

# INSTITUTIONAL REPORT

2018

BANCO DE **ESPAÑA**  
Eurosistema





## INSTITUTIONAL REPORT 2018

## CONTENTS

FOREWORD BY THE GOVERNOR	5
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1 CORPORATE GOVERNANCE REPORT	7
1.1 Functions of the Banco de España	9
1.1.1 Functions as a member of the ESCB and as a national central bank	10
1.1.2 Functions as a supervisory authority	12
1.1.3 Other functions	13
1.2 Governing bodies of the Banco de España	16
1.2.1 The Governor	16
1.2.2 The Deputy Governor	16
1.2.3 The Governing Council	16
1.2.4 Executive Commission	19
1.2.5 Committees and commissions	22
1.2.6 Appearances by the Governor and the Deputy Governor	24
1.3 Structure of the Banco de España	27
1.3.1 Organisation chart and structure. Directorates General and General Secretariat	27
1.3.2 Banco de España head offices and branches	31
1.3.3 Special-purpose entities	33
1.4 Reports and publications	35
1.5 Banco de España website and portals. Virtual Office	38
1.5.1 Virtual Office	38
1.5.2 General Register and general information point	39
1.5.3 E-Administration and document processes	40
1.6 Other web portals	43
1.6.1 The Transparency Portal and requests for access to public information	43
1.6.2 The Bank Customer Portal	44
1.6.3 Protection of personal data	45
2 ACTIVITY REPORT	47
2.1 Internal organisation and administration	49
2.1.1 Human Resources	49
2.1.2 Reorganisation	52
2.1.3 Services	52
2.1.4 Branch offices	55
2.2 Functions relating to banking operations	56
2.2.1 Implementation of monetary policy and asset management	56
2.2.2 Management of payments and securities settlement	57
2.2.3 Banknote and coin management	57
2.3 Supervision, financial stability and preventive resolution	60
2.3.1 Prudential supervision	60
2.3.2 Supervision of market conduct	65
2.3.3 Sanctioning activity	66
2.3.4 Macroprudential policy	67

2.3.5	Preventive resolution	67
2.3.6	Financial and risk reporting	68
2.4	Claims and queries received from bank customers	70
2.5	Regulatory changes	72
2.6	Economic analysis, research and statistics	73
2.7	Activities of the Banco de España as a member of the Eurosystem and other international organisations	78
2.7.1	The Eurosystem and other European Union institutions	78
2.7.2	European Banking Authority	79
2.7.3	European Systemic Risk Board	80
2.7.4	The Financial Stability Board, the Basel Committee on Banking Supervision and the Bank for International Settlements	80

### 3 INSTITUTIONAL RESPONSIBILITY REPORT 83

3.1	Financial Education Plan	86
3.2	Central Banking and Supervision Programme	89
3.3	Research grants and scholarships	91
3.4	International cooperation	92
3.5	Beneficent social and cultural fund	94
3.6	Artistic, historical and bibliographic heritage	95
3.6.1	Art collection	95
3.6.2	Historical Archive and numismatic collection	97
3.6.3	Bibliographic heritage	99
3.7	Environmental sustainability initiatives	101
3.8	Other actions	102



## FOREWORD BY THE GOVERNOR

### Pablo Hernández de Cos

The *Institutional Report* published by the Banco de España is aimed mainly at offering citizens a fuller view of our institution, its structure and organisation, and of the main activities carried out in 2018.

Readily accessible in a format in which the text is accompanied by graphics, the report sets out the key actions carried out by the Banco de España last year. In turn, it concisely explains the main features of our organisation.

As in previous editions, the report is divided into three chapters. The first, entitled “Corporate Governance Report”, explains: the functions, tasks and responsibilities of the Bank; the composition of its governing and management bodies; the main documents it publishes; and the 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 imbue its actions with greater transparency. The aim is that citizens should have a closer and better founded idea of our functions, how we carry them out and the most significant events in 2018.

The report forms part of the various reports and publications over the course of the year that analyse and assess, in relation to our different business areas, the main developments shaping economic activity, the financial system and payment systems in Spain and internationally.





## 1 CORPORATE GOVERNANCE REPORT



Medallion carved in limestone on the façade of the Cibeles building.

## 1.1 FUNCTIONS OF THE BANCO DE ESPAÑA

The functions of the Banco de España are defined as those of a national central bank and supervisor of the Spanish banking system, together with the ECB.

The Banco de España is a public law entity with its own legal personality and full capacity to act publicly and privately, which acts with autonomy and independence from the central government, and does not accept instructions from the government or any other national or EU body. Notwithstanding, in the exercise of its functions as a member of the European System of Central Banks (ESCB), it must follow the guidelines and instructions of the European Central Bank (ECB).

Its functions are therefore determined by its status as the national central bank and supervisor of the Spanish banking system, together with the ECB, within the framework of the ESCB and the Single Supervisory Mechanism (SSM).

These functions are regulated under national law, mainly by Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España (hereafter, the “Law of Autonomy”), which has gradually been amended to incorporate the various changes arising in the European context. Particularly noteworthy is the redefinition of the functions of national central banks (NCBs) of the euro area following the launch of stage three of Economic and Monetary Union (in January 1999) and the entry into operation of the SSM (on 4 November 2014), which established a single banking supervision system for the euro area.

The Law of Autonomy and, consequently, the functions of the Banco de España, are implemented through the Internal Rules of the Banco de España (IRBE), approved by the Banco de España’s Governing Council Resolution of 28 March 2000. These rules are the basic regulations with the highest priority governing the organisation and operations of the institution.



Main façade, looking onto Plaza de Cibeles.

It should also be noted that the Banco de España, as a member of the ESCB, is subject to the provisions of the Treaty establishing the European Community and the Statutes of the ESCB and the ECB.

The Banco de España is subject to the regulations of the ESCB and of the Eurosystem.

As mentioned above, the functions of the Banco de España derive from its membership of the ESCB and of the Eurosystem. The Banco de España is therefore subject to 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 powers on the ECB relating to the supervision on a consolidated basis of credit institutions considered to be “significant”.

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

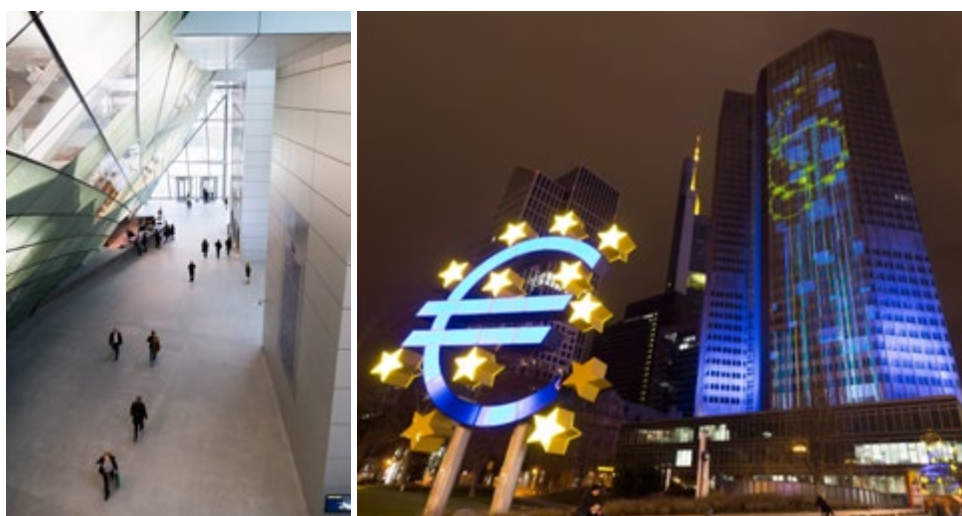
### ***1.1.1 Functions as a member of the ESCB and as a national central bank***

As a member of the ESCB and the Eurosystem, the Banco de España has been assigned various functions.

