% of claims filed



SOURCE: Banco de España.

2.5 REGULATORY CHANGES

Five Banco de España circulars were published in 2017.

The following Banco de España circulars were approved in 2017:

- Banco de España Circular 1/2017 of 30 June 2017, amending Circular 1/2013 of 24 May 2013, on the Central Credit Register.
- Banco de España Circular 2/2017 of 28 July 2017, amending Circular 5/2015 of 30 September 2015, on the specific accounting aspects of Sareb.
- Banco de España Circular 3/2017 of 24 October 2017, amending Circular 2/2014 of 31 January 2014, addressed to credit institutions, on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.
- Banco de España Circular 4/2017 of 27 November 2017, addressed to credit institutions, on public and confidential financial reporting rules and financial statement models.
- Banco de España Circular 5/2017 of 22 December 2017, amending Circular 5/2012 of 27 June 2012, addressed to credit institutions and payment service providers, on the transparency of banking services and responsibility in the extension of loans.

In view of the fact that accounting is an area in which other European prudential supervisors are not competent, it is worth noting Circular 4/2017, which aims to adapt the accounting framework applicable to Spanish credit institutions to the changes in the European accounting framework arising from two new International Financial Reporting Standards (IFRS), namely IFRS 9 and IFRS 15, which modify, from 1 January 2018, the accounting criteria for financial instruments and revenues.

2.6 ECONOMIC ANALYSIS, RESEARCH AND STATISTICS

Economic analysis and research activities show a growing trend, as reflected by the publications they give rise to. The Bank published 51 working papers, 8 occasional papers and 39 articles in anonymously refereed academic and professional journals.

In 2017, analysis and research activities intensified in the national and international sphere, in the form of working papers and external articles in academic journals, reflecting, in both cases, a clearly rising trend compared with previous years, as shown in Chart 8. In 2017, the Banco de España published the highest ever number of working papers in the history of the publication.

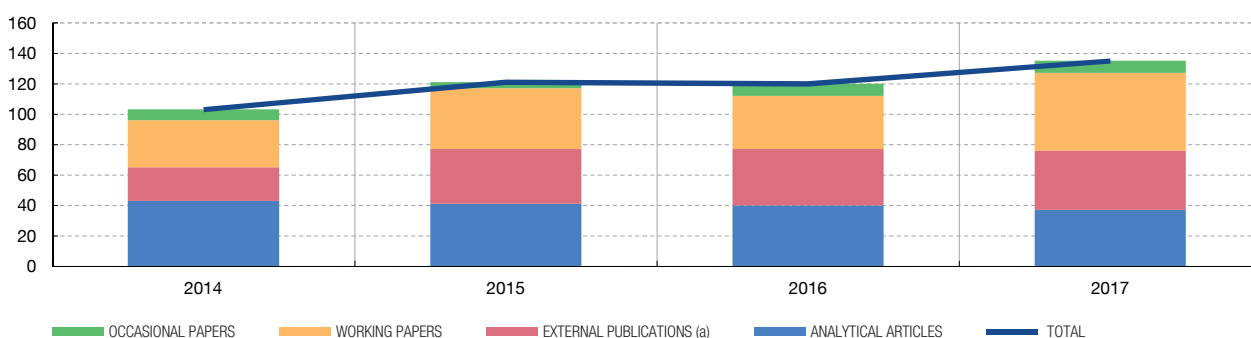
Specifically, 2017 saw the publication of 51 working papers and 8 occasional papers. As regards external publications, a total of 39 articles were published in anonymously refereed academic and professional journals, and another 23 articles were accepted and are pending publication. A further 17 articles were published in other journals and books, and 6 are pending publication. Lastly, 37 Analytical Articles complete the list of publications in the area of economic analysis and research in 2017. As mentioned earlier, in section 1.4, these articles, traditionally associated with the publication of the *Economic Bulletin*, have since January 2017 been disseminated ahead of the publication of the related quarterly Bulletin. Also worth mentioning in the field of economic analysis and research is the participation of Banco de España's researchers in international initiatives, such as the First Banco de España Annual Research Conference, the joint research conducted annually with the Centre for Latin American Monetary Studies (CEMLA) and numerous expert seminars and conferences.

Research activities encompassed a wide range of areas. With respect to the Spanish and euro area economies, analyses were conducted on the external adjustment dynamics of the Spanish economy, income and consumption inequality, the characterisation of regional differences in Spain at the macroeconomic level, the need to deploy common macroeconomic stabilisation elements in euro area countries, the developments in the European labour markets, private-sector savings and investment decisions in the euro area and the characterisation of the medium-term cycles of the main euro area economies in relation to the medium-term cycle of the United States.

BANCO DE ESPAÑA RESEARCH ACTIVITIES

CHART 8

ECONOMIC ANALYSIS AND RESEARCH
Number of publications



SOURCE: Banco de España.

a Only includes articles published in anonymously refereed academic and professional journals.