The ESCB, established pursuant to the Maastricht Treaty and the Statutes of the ESCB and of the ECB, comprises the ECB and the NCBs of the EU Member States, regardless of whether or not they have adopted the euro as the single currency.

The Eurosystem, which comprises the ECB and the NCBs of the nineteen EU Member States which have adopted the euro as their currency, has been assigned four core functions, namely: i) to implement the ECB’s monetary policy; ii) to carry out foreign exchange transactions; iii) to maintain and manage the official reserves of euro area countries, and iv) to promote the sound functioning of payment systems. The Eurosystem also contributes to financial supervision, by providing advice on legislation in this area and compiling financial and monetary statistics.

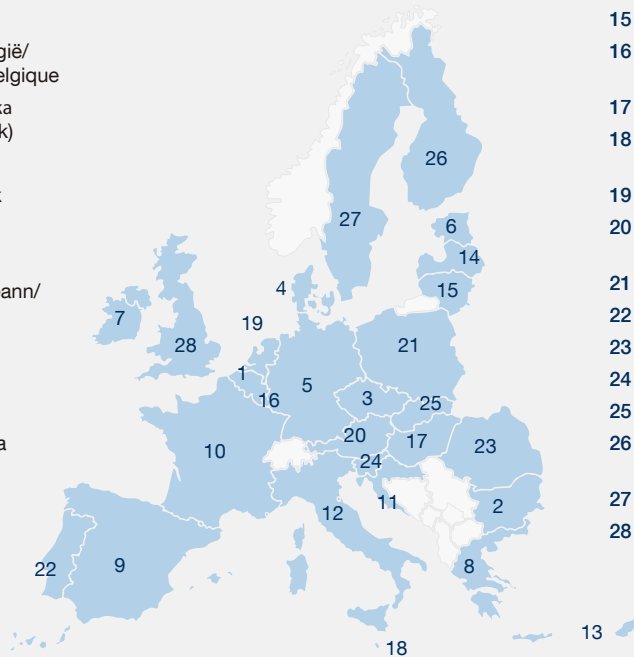
In this context, as a national central bank, the Banco de España performs certain basic functions attributed to the ESCB and, as part of the Eurosystem, it participates in the implementation of the euro area’s single monetary policy and performs monetary policy operations, such as liquidity provision to credit institutions, and manages the settlement of national and cross-border payments through the TARGET2 system.



The European Central Bank building (left). The euro symbol at the foot of the Eurotower (right).

## 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



In addition, the Banco de España manages foreign currency reserves through its own system, as an agent for the ECB, and carries out most of the tasks relating to the compilation of statistical information and the issuing and processing of banknotes in Spain.

The Banco de España also performs other functions conferred on it by the Law of Autonomy.

Lastly, it is worth noting that, in addition to the aforementioned functions, the Banco de España, in its capacity as a national central bank, performs other functions directly assigned to it by the Law of Autonomy.

There functions include: i) placing coins into circulation; ii) providing treasury and financial agent services for government debt, and iii) granting emergency liquidity assistance to institutions as 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**

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

Since the entry into operation of the SSM on 4 November 2014, financial supervision in the European framework is carried out through an integrated system in which the ECB leads the supervisory function, supported by the national competent authorities (NCAs) of the euro area countries and other EU Member States who wish to join it. The Spanish national competent authority is the Banco de España.

Accordingly, the ECB is responsible for the effective and consistent functioning of the SSM, with a view to carrying out intrusive and effective banking supervision, contributing to the safety and soundness of the banking system and the stability of the financial system, in close cooperation with the NCAs. It is also responsible for granting authorisation for new credit institutions in a common procedure involving national supervisors.

To guarantee effective supervision of the European banking system, credit institutions are classified as “significant” and “less significant.”

The ECB directly supervises significant institutions, assisted by 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. In this respect, the NCAs provide assistance to the ECB, contributing both their experience and the bulk of inspectors that form part of the joint supervisory teams.

In addition to purely supervisory tasks, the joint teams prepare risk profiles for significant institutions on an ongoing basis and assess their solvency and liquidity, which may result in proposed decisions to be submitted to the governing bodies of the ECB.

In this connection, the Banco de España takes part in decision-making relating to significant credit institutions through its presence on the ECB’s governing bodies. It is represented by the Governor on the Governing Council and by the Deputy Governor on the Supervisory Board.

The NCAs directly supervise “less significant” institutions.

The Banco de España directly supervises less-significant institutions incorporated in Spain, following the guidelines established by the ECB, which supervises them indirectly and has ultimate responsibility for the functioning of the SSM.



Press briefing on the SSM by Danièle Nouy, Chair of the Supervisory Board of the ECB.

The ECB may issue guidelines to ensure consistent supervision by the different NCAs, and may even take over the direct supervision of a less significant institution if it considers it necessary.

Thus, the supervisory intensity to which institutions are subject in the framework of the SSM may vary based on their risk. The proportionality principle is applied, so that supervisory practices are adapted to the systemic importance and risk profile of the supervised institution in question. This supervisory model is based on four key elements: i) effective and prudent regulation; ii) a system of ongoing supervision of institutions; iii) a set of corrective measures, and iv) a disciplinary and sanctioning system which may be applied to both institutions and their directors.

The Banco de España supervises financial institutions that are not credit institutions, such as payment institutions, electronic money institutions and specialised lending institutions.

The Banco de España supervises financial institutions that are not credit institutions, such as payment institutions, electronic money institutions, specialised lending institutions, appraisal companies and mutual guarantee companies.

It is also responsible for keeping the official registers of all supervised institutions, and, in particular, for granting authorisation for some of these, such as payment institutions or electronic money institutions, as well as issuing the relevant compulsory report on the authorisation procedures not directly attributed to it.

The Banco de España also supervises institutions' compliance with banking transparency regulations and overall market conduct.

In addition, the Banco de España also supervises institutions' compliance with the "rules of conduct" applicable at supervised institutions, and must therefore oversee their compliance with the regulations regarding the transparency of banking products. The Banco de España adopts decisions relating to the supervision of conduct independently of the SSM.

### 1.1.3 Other functions

In addition to its functions as a central bank and supervisory authority, the Law of Autonomy attributes other tasks to the Banco de España which include: i) advising the Government

(on different matters, such as financial regulation) and preparing the appropriate reports and analyses; ii) compiling and publishing statistics relating to its functions (such as those included in the National Statistics Plan), and assisting the ECB in the compilation of the statistical information needed for the fulfilment of the ESCB's functions, and iii) promoting the sound functioning and stability of the financial system.

The Law of Autonomy attributes to the Banco de España the task of compiling statistics and reports and of promoting the stability of the financial system.

The statistical function of the Banco de España includes compiling statistics relating to financial institutions and markets and interest rates, and preparing the *Balance of Payments and International Investment Position*, the *Financial Accounts of the Spanish Economy*, the *Survey of Household Finances* and the *Survey of Financial Competences*.

Also, to promote the sound functioning and stability of the financial system, 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 responsible for proposing macroprudential policy measures relating to its areas of competence.

In this connection, the Banco de España participates, together with the other financial supervision authorities, in the Spanish Macroprudential Authority – Financial Stability Board (AMCESFI, by its Spanish acronym), created by Royal Decree 102/2019 of 1 March 2019 and assigned to the Ministry of the Economy and Enterprise. The Governor occupies the position of vice-chair of the Board and the Deputy Governor that of the chair of its supporting body, the Technical Committee on Financial Stability. The goal of the AMCESFI is to contribute to the stability of the financial system as a whole by identifying, preventing and mitigating any circumstances or actions that may give rise to systemic risk, ensuring a sustainable contribution by the financial system to economic growth. To this end, the AMCESFI will monitor and analyse the sources of systemic risk and may issue opinions, warnings and recommendations in the terms provided for in the aforementioned Royal Decree.



Presentation of the Central Balance Sheet Data Office Survey by Óscar Arce, Director General Economics, Statistics and Research.

The Banco de España is responsible for the preventive resolution of credit institutions in accordance with the European framework.

In addition, the Banco de España performs the tasks relating to the preventive resolution of credit institutions conferred by Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms. To fulfil this task, the Banco de España must prepare preventive resolution plans, according to the distribution of responsibilities established by the Single Resolution Mechanism, in order to facilitate the resolvability of credit institutions if the conditions for resolution have been met.

## 1.2 GOVERNING BODIES OF THE BANCO DE ESPAÑA

### 1.2.1 The Governor

The Governor heads the Bank and acts as its representative at national and international institutions and organisations.

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 Spanish nationals of recognised competence in monetary or banking matters, for a non-renewable six-year term, to guarantee the independence of the institution.

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

There was a change of governor in 2018. The new Governor is Pablo Hernández de Cos, whose appointment was made public by Royal Decree 351/2018 of 30 May 2018. His term of office began on 11 June 2018 and will end on 11 June 2024. The term of office of the former Governor, Luis M. Linde, ended on 11 June 2018.

### 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 Spanish nationals of recognised competence in monetary or banking matters, for a non-renewable six-year term, as in the case of the Governor.

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 she/he has been appointed under current legislation.

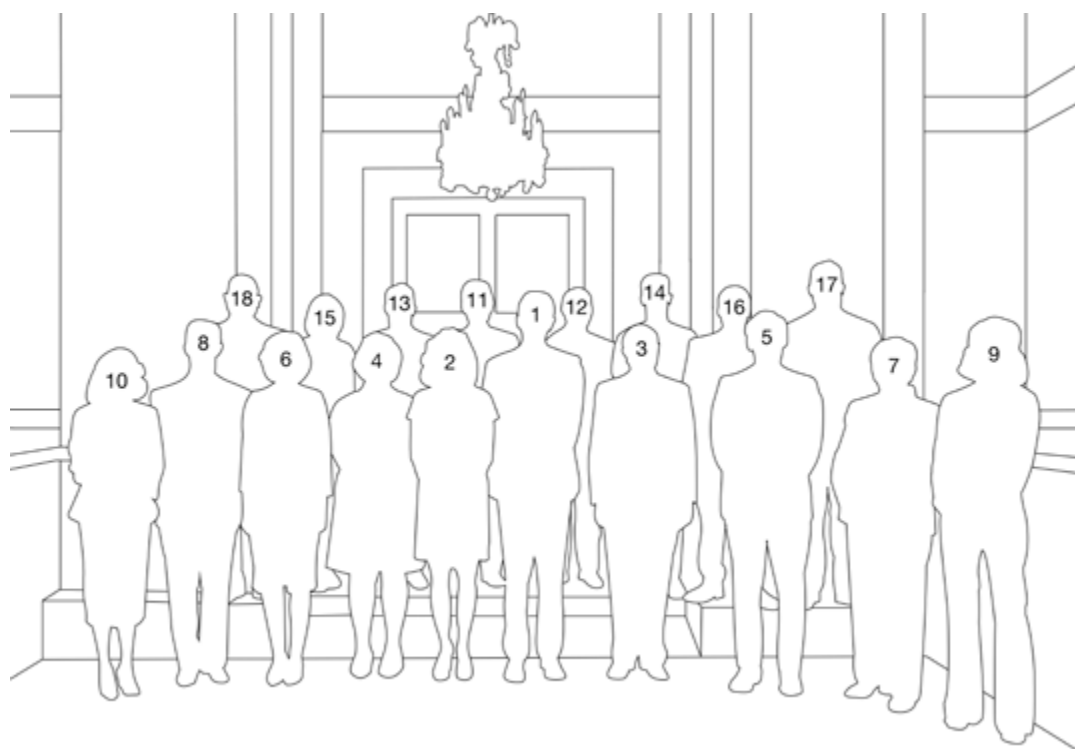
In 2018, this position was also renewed, with Margarita Delgado taking office as the new Deputy Governor. Her appointment was made public by Royal Decree 1027/2018 of 3 August 2018, and her term of office commenced on 11 September 2018. Her predecessor was Javier Alonso Ruiz-Ojeda, whose resignation from the post became effective on the same day.

### 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 council members appointed by the Government and two ex officio members: the General Secretary of the Treasury and International Financing and the Vice-Chair of the National Securities Market Commission.



The Governing Council of the Banco de España, 4.10.2018.

1. Pablo Hernández de Cos; 2. Margarita Delgado; 3. Fernando Eguidazu; 4. Soledad Núñez; 5. Carlos San Basilio; 6. Ana María Martínez-Pina; 7. Carmen Alonso; 8. Rafael Castejón; 9. Núria Mas; 10. Paz Andrés; 11. Francisco-Javier Priego; 12. Manuel Labrado (this post is now occupied by Alejandro Álvarez); 13. Julio Durán (this post is now occupied by Mercedes Olano); 14. Juan Ayuso; 15. Concepción Jiménez; 16. Jesús Saurina; 17. Óscar Arce; 18. Mariano Serrano.

The elected council members of the Banco de España are appointed for a six-year term, renewable only once. They are appointed by the Government at the proposal of the Minister for the Economy and Enterprise, following consultation with the Governor, from among Spanish nationals of recognised competence in the fields of Economics or Law.

The Governing Council is presided over by the Governor – or by the Deputy Governor in his/her 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 2018, the Governing Council was composed of:

- Governor: Luis M. Linde, until 11 June 2018, at which date he was replaced by Pablo Hernández de Cos.
- Deputy Governor: Javier Alonso, until 11 September 2018, at which date he was replaced by Margarita Delgado.
- Council members<sup>1</sup>: Vicente Salas, Fernando Eguidazu, Soledad Núñez, Carmen Alonso, Maximino Carpio, Rafael Castejón, Núria Mas and Paz Andrés.
- General Secretary of the Treasury<sup>2</sup>: Emma Navarro, Fernando Navarrete and Carlos San Basilio.
- Vice-Chair of the National Securities Market Commission (CNMV, by its Spanish abbreviation): Ana María Martínez-Pina.
- Secretary: Francisco-Javier Priego, General Secretary of the Banco de España.
- Non-voting participants: the Directors-General of the Bank (in 2018<sup>3</sup>: Manuel Labrado, Julio Durán, Pablo Hernández de Cos, Juan Ayuso, Concepción Jiménez, Jesús Saurina, Óscar Arce and Mercedes Olano). The meetings are also attended by a staff representative (Mariano Serrano).

#### b) Functions of the Governing Council

The Governing Council adopts the general guidelines for the Bank's activity, and the circulars and resolutions for sanctioning proceedings against supervised institutions.