In the area of monetary policy and financial issues, the impact of the various monetary policy measures adopted by the ECB in recent years on euro area public finances, prices and growth was analysed. Progress was made in analysing the formation of inflation expectations by investors (and their breakdown into expectations and risk premia), the effect of monetary policy and capital requirements on the credit supply in Spain, the effectiveness of current monetary policy measures (asset purchase programmes, forward guidance, etc.), the exit strategies for the current monetary policy measures and the effects of monetary policy on the “new normal”, measurement of the natural interest rate, its determinants and implications for monetary policy and, finally, the governance reform process in the euro area.

As regards conjunctural analysis and macroeconomic modelling, mention should be made of the following: the development of an area of regional conjunctural analysis, a medium-sized macroeconomic model of the structural Bayesian vector autoregressive type for the Spanish economy, very short-term forecasting tools (*Nowcasting*) for various GDP components, and a dynamic stochastic general equilibrium model for the Spanish economy as a forecasting and economic policy assessment tool. The Bank updates its macroeconomic projections for the Spanish economy four times a year, based on which it provides its view of the economic outlook over a two to three-year horizon. The June and December macroeconomic projections, compiled as part of those published by the Eurosystem for the euro area as a whole, are released separately. In March and September, the projections are published as part of the *Economic Bulletin*.

In the international sphere, the estimation of the BVAR models for the emerging countries of most significance for Spain was completed, and a model for forecasting migratory flows in the medium and long-term was developed, as were indicators of financial conditions for several economies. Also noteworthy was the research conducted on exchange rate pass-through or global imbalances. Lastly, considerable resources were devoted to analysing the economic policy of the US administration and Brexit (participating in the task force created for this purpose at the ECB), and the situation in Venezuela was closely monitored.

In the area of financial stability, research centred on macroprudential issues. Specifically, several general equilibrium models were used to analyse the costs and benefits of applying macroprudential policies, both in the short-term and, particularly, in the long term. These models have enabled the study of the optimal use of the different macroprudential instruments, ranging from countercyclical capital instruments to instruments designed specifically to address real estate market issues. Moreover, particular attention was paid to analysing banks’ credit standards and how they relate to the economic circumstances, also focusing on the relationship between the moment of granting loan applications and the behaviour of future loans, and work continued on the ongoing research on the impact of capital requirements on the credit supply.

The *Economic Bulletin* has been published quarterly since 2017 and contains the “Quarterly Report on the Spanish Economy” and links to the publications released during the related quarter as part of the series of Analytical Articles and Economic Notes.

The *Economic Bulletin* has been published four times a year with effect from 2017 and contains the “Quarterly Report on the Spanish Economy”, which analyses the most recent developments in our economy and its external context. The Bulletin not only includes the links for electronic access to the publications released during the quarter in the aforementioned series of Analytical Articles, but also those for the publications forming part of the Economic Notes series during that quarter. As discussed in section 1.4, the Economic Notes focus on specific issues, both of a methodological and statistical nature and relating to changes in the economy. Both 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 2017, a total of 12 Economic Notes were published.

More information was included in the *Statistical Bulletin* and as regards the Central Balance Sheet Data Office.

In the area of statistics, following the entry into force of the new FINREP requirements, credit institutions had to adapt their regular financial reporting to the Banco de España. The reporting on secondary securities markets also had to be adapted, owing to the entry into force of the new TARGET2-Securities platform for securities settlement. In addition, more information was included in the *Statistical Bulletin*. The chapter relating to non-monetary financial institutions (including investment funds, special-purpose vehicles and holdings) was redesigned, and a new chapter on households and non-profit institutions serving households was added.

The publication on the quarterly data of the Balance of Payments, the international investment position (IIP) and the external debt was brought forward a few days. The information provided on the IIP in the *Statistical Bulletin* was expanded to include details of different transaction flows to explain their variations, distinguishing between price, exchange rate and other volume-related changes. The publication of a leaflet titled *En breve* ("In Brief"), on the statistics of the external sector, was launched. It provides a graphical overview of the changes in and structure of the Balance of Payments, the IIP, the external debt, the international reserves and Spain's contribution to the coordinated direct investment and IMF portfolio investment surveys.

The Central Balance Sheet Data Office began to disseminate aggregated information on non-financial Spanish corporate groups (listed and unlisted). This was coupled with a better understanding of individual Spanish firms, both as regards their intragroup transactions and the overall aggregate.

Field work started on the 2017 wave of the Spanish Survey of Household Finances, and the Financial Competence Survey was completed.

Work continued on two surveys on the Spanish population in 2017. The process of imputation of all the variables of the Spanish Survey of Household Finances (2014 wave) was completed and the corresponding microeconomic data was made available to researchers. In addition, field work began on the 2017 wave of this survey. The field work for the Financial Competence Survey (intended to measure the level of financial knowledge of the adult Spanish population) was completed, as was the task of checking data. The main results are expected to be published in the spring of 2018.

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

2.7.1 *The Eurosystem and other European Union institutions*

The Banco de España is actively involved in the Governing Council and General Council of the ECB, and in the Supervisory Board of the SSM and the Eurosystem's committees and working groups.

In 2017, the Banco de España participated intensively in the activities of the Eurosystem. The Governor attended the meetings of the ECB's Governing Council and General Council, in which decisions on monetary policy and the functioning of the Eurosystem are adopted. The Deputy Governor participated in the meetings of the Supervisory Board of the SSM, which discusses, plans and executes the supervisory tasks of the ECB, and proposes draft decisions for the approval of the Governing Council on matters of prudential supervision of credit institutions through the non-objection procedure.

The Banco de España was also actively involved in the work of the different ECB Committees (Monetary Policy, Market Operations, Financial Stability, Statistics, Banknote, Payment and Settlement Systems, Legal, Risk Management and International Relations) and in their working groups. The issues addressed by these committees and approved by the Governing Council notably included conventional and non-conventional monetary policy measures.

With respect to other EU institutions, the Banco de España participated in various working groups and committees. As in previous years, it was represented at the two informal ECOFIN meetings in April and September, and participated in the meetings of the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC), which again addressed, inter alia, future initiatives that will complete the Economic and Monetary Union, the Banking Union or the Capital Markets Union. In this connection, mention should be made of the proposals to give new impetus to the creation of a European Deposit Insurance Scheme and a backstop for the Single Resolution Fund, the risk mitigation measures put forward in the Commission's legislative proposals (the so-called "risk package"), the various institutional initiatives to address the problem of non-performing loans or the reform of the European financial supervision authorities.

2.7.2 *The European Banking Authority (EBA)*

The work on consumer protection, technological innovation and PSD2 gained ground in 2017.

In 2017, the European Banking Authority (EBA) continued contributing to the so-called "Single Rulebook", through the approval of various regulatory products, while working to strengthen the convergence of supervisory practices in all European Union countries. In this respect, mention should be made of the increasing importance of the work on consumer protection, technological innovation and the second directive on payment services (PSD2).

Also noteworthy was the work carried out on the methodology to be used in the 2018 stress testing exercise at European credit institutions, to assess their solvency under an adverse economic scenario. This methodology will be similar to that used in 2016, but taking into account the new IFRS 9 accounting framework.

In 2017, special emphasis was also placed on: i) reviewing the guidelines for the SREP, the main change introduced being the supervisory expectation regarding capital requirements (P2G); ii) drafting guidelines on PD estimation, LGD estimation and treatment of defaulted assets; iii) drafting guidelines on the assessment of ICT (information and communication technologies) risks in the context of the supervisory review and evaluation process; iv) drafting regulatory technical standards on independent valuers which set forth the criteria for the valuation of the assets and liabilities of an institution or entity under a resolution scenario, and v) developing regulatory technical standards on strong authentication and common and secure communication standards for payment service providers.

2.7.3 European Systemic Risk Board (ESRB)

The Banco de España continued to take an active part in the different committees and working groups of the European Systemic Risk Board (ESRB), at EU level, and of the Financial Stability Committee (FSC) of the ECB, at euro area level.

With regard to the issues addressed in the recommendations of the ESRB, that relating to closing real estate gaps (ESRB 2016/14), adopted in 2016, has led to the Banco de España collecting detailed information on the domestic real estate market and developing an analytical assessment framework. In addition, in application of ESRB/2015/1 on recognising and setting countercyclical buffer rates for exposures to third countries, the Banco de España updated its list of material third countries (non-EU jurisdictions with which the Spanish banking system has a significant volume of credit exposures), and undertook the analytical monitoring of the credit situation in those countries.

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

The Financial Stability Board is working on assessing the effects of the reforms, monitoring their implementation and identifying potential risks for financial stability.

The Banco de España is a member of the Financial Stability Board (FSB), whose Steering Committee includes the Governor. After having finalised the main aspects of the regulatory reforms in response to the international financial crisis, the FSB's main focus is currently the analysis of the effects of the reforms, monitoring and ensuring their consistent implementation, and identifying and assessing the potential risks for financial stability.

The Basel Committee on Banking Supervision endorsed the package of outstanding Basel III reforms aimed at reducing the excessive variability of APRs.

The Banco de España also forms part of the Basel Committee on Banking Supervision (BCBS). On 7 December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS) endorsed the outstanding Basel III reforms. This package completes the reforms of the post-crisis regulatory framework which aim to reduce the excessive variability in risk-weighted assets (RWAs) and improve the comparability and transparency of banks' capital ratios. The GHOS also reaffirmed its expectation of full, timely and consistent implementation of all the proposed changes. In parallel, the BCBS published a discussion paper on the regulatory treatment of sovereign exposures, in which it stated that no changes would be made in the short term.



Pillar 2 Working Group of the BCBS, Madrid (top left). Advisory Scientific Committee of the European Systemic Risk Board (bottom left). Plenary session of the Financial Stability Board (right).

The Banco de España was very actively involved in the analysis and development of these regulatory reforms, participating in the discussions and the technical work, including analyses of the impact, design and calibration of the different measures proposed.