The Governing Council adopts the general guidelines for the Banco de España's activities so that 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

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1 Maximino Carpio and Vicente Salas completed their respective terms as council members of the Banco de España in June and July 2018, respectively, and were replaced by Paz Andrés and Soledad Núñez.

2 Emma Navarro completed her term as General Secretary of the Treasury and Financial Policy in April 2018, and consequently, also as an ex officio council member of the Banco de España. On that date, she was replaced by Fernando Navarrete, who was succeeded, in June 2018, by Carlos San Basilio, the current General Secretary of the Treasury and International Financing.

3 Julio Durán resigned from his post in October 2018. Pablo Hernández de Cos was appointed Governor in June 2018, at which date he resigned from the post of Director General, which he had previously occupied. Lastly, Óscar Arce and Mercedes Olano were appointed Directors-General in June and October 2018, respectively.

independence and obligation of professional secrecy as a member of the ECB's governing bodies.

The Governing Council is also entrusted with adopting the circulars issued by the Banco de España, that is, the legal provisions through which it develops legislation for which it has been expressly empowered, bearing witness to our institution's regulatory powers. The Governing Council also approves the imposition of sanctions within its remit and reports quarterly to the Ministry of the Economy and Enterprise on any sanctioning proceedings in progress and on the resolutions adopted.

Other functions assigned to the Governing Council include appointing, at the Governor's proposal, the two council members of the Executive Commission and the three council members of the Audit Committee from among its elected council members; ratifying the appointments of the Banco de España's Directors-General and Associate 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 of the Economy and Enterprise. Lastly, it is responsible for adopting any other resolutions that may be necessary for performance of the tasks assigned to the Banco de España that do not fall within the exclusive competence of the Executive Commission.

In 2018, the Governing Council held a total of 15 meetings.

#### **1.2.4 Executive Commission**

##### **a) Composition**

The Executive Commission is formed by the Governor, the Deputy Governor and two members appointed by the Governing Council.

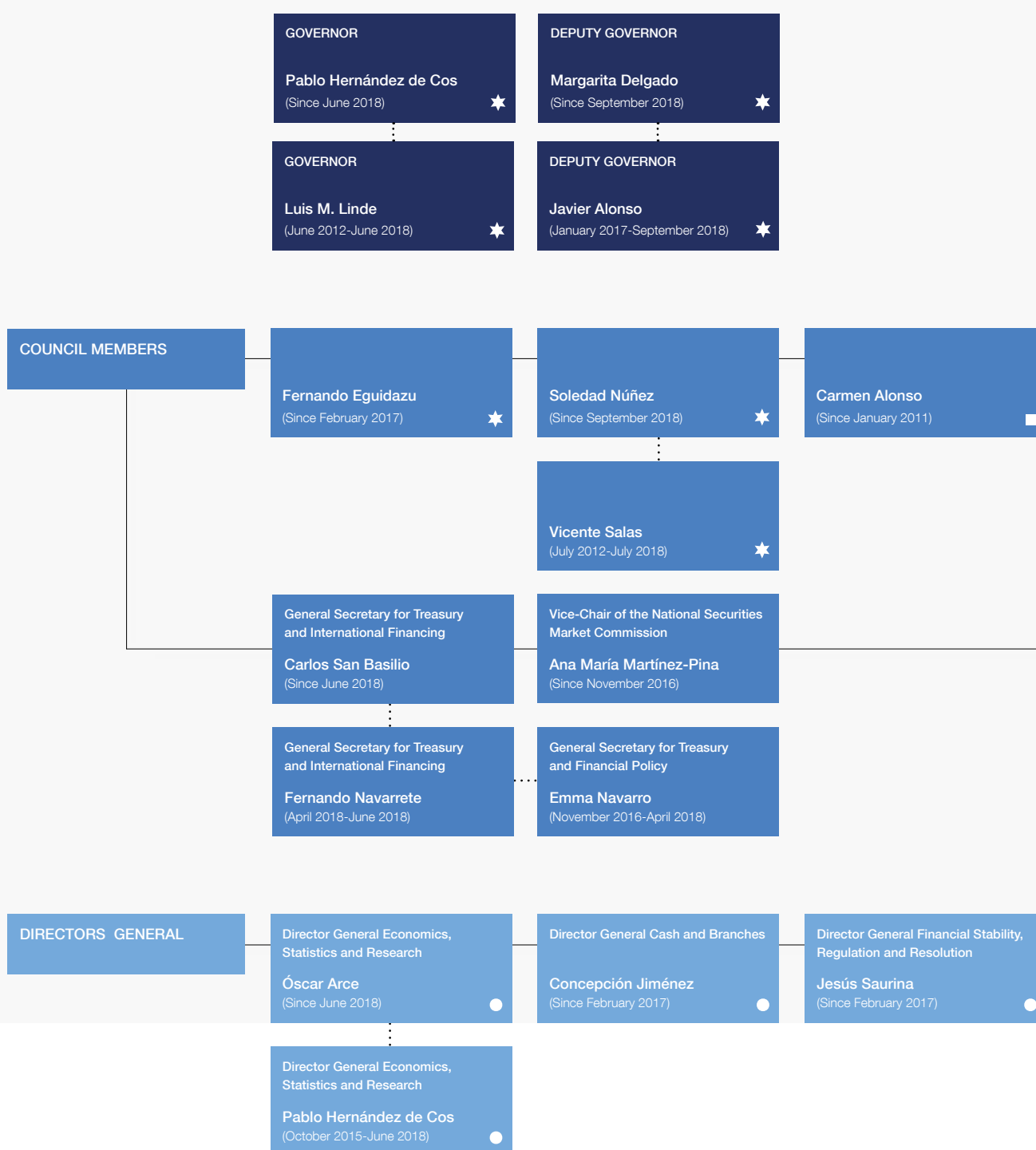
The Executive Commission of the Banco de España is formed by the Governor (as chair), the Deputy Governor and two members appointed by the Governing Council at the proposal of the Governor, from among the elected members of the council (for a period equal to the remainder of their ordinary mandates as council members).

The commission members in 2018 were Vicente Salas (until 21 July 2018), Fernando Eguidazu and Soledad Núñez (who, since 4 October 2018, has occupied the vacancy arising from the expiry of Vicente Salas's term as council member).

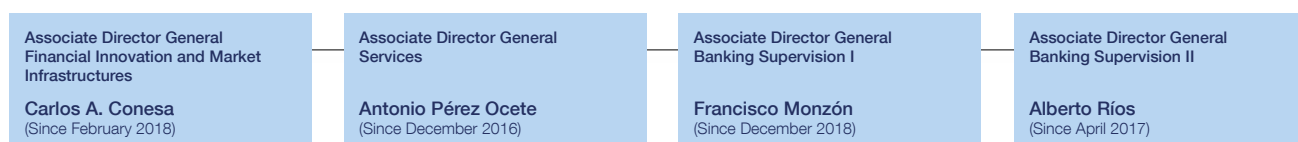
The General Secretary of the Banco de España acts as secretary to the Executive Commission and attends its meetings in a non-voting capacity, as do the Directors-General of the Bank.

In 2018, an amendment to the IRBE was approved, which provided for the possibility of inviting the Chair of the Fund for the Orderly Restructuring of the Banking Sector (FROB, by its Spanish abbreviation) to participate in the meetings of the Executive Commission in a non-voting capacity, when matters relating to the recovery or resolution of credit institutions are discussed, in keeping with current European practice at the meetings of the Supervisory Board of the ECB, which may be attended by the Chair of the Single Resolution Board, in accordance with Article 30.4 of Regulation (EU) No. 806/2014.