3 INSTITUTIONAL RESPONSIBILITY REPORT



Discounting of bills from remittances. Historical Archive of the Banco de España. 1930

In recent years, the Banco de España has undertaken a series of actions which, under the concept of “institutional responsibility”, complement the direct exercise of the tasks conferred on it by European and Spanish law. This institutional responsibility, as an element which contributes to improving society at large and benefits citizens in particular, is also being exercised by other European central banks, with an impact on social development in those countries.

These activities, which public institutions that play such a key role in the economy have traditionally engaged in, need to be adapted to society’s changing needs, by supporting new initiatives in this sphere that may be more appropriate in terms of progress and the development of society.

Among these activities, financial education or financial literacy undoubtedly play an important role, since they directly contribute to citizens, the great majority of whom have a business relationship with the banking system, being able to make more informed and rational decisions. In addition, there is a vital need to foster financial literacy among young people so that, during their years of study, they become familiar with the main financial concepts that form part of their education.

The Banco de España considers the financial assistance provided for economic research to be an essential aspect of its institutional responsibility, a vital contribution to the study of economic issues, which leads to higher levels of social development.

Moreover, also in the context of social enhancement, our institution has a strong tradition in specific patronage tasks relating to cultural and social activities to help maintain and foster certain actions performed by public or private institutions of reference which clearly benefit society. The Bank also fosters the maintenance and improvement of its undeniable cultural and artistic heritage, as a key reference to its past, present and future.

This chapter summarises some of the actions performed in the field of institutional responsibility from this perspective.

3.1 FINANCIAL EDUCATION

The Banco de España fosters financial education through various means, notably its website, which offers a great deal of information in several portals designed for such purpose, such as the aforementioned *Portal del Cliente Bancario*, the *Portal Educativo* or the portal called *Finanzas para todos* (Finance for all). These portals aim to cater for the educational and information needs of citizens, particularly of individuals who customarily have dealings with any of the institutions in the financial system or who hold products offered by them.

For years, the Banco de España has, in conjunction with the CNMV, set itself the primary objective of promoting financial literacy among citizens through the Financial Education Plan (FEP). In this context, one of the most visible initiatives was the aforementioned Finance for All portal, which received a total of 2,557,650 visits in 2017.

Other notable developments in 2017 were the launch of an innovative financial knowledge competition for secondary school and vocational training students and, in particular, the renewal of the cooperation agreement between the Banco de España and the CNMV to continue implementing the Plan over the next four years.

On October 2, coinciding with the third edition of Financial Education Day, which is held every year on the first Monday in October, the Governor of the Banco de España and the president of the CNMV renewed the aforementioned agreement, entered into for the development of the FEP over the next four years (2018-2021).

In 2017, an inter-school competition based on students' financial knowledge was held for the first time. The competition, which was open to schools that had signed up for the Financial Education Programme for Schools of the FEP, consisted of a game questions and answers on financial issues, and several elimination rounds: the first of these was held online and the others onsite at different branch offices of the Banco de España and at the



Financial Education Day (*Finance for All*), attended by the State Secretary for Economic Affairs, Industry and Competitiveness, the Governor of the Banco de España, the State Secretary for Education, Vocational Training and Universities, and the president of the CNMV (left). Group photo of the winners of the Financial Education Programme for Schools: Al-Satt Secondary School, Algete, Madrid (right).



School workshop on banknote counterfeiting, organised by the Cash and Issue Department.

Madrid head offices of the CNMV. The final was hosted at the Banco de España's Madrid head offices, as part of the main event of Financial Education Day, and the winning team was from Al-Satt Secondary School (in Algete, Madrid), with the Gustavo Adolfo Bécquer Secondary School (from Seville) coming second. The competition was well received by the educational community and is expected to be held every year, as this type of initiative contributes to the promotion of financial education among young people. It should be noted that this is one of the priorities of the FEP, in line with the OECD recommendation that the financial education of the population should start at school.

On another front, and in order to encourage cooperation with other general government sectors to promote awareness of the Plan and its Programme for Schools, in 2017, visits were arranged involving various consumer, financial and educational organisations in fifteen regions (Andalusia, Aragon, Asturias, the Balearic Islands, the Canary Islands,



A group of visitors looking at the Mayer stained-glass windows at the Banco de España's head offices.

Cantabria, Castile-La Mancha, Castile and Leon, Catalonia, Extremadura, La Rioja, Madrid, Murcia, the Basque Country and Valencia).

The Central Banking and Supervision Programme promotes awareness of price stability and of financial and payment systems.

The Banco de España's Central Banking and Supervision Programme is based on the belief that, in a modern and democratic society, the proper functioning of institutions requires citizens to become familiar with them. The purpose of the Programme is to promote awareness of price stability, financial and payment systems, and the cash cycle, to enable adults and young people to become familiar with the mission of a central bank and a supervisory authority.

Some of the initiatives of the Central Banking and Supervision Programme include most notably: the "Generation Euro" competition, where upper-level secondary and vocational training students propose a decision on interest rates to be adopted days later by the ECB's Governing Council; the events organised at the branch offices of the Banco de España to provide teachers with support for training students in different subjects relating to central banking and supervision and for various teaching activities on banknotes and coins. Lastly, the Central Banking and Supervision Programme also includes a project of guided tours for schools and universities at its Madrid head offices and the branch network, which received more than 12,400 visitors in the 2016-2017 school year. These visits, which aim to bring the Banco de España closer to citizens, can be requested through the *Portal Educativo* (portaleducativo.bde.es).

3.2 RESEARCH GRANTS AND SCHOLARSHIPS

As a centre fostering economic research and internships, the Banco de España periodically organises programmes to encourage the presence and participation of researchers at the Bank, the details of which are published on its website.

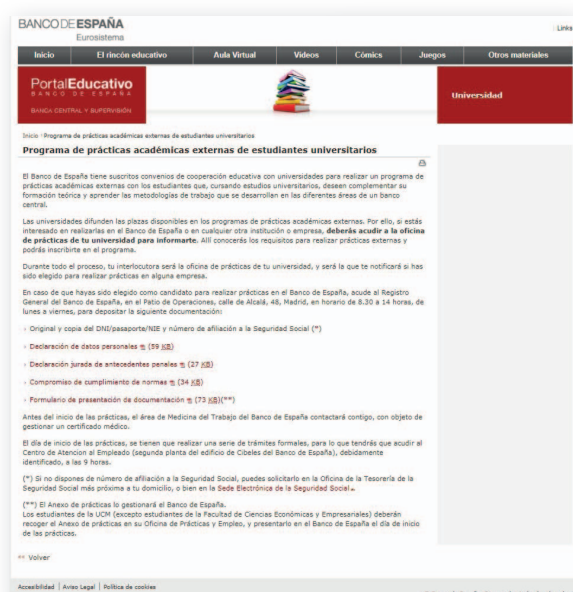
Different grants for economic research were awarded and the participation of researchers was encouraged.

As regards the Banco de España's Research Plan, over the course of 2017 the Executive Commission selected a total of six research projects on economics, based on the excellence of the applicant's research, on its quality, interest and complementarity and hired six researchers for periods ranging from four to eight months who were assigned to the Directorate General Economics, Statistics and Research, the Directorate General Financial Stability, Regulation and Resolution, and the Associate Directorate General International Affairs.

The Banco de España provides scholarships for further studies and master's degrees. It also has an Excellence in Education and Research Programme.

In 2017, the Banco de España granted five scholarships for further studies abroad and official master's degrees in Spain during the 2017-2018 academic year, and their renewal for another academic year (2018-2019). In addition, the granting of five additional scholarships for further studies during the 2018-2019 academic year, and the request for renewal in 2019-2020, was also approved. These are intended for university graduates and, exceptionally, students in the final year of their degree.

Also, the Banco de España promotes its Excellence in Education and Research Programme directed at Spanish universities and think tanks, which promotes excellence in teaching and research in subjects that are of interest to a central bank, in the areas of macroeconomics, monetary policy, finance, regulation and supervision of the financial system, international economics and economic history. In 2017 two grants were awarded within the framework of this programme for the 2017-2018 academic year, for research projects focusing on macroeconomics and monetary, financial and banking economics.



Section on the work experience programme for university students in the Educational Portal (*Portal Educativo*).



Economic Research Portal of the Banco de España.

The Banco de España contributes a maximum of €25,000 per research project. Also, an additional amount of €5,000 is awarded for publishing the results of the project in an academic journal of international renown.

3.3 INTERNATIONAL COOPERATION

The Banco de España maintains a close relationship with the IMF, the World Bank and the European Central Bank. It also forges agreements and/or strong cooperation ties with other institutions, mainly Latin American, including most notably the cooperation agreement in place with the Center for Latin American Monetary Studies (CEMLA) and the cooperation with the Association of Supervisors of Banks of the Americas (ASBA), the Latin American Reserve Fund (LRF), the Central American Monetary Council (CMC) and the Ibero-American Institute of Securities Markets (IIMV).

Along these lines, and to implement the International Non-Regulatory Cooperation Agreement with CEMLA, the drawing up of the Technical Assistance Programme to Strengthen the Accounting Regulatory Framework in Latin America was agreed. In 2017, the programme was implemented in Uruguay and Guatemala, soon to be joined by Ecuador and Colombia. Also within this framework, a new Fintech, project was embarked on, the contents of which will be adapted to the needs of the Latin American community.

As regards the International Non-Regulatory Cooperation Agreement entered into with Morocco's central bank, a number of cooperation activities were carried out, notably study visits to various departments, including the banknote printing works. Moreover, in 2017, new international cooperation agreements were entered into, with Cuba, on 23 February 2017, and with Chile, on 20 November 2017. In the case of Cuba, the Banco de España organised, in two sessions over two days, a summarised version of its most successful seminars, adapted to the needs of the Banco Central de Cuba. The first session centred on conjunctural analyses and the second on central bank governance.