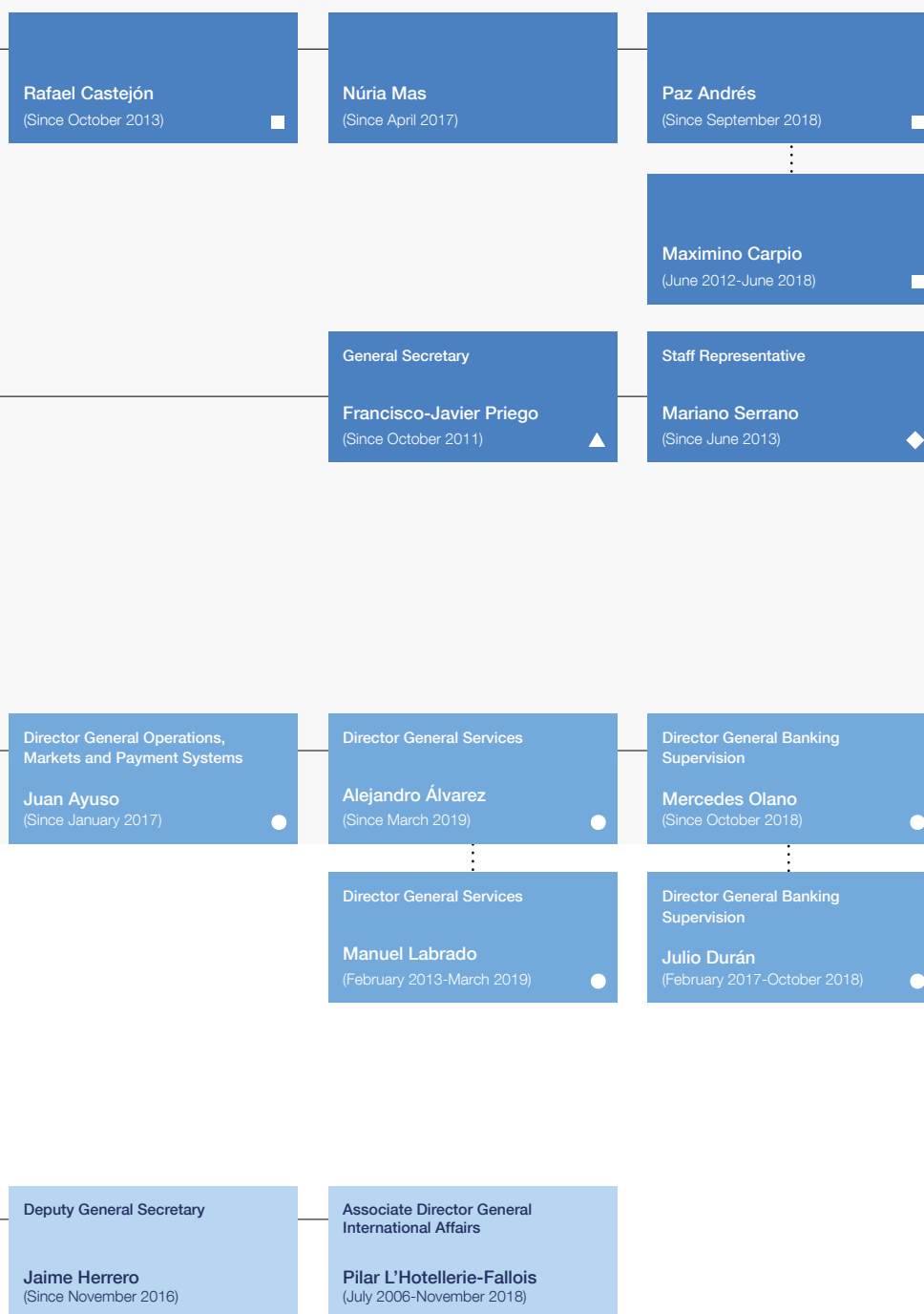
## MEMBERS OF THE GOVERNING BODIES OF THE BANCO DE ESPAÑA. GOVERNING COUNCIL



## 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
- Members of the Audit Committee
- ◆ A staff representative attends the meetings of the Governing Council



## 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 exercises the powers conferred on it by the Law of Autonomy, subject to the guidelines of the Governing Council. It is responsible for managing the Bank's internal organisation and administration in the private sphere. It also approves internal circulars and submits draft resolutions to be subsequently adopted by the Governing Council.

In addition, the Executive Commission contributes to the implementation of ESCB monetary policy; resolves administrative authorisations granted by the Bank in connection with the supervised institutions; adopts intervention measures and determines the replacement of administrators; brings sanctioning proceedings and issues recommendations and requests to institutions supervised by the Banco de España, all within the framework of the SSM.

In 2018, the Executive Commission held a total of 47 meetings.

### 1.2.5 Committees and commissions

In addition to the Governing Council and the Executive Commission, the Internal Rules of the Banco de España provide for other, second-line, internal bodies, such as the Audit Committee and the Steering 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 entrusted with 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 made up of three members of the Governing Council, appointed by the latter, from among the elected council members. In 2018, the members of this committee were Maximino Carpio, Carmen Alonso and Rafael Castejón. In October 2018, Carmen Alonso replaced Maximino Carpio as chair, upon expiry of the latter's term of office. In January 2019, Paz Andrés joined the Audit Committee as a new member.

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

The Steering Committee is comprised of the Governor, the Deputy Governor and the Directors-General. Its main functions are: 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 in complying with the agreements reached with these bodies, and iii) coordinating the activities of the different Directorates General.

In addition, 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 main internal committees, whose purpose is to coordinate the institution's various activities relating to different operational areas are described below. Their key functions are as follows:

- *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, to

monitor changes in risks and operational risk mitigation measures, and to propose to the Executive Commission the appropriate level of provisioning for risks.

- *Information Systems Committee*: Its mission is to establish and monitor the annual information systems plan of the Banco de España, participating in any strategic measures relating to information systems affecting the Bank. It is chaired by the Deputy Governor.
- *International Cooperation Committee*: This committee defines the strategic lines of action as regards international cooperation, adopts high-level decisions and carries out strategic coordination in this area. It is chaired by the Deputy Governor.
- *Budget Committee*: This committee, which is chaired by the Director General Services, analyses the Banco de España's draft annual budget and monitors the approved budget; analyses and monitors the inclusion of appropriations from one year to the next; reports and, if appropriate, submits a proposal for the transfer of budget appropriations, and, lastly, it gives 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 corporate security matters. It is chaired by the Director General Services.
- *Documentary Policy and Assessment Committee*: It 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 is chaired by the Deputy General Secretary and is responsible for compliance with the Banco de España's internal regulations on the prevention of money laundering and terrorist financing. It 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 is chaired by the Associate Director General Services. Its 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.
- *Independent Experts' Committee for the Assessment of Supervised Institutions' Senior Officers*: This committee, established in application of the provisions of Royal Decree 256/2013, comprises three external members who are appointed by the Bank's Governing Council, at the proposal of the Governor. It is responsible for 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 or key functions at supervised institutions, 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. In 2018, the members of this committee were Ignacio Sierra Gil de la Cuesta, Mercedes Vérez Sánchez and Antonio Salinas Casado.