As regards regular cooperation activities, 19 events were organised in 2017, including seminars, workshops, course and expert meetings, four of which took place in Latin American headquarters. In addition to the traditional ones (Payment Systems, Course on Cash Management, International Seminar on Financial Regulation, Supervision and Resolution, or the International Central Banking Seminar), the fifteenth edition of which



Joint World Bank-Banco de España Conference: «The future of globalisation and economic integration in Europe and Latin America: Implications for growth and social equality» (left). First meeting of Fintech experts, Europe Room (right).

were held in 2017, others were organised, such as the Seminar on Governance and Central Banking, the Seminar on Financial Stability or the Seminar on the Banco de España's Model for Collecting Data from Financial Institutions and Non-Financial Corporations. In addition, new seminars and courses were held, such as the Seminar on Remittances, Migration and Financial Inclusion and the Course on Household Finance Surveys. The Banco de España also hosted the first meeting of Fintech experts at its Madrid head offices. There were also more than fifty-six visits within Spain and missions abroad, maintaining a high level of cooperation through the enquiries received and responded.

Finally, as a member of the international cooperation working group created in the ECB's International Relations Committee (ICR), the Banco de España, together with five other central banks and the ECB, participated in an *ad hoc* working group to develop a set of principles and good practices for international cooperation in the ESCB.

3.4 BENEFICENT SOCIAL AND CULTURAL FUND

The Banco de España has a Beneficent Social Fund.

The Beneficent Social Fund (BSF) was created under Law 192/1964 of 24 December 1964, on the allocation of the Banco de España's annual profit, which provides that the Bank may allocate certain amounts to the BSF after deducting overhead costs and administrative and financial expenses from its gross profit.

Under the related regulations implementing the aforementioned law, the provision to the Banco de España's BSF may not exceed 1% of the Bank's net profit for each year. Contributions made with a charge to the BSF must be used for intellectual, cultural or social purposes, including most notably for economic research, financial education, social and humanitarian, and cultural, purposes.

In 2017, contributions were made to educational and cultural activities, social and humanitarian assistance and scientific and analytical collaborative projects.

Against this backdrop, over the course of 2017, the Executive Commission authorised financial assistance with a charge to the BSF for a total amount of €2,094,049. Such assistance is granted within the framework of different fields of action, such as: educational and cultural activities, social and humanitarian assistance, and academic and professional collaborations.

The Transparency Portal of the Banco de España includes information on the contributions authorised with a charge to the BSF, indicating the overall amount authorised by category. Some of the most significant subsidies authorised in 2017 are the following:

- Assistance classified under the “Educational and cultural activities” category, including most notably scholarships for further studies; contributions for the fulfilment of the founding purposes of Fundación Princesa de Asturias, Fundación Reina Sofía, Fundación Carolina and Fundación Isaac Albéniz; contributions for fulfilment of the goals of the Spanish Economic Association, and of the activities of the economic research chair “Banco de España – Enrique Fuentes Quintana” or sponsorship of the Teatro Real's social programme.
- Assistance classed as “social and humanitarian aid”, including for the Spanish Cancer Association and the Spanish Red Cross; aid which aims to meet the founding purposes of the Food Banks and the Foundation for Aid against Drug Addiction or to comply with the Spanish National Plan on Drugs; or contributions to the relief activities conducted by Caritas Spain, the Betesda Foundation or the Association of Retirees.
- Various “academic and professional collaborations” in programmes or events relating to economic or financial matters.

The Banco de España collaborates with the Museo del Prado and the Museo Nacional Centro de Arte Reina Sofía.

Finally, the Banco de España has entered into collaboration agreements with two national museums, the Museo del Prado and the Museo Nacional Centro de Arte Reina Sofía, which have made it possible to establish a fluid communication and advisory channel for different issues relating to the dissemination and preservation of the Bank's artistic heritage, facilitating diverse actions or opinions of a scientific nature and on the state of conservation in connection with different acquisition proposals, recommendations by restoration specialists, etc.

3.5 ARTISTIC, HISTORICAL AND BIBLIOGRAPHIC HERITAGE

The Banco de España's heritage can be divided into three broad categories which are described below and share a common feature, that of forming part of a historical, artistic and cultural heritage which dates back to the institution's origins, with the foundation of the Banco de San Carlos in 1782. The conservation, maintenance and restoration of this heritage is one of the main areas of institutional action, as are the initiatives undertaken to facilitate access to our cultural heritage to the largest possible number of people. The development of new technologies and the dissemination of all this information on our website undoubtedly contributes to this goal.

3.5.1 *Artistic heritage*

Delivering on one of the main priorities affecting its art collection, that is, its conservation, the Banco de España launched the Plan for Preventive Conservation and Restoration in 2017, analysing approximately 700 works of art from its collection of paintings, sculptures and photographs. It also adopted and implemented a second plan relating to works on



The Goya Room, following refurbishment and museographic improvements.



Exhibition titled "De Goya a nuestros días. Miradas a la Colección Banco de España" (From Goya to the present day: a look at the Banco de España Collection), at the Mohammed VI Museum of Modern and Contemporary Art in Rabat, Morocco.

paper, which affected another 335 works of art. These initiatives have enabled the identification of the works of art that require restoration and the detection and assessment of the external adverse risks affecting collections, so that measures can be adopted to remedy them. In order to implement the actions derived from the Conservation Plan, an area was accommodated as a workshop, enabling the restoration, inside the Bank itself, of 13 works of art, which notably included the portrait of Echegaray, by Joaquín Sorolla, and that of Ferdinand VII, by Vicente López.

Also in 2017, the Bank refurbished and made museographic improvements to the Goya Room. The new lighting system, specifically designed for this space, together with the changes in the colour scheme and the removal of several decorative features, no doubt provide a better showcase for this magnificent collection of portraits, with the new background chosen to enhance the paintings and the elimination of the glare on the canvases caused by old lighting system. The new museographic features also ensure more effective conservation of the paintings.

In 2017, the Banco de España disseminated its artistic heritage in two ways: by lending works of art for various exhibitions in national museums and by organising a temporary exhibition of part of its collection in Morocco, under the title “De Goya a nuestros días. Miradas a la Colección Banco de España” (From Goya to the present day: a look at the Banco de España Collection), in the Mohammed VI Museum of Modern and Contemporary Art in Rabat. This exhibition allowed visitors to become acquainted with key works of art from the collection through a selection of around 100 paintings, which included royal portraits and portraits of Banco de España governors, and other paintings by Spanish and international artists covering the period from the 1950s to the present day. A complete catalogue was produced containing photographs of the works of art and explanatory texts to help understand the nature of the exhibition.

Moreover, eleven works of art (paintings, drawings, photographs and sculptures) was processed, were acquired to complete the Bank’s collection, under the criteria established in the internal regulations. For these acquisitions, the Bank received advice from experts from the national museums with which it has entered into collaboration agreements.

3.5.2 Historical Archive and numismatic collection

The various actions carried out in 2017 affecting the Historical Archive and the numismatic collection of the Banco de España can be divided into the following areas: treatment, conservation, dissemination of its documentary heritage, and documentation service.

The Historical Archive continued work on the recovery project for the Bank’s collection of more than 16,000 photographs.

Treatment actions in 2017 included the ongoing recovery project for the Banco de España’s photographic collection, which entailed identifying, cataloguing and appropriate presentation of more than 9,400 photographs which, added to the 6,600 treated in 2016, gave a total of 16,000 photographs. This work significantly enhances the Banco de España’s documentary heritage and improves our knowledge of the institution’s history. The recovery project is expected to continue in 2018, with treatment of an additional 7,000 photographs.

Also in 2017, various historical document conservation actions were carried out, including the restoration of 402 books from the period running from 1700 to 1962,



Bilbao branch office employees, 1936 (top left). Cashier from the Badajoz branch office, 1909 (top right). Visit to the Banco de España by Umberto II of Savoy, accompanied by Joaquín Benjumea Burín, in the late 1950s (bottom left). Tangiers agency employees, 1936 (bottom right).

most of which are accounting ledgers of the Banco de San Carlos (1782-1829), reflecting much of the work of the Banco de España's first predecessor. The restoration work has recovered the physical and functional integrity of this important collection of documents, reversing the damage it had suffered and ensuring its future conservation.

"Goya in the documents of the Banco de España" exhibition.

Coinciding with the celebration of International Archives Day, on 9 June, the Banco de España organised an exhibition titled "Goya in the documents of the Banco de España", which displayed documents bearing witness to the fact that Francisco de Goya painted the portraits of the first directors of the Banco de San Carlos and of King Carlos III dressed in hunting attire. Thanks to these documents, the then adviser Francisco Belda, later appointed Deputy Governor, was able to prove Goya's authorship, called into question by critics and experts at the time, thereby showing that the careful management of historical documents, and keeping records of any actions affecting them, ensures that responsibilities are met and the institution's memory preserved.

Project for the recovery of historical banking archives in Spain.

With respect to the recovery of cultural heritage, in 2017 the Banco de España continued to work on the project for the recovery of the historical archives of Spanish banks, focused on contributing to the conservation of banking archives in Spain, often in danger of being lost or destroyed because of the lack of awareness of their historical and heritage value. The project, in which archive professionals from banks and savings banks have participated, will conclude in early 2018, with the publication



Restoration of a book from the Archive.

of the *Guía de los archivos de la banca en España* (“Guide to the archives of Spanish banks”). The project has had a huge impact on the location and recovery of the historical archives of institutions that no longer exist and has strengthened professional and institutional relations between banks.