- *Committee for the assessment of BSF financial assistance:* This committee was created in May 2018 to assess the requests for financial assistance from the Beneficent-Social Fund (BSF). The aim pursued is to facilitate cooperation between the different Directorates General engaging in activities that benefit from BFS assistance, that are represented in this committee, and to ensure application of the principles on which the granting of such assistance is based. It is chaired by the Deputy General Secretary.

Subsequently, in January 2019, a new internal committee known as the Financial and Prudential Reporting Committee, was created. It is chaired by the Director General Financial Stability, Regulation and Resolution.

### 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, appears regularly before the lower and upper houses of Parliament (*Congreso* and *Senado*). In 2018, the Governor appeared before Parliament on four occasions:

- Testimony before the Lower House Parliamentary Committee of Inquiry into the Financial Crisis in Spain and Financial Assistance Programme, on 10 April.
- Testimony before the Lower House of Parliament, in relation to the draft State Budget for 2018, on 16 April.



The Governor, Pablo Hernández de Cos, appears before the Spanish Parliament. Presentation of the *Annual Report* of the Banco de España.

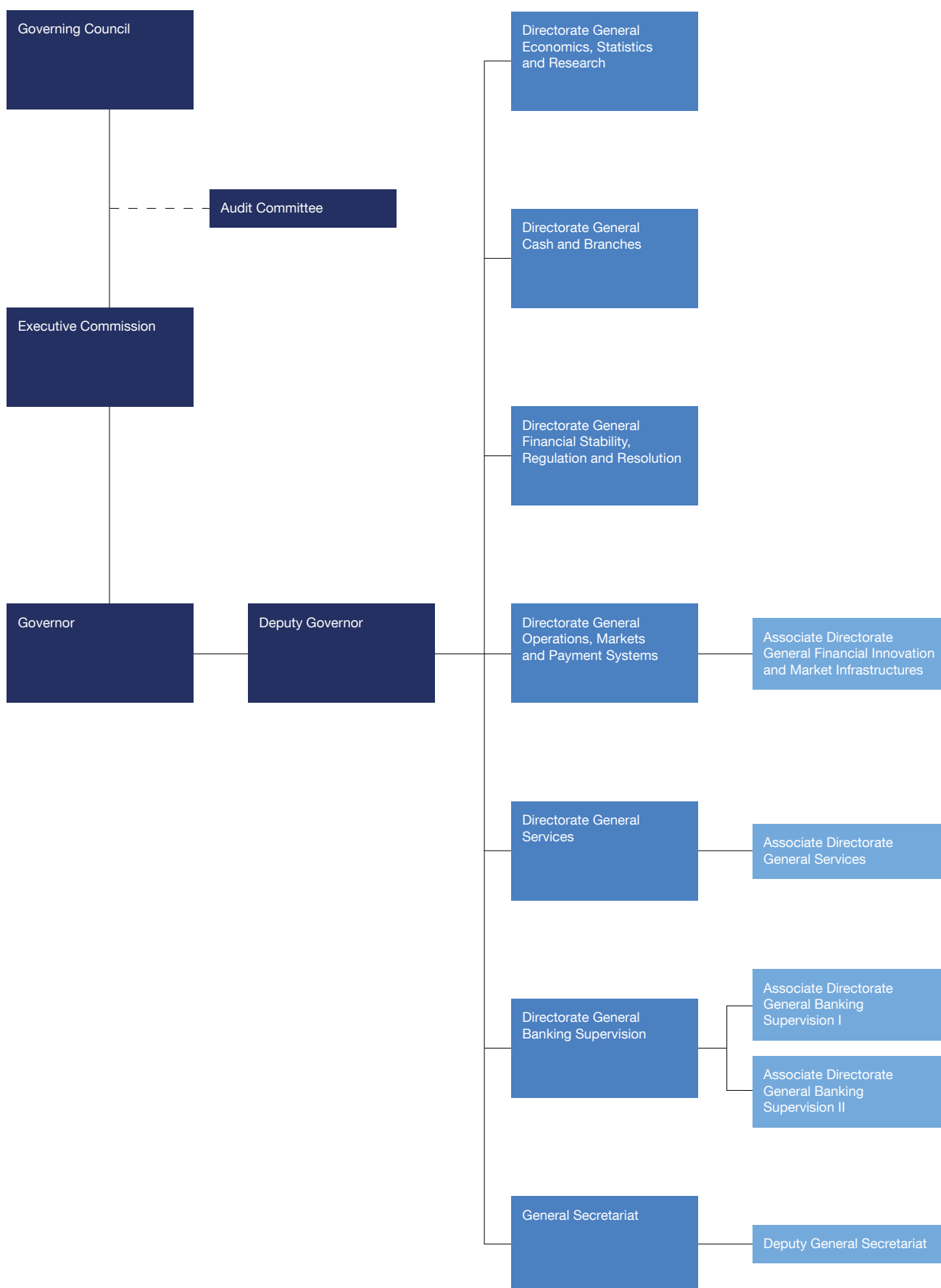
- Testimony before the Upper House Parliamentary Budget Committee, in relation to the draft State Budget for 2018, on 29 May.
- Testimony before the Lower House Parliamentary Committee for Economic Affairs Enterprise to present the 2017 *Annual Report*, on 31 October.

In his first testimony before the Committee for Economic Affairs and Enterprise of the Lower House, the Governor announced that work was under way on a strategic planning process for the Bank.

In this respect, it should be noted that the Governor's regular testimonies before the Budget Committee of the Lower House of Parliament are mainly centred on explaining the draft State Budget. These testimonies are always approved by the Executive Board of the Lower House and, subsequently, by the Budget Committee Board and spokespersons. Traditionally, the Governor is the first in line to speak at this Committee. In addition, every year the Governor appears before the Lower House to present the *Annual Report* of the Banco de España, which reviews developments in the Spanish economy within the international economic framework, paying particular attention to monetary policy, fiscal policy and economic and financial flows. In 2018, this was the first time that the new Governor, Pablo Hernández de Cos, addressed the Lower House of Parliament. There, he announced some of the main lines of action to be followed by the institution in the near future. He referred to the strategic planning process under way for the coming years, which will address, with an integrated and forward-looking approach, certain issues and aspects considered to be essential for the Banco de España to better perform its functions and bring greater value to society, in the context of the Eurosystem and the new economic governance of the euro area.

Lastly, the public appearances of the Governor and the Deputy Governor at different fora and organisations can be found on the Banco de España website, and their calendars are published on the Transparency Portal.

## ORGANISATION CHART OF THE BANCO DE ESPAÑA

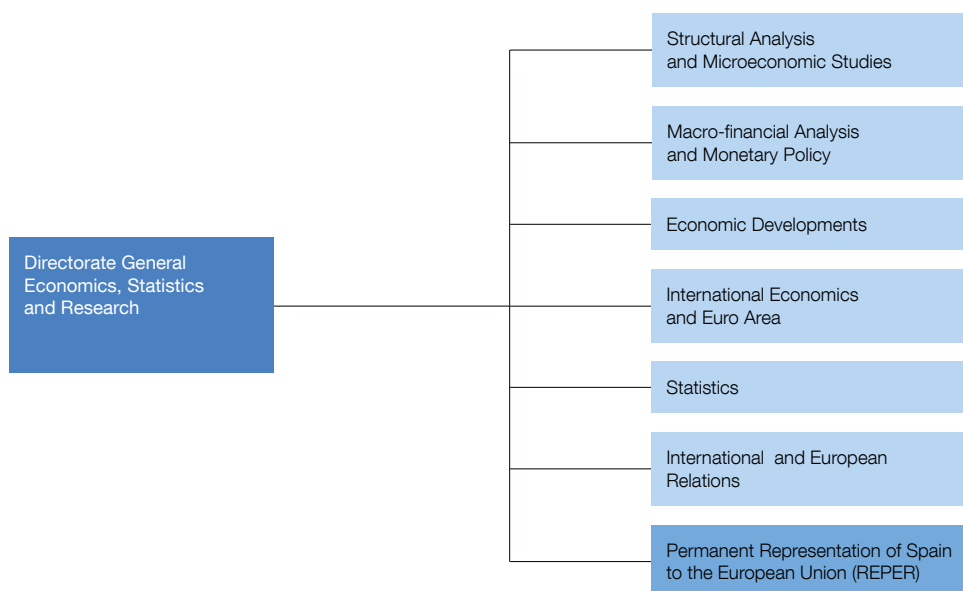


## 1.3 STRUCTURE OF THE BANCO DE ESPAÑA

### 1.3.1 Organisation chart and structure. Directorates General and General Secretariat

The Banco de España performs the functions with which it has been entrusted through its governing bodies (described above), and its Directorates General and General Secretariat.

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



The Directorate General Economics, Statistics and Research is mainly responsible for conducting 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.

These studies and research are also used for the ongoing monitoring of the formulation and implementation of the Eurosystem's monetary policy.

In addition, it collaborates with other national and international agencies and fora and drafts the reports and publications within its remit (for example, the *Annual Report*), compiling, analysing and disseminating the statistics entrusted to it.

As regards its composition, until 11 June 2018, the Director General Economics, Statistics and Research was Pablo Hernández de Cos, Pilar L'Hotellerie-Fallois was the Associate Director General International Affairs, and Óscar Arce, the Associate Director General Economics and Research.

Following the appointment of Pablo Hernández de Cos as Governor, with effect from 11 June, Óscar Arce was named Directorate General Economics, Statistics and Research pursuant to a resolution of the Executive Commission of 21 June 2018. His appointment was ratified by the Governing Council of the Banco de España at its meeting on 29 July 2018.

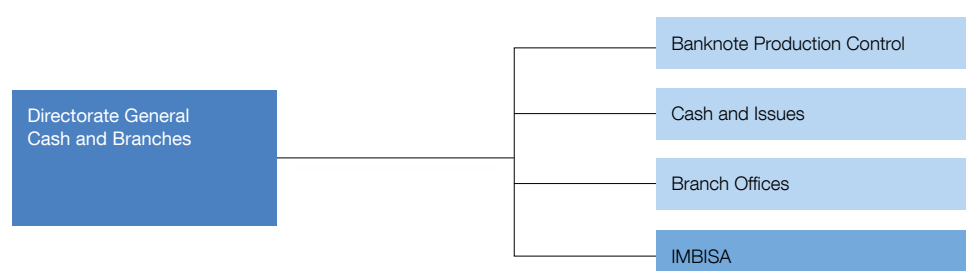
The Directorate General Economics, Statistics and Research underwent substantial reorganisation in November 2018, basically intended to strengthen its structure and adapt

it better to the functions assigned to it, and to the responsibilities and tasks of the Banco de España in the multilateral fora of which it forms part, and in its close, regular cooperation with national and international institutions.

Following the restructuring, the Directorate General Economics, Statistics and Research was divided into six departments: i) Economic Situation Analysis Department, which focuses on the analysis, monitoring and forecasting of the situation of the Spanish economy as a whole; ii) Macro-financial Analysis and Monetary Policy Department, which performs the tasks necessary to support the Banco de España's position on the conduct of monetary policy in the euro area; iii) Structural Analysis and Microeconomic Studies Department, which is responsible for monitoring and analysing the structural aspects of the functioning of the Spanish economy; iv) World Economy and Euro Area Department, whose main functions are the macroeconomic monitoring of the economy of the euro area and the world economy; v) International and European Relations Department, whose main tasks are to coordinate, organise and advise senior management of the Bank at the international and European fora within its remit, and vi) Statistics Department, which compiles the main statistics for which the Banco de España is responsible. The counsellor for the Permanent Representation of Spain to the European Union (REPER) reports to this directorate general.

The Associate Directorates General of International Affairs and Economics and Research disappeared following the restructuring.

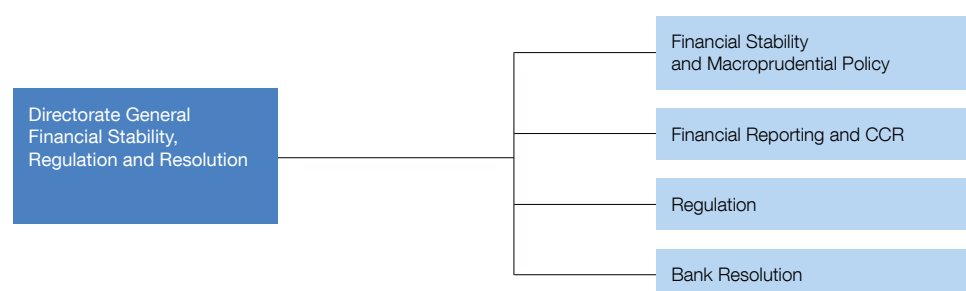
The Directorate General Cash and Branches controls production and issuance of banknotes and the circulation of coins.



The Directorate General Cash and Branches is responsible for, inter alia, monitoring the Banco de España's euro banknote production process (entrusted to the special-purpose entity IMBISA), the issuance of banknotes, circulation of coins, and tasks relating to the withdrawal, exchange and custody of banknotes and coins. It also performs the functions of detecting and analysing counterfeit banknotes and coins. Moreover, it is responsible for managing the Bank's branch network.

The Director General Cash and Branches is Concepción Jiménez.

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

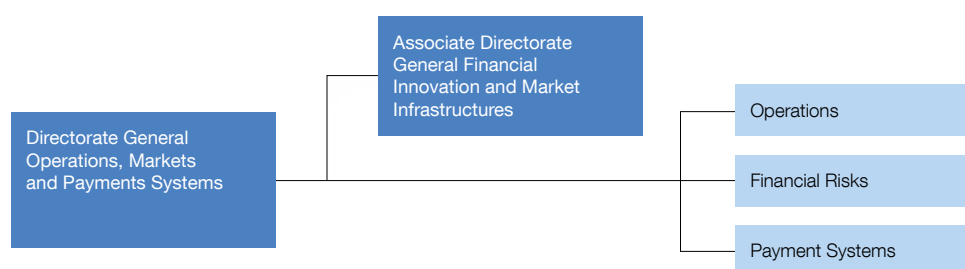


The Directorate General Financial Stability, Regulation and Resolution is entrusted with analysing and monitoring financial stability, preparing the *Financial Stability Report*, and analysing and formulating proposals on macroprudential policy.

Accordingly, 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 the preventive resolution tasks assigned to the Banco de España.

Its Director General is Jesús Saurina.