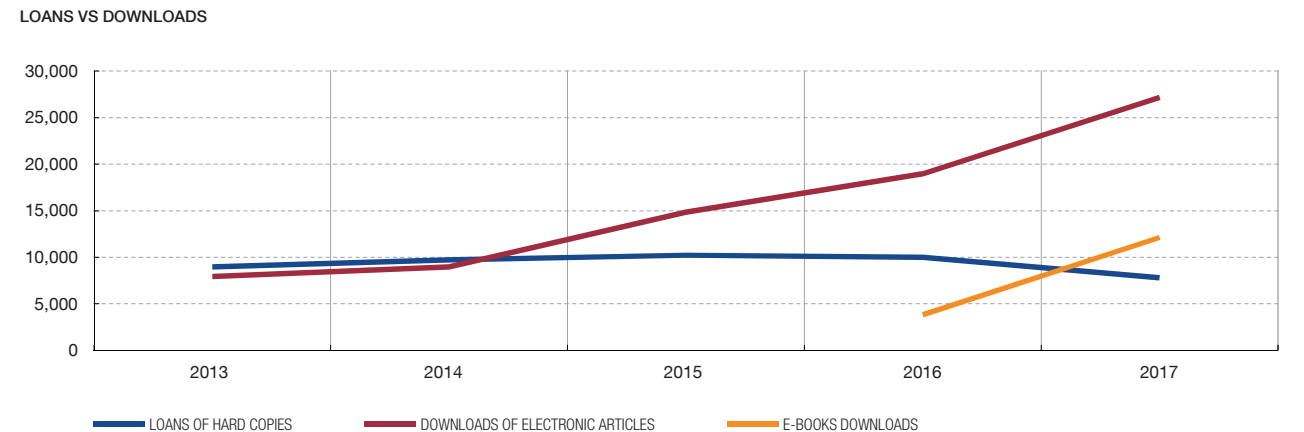
As regards the services provided by the Archive of the Banco de España and the availability of its resources, 137 queries were dealt with and various reports were prepared based on research by experts and specialists, which have resulted in the reconstruction of situations and events of the past, to help to explain or resolve current actions, such as refurbishment and restoration of buildings or legal claims. The Historical Archive was visited by 68 external researchers or users, whose work covered a wide range of subjects, notably the Bank’s buildings, employees and prominent figures associated with the institution, the financial system, monetary policy and civil engineering works, viewed from a historical perspective.

3.5.3 Bibliographic heritage

In 2017, the Library continued to enhance its lending and information services. It registered 217 new users of the bibliographic fund loan service and six new external researchers with permission to access the Special Value Collection. The number of publications consulted rose by 48%, despite the fact that the number of external readers who visited the Library fell, compared with 2016. This decrease in visits was the logical consequence of the reduced physical space available, owing to the refurbishment of the reading room.

Continuing with the initiative launched in the previous year, the Library increased its purchases of books in electronic format. As a result, its collection of e-books doubled and their use increased threefold (12,131 downloads). This, combined with the 43% increase in electric journal downloads (27,161), clearly shows the predominance of electronic formats as a source of the most up-to-date information. However, the collection of printed books was not neglected, with 1,378 new book purchases and a total of 7,799 loans of hard copies.

In 2017, the Library dealt with a total of 1,635 information requests, and lent 90 books to other libraries and institutions, through its interlibrary loan service.



SOURCE: Banco de España.

As regards the Special Value Collection, an essential part of the Bank’s bibliographic heritage, the full usability of 277 volumes was regained and their long term conservation ensured, as a result of the restoration project under way. Also, work continued on the digitalisation of part of this collection. A total of 576 volumes, containing more than 215,000 pages, were digitalised.

On the occasion of the III Seminar on Economic History hosted by the Banco de España, the Library organised an exhibition of economic history publications issued by the Bank, and the publication of a leaflet titled “The economic history in the Banco de España”.



Speech delivered by Charles Goodhart, from the London School of Economics, at the III Seminar on Economic History (left). Leaflet titled *La historia económica en el Banco de España* (“The economic history in the Banco de España”), right.

3.6 OTHER ACTIVITIES

The Banco de España's procurement policy gives priority to environmental protection.

In the sphere of environmental protection, the Banco de España generally requires firms participating in tender procedures that are subject to environmental contingencies to provide evidence of compliance with certain related management rules and that they submit the certificates required under the applicable regulations, establishing for this purpose specific contractual clauses.

These requirements are part of a set of environmental prevention and management measures, notably including those relating to monitoring paper consumption and recycling, selective waste removal and management, monitoring energy and water consumption, measurement of CO₂, energy efficiency measures for buildings and promoting the use of renewable energies and cogeneration.

Also, the efficiency of energy control measures has become the object of periodic energy audits to assess energy consumption and efficiency of buildings and to propose energy-saving measures.

Our institution also has a computer equipment donation programme in place. In 2005 the Banco de España implemented a PC and laptop donation programme whereby it donates equipment (in perfect working order and fully depreciated) to different non-profit institutions, such as schools and NGOs, that request them. This programme facilitates the adequate use of the Bank's resources while helping to implement new technologies across all educational stages and among disadvantaged groups.

A total of 276 computers were donated to non-profit institutions.

Under this programme, in 2017 the Banco de España donated 276 computers to non-profit institutions. Of these, 88% were primary and secondary schools, universities and adult education centres, while around 12% related to several associations dedicated to the protection of persons without financial resources.

Finally, through the Sports and Cultural Club of Banco de España Employees, staff members participated in and carried out different sports activities, such as events and competitions, and cultural activities, particularly related to music and the theatre, which are amply supported by employees.

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