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



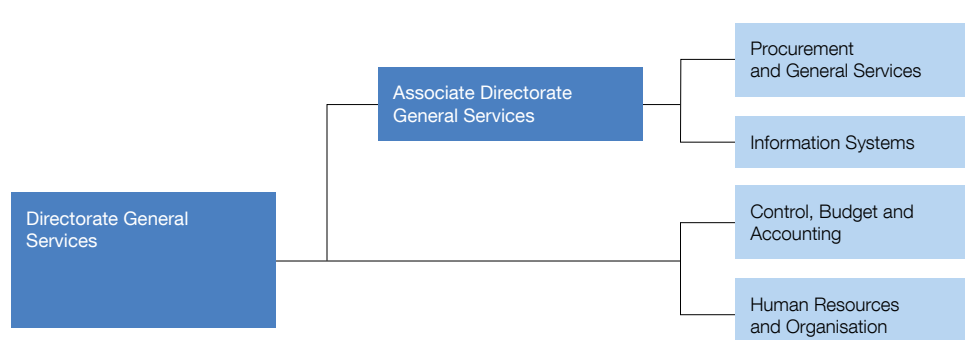
The Directorate General Operations, Markets and Payment Systems is entrusted with implementing the operations of the Banco de España in its capacity as a central bank and member of the Eurosystem. Among other tasks, it is responsible for the implementation in Spain of the Eurosystem's monetary policy, and for the management of gold, foreign currency reserves and euro-denominated financial assets owned by the Bank and financial risks, and for the rendering of various payment and other government debt-related services.

The Director General Operations, Markets and Payment Systems is Juan Ayuso.

Noteworthy in 2018 was the creation, within this Directorate General, of the Associate Directorate General Financial Innovation and Market Infrastructure, with Carlos Conesa as its Associate Director General. The main functions assigned to this Directorate General are: i) the ongoing monitoring and analysis of financial innovation processes, and ii) to develop and operate, in collaboration with other Eurosystem national central banks, pan-European market infrastructures in those areas in which the NCBs have comparative advantages.

The creation of this new Associate Directorate General is due to financial innovation processes, which have accelerated in recent years with the development of new products, services and intermediaries, supported in many cases by the use of new technologies. The term coined to refer to this phenomenon, *fintech*, highlights the importance of technology in this new phase.

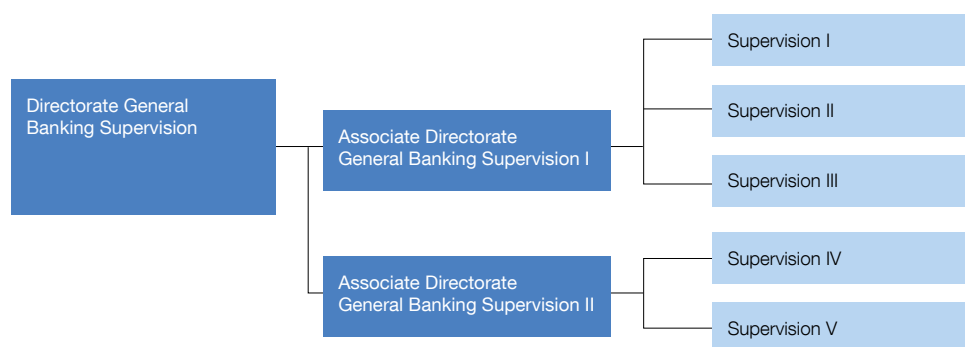
The Directorate General Services manages and administrates the Bank's internal services.



The management and administration of the internal services and functions common to the whole of the Banco de España is the responsibility of the Directorate General Services. Its tasks include: i) human resources and workplace health and safety; ii) hiring arrangements; iii) preparation of draft budgets and annual accounts; iv) accounting and control of the Bank's accounts; v) acquisition, maintenance and administration of its assets; vi) information systems, and vii) and organisation and management of internal security services.

The Director General Services in 2018 was Manuel Labrado. Since March, this position has been occupied by Alejandro Álvarez. 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.



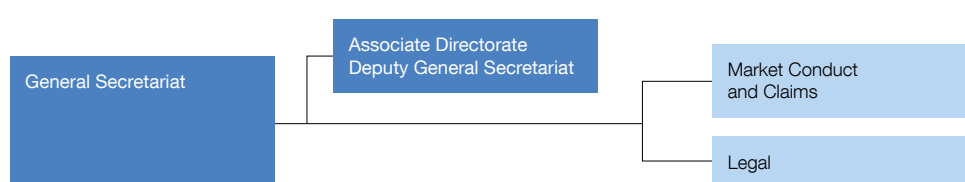
All the tasks assigned to the Banco de España as a supervisory authority within the framework of the SSM are concentrated in the Directorate General Banking Supervision. This Directorate General is therefore responsible for supervising the solvency of credit institutions and their compliance with the 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, exercising all the powers arising from these functions.

Following Julio Durán's resignation as Director General, accepted by the Executive Commission of the Banco de España on 26 October 2018, Mercedes Olano was appointed Director General of Banking Supervision at the same meeting. Her appointment was subsequently ratified by the Governing Council.

As in the case of the Directorate General Economics, Statistics and Research, since the above appointment, this Directorate General has undergone major restructuring, approved by the Executive Commission at its meeting of 21 December 2018. The aim of this reorganisation was to improve the efficiency and coordination of the various tasks entrusted to the Directorate General Banking Supervision, creating a structure that mirrors that of the SSM.

The Associate Directors General of Banking Supervision are Francisco Monzón and Alberto Ríos.

The General Secretariat provides the secretariat for the governing bodies, heads the institution's legal advice service and exercises other competencies.

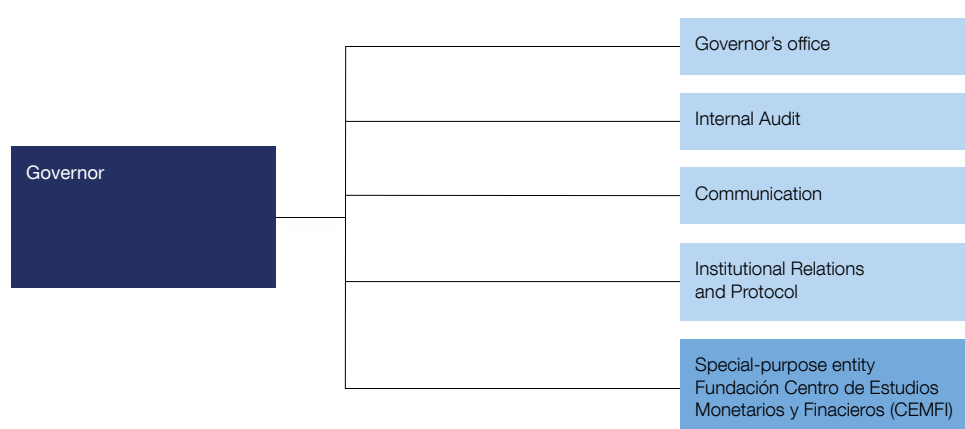


The General Secretariat has very varied functions, most notably to provide the secretariat for the governing bodies of the Banco de España and to head the legal advice service for the governing bodies and the institution as a whole; to conduct sanctioning proceedings; keep official registers and process 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 the areas of governance, transparency and access to public information, protection of personal data (the data protection officer has been assigned to the General Secretariat), E-Administration and Virtual Office, areas of 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.

Areas reporting directly to the Governor.



Lastly, and reporting directly to the Governor, there are a number of departments which have been entrusted with various cross-departmental functions. These departments, in their respective fields of competence, are responsible for: i) internal audit functions, specifically, reviewing the processes and procedures of the institution's different business areas; ii) media relations and implementation of the Bank's communication policy and institutional image; and iii) functions relating to institutional activities and protocol.

### 1.3.2 Banco de España head offices and branches

The main headquarters, located next to Plaza de Cibeles, primarily house the central services of the Banco de España.

The Banco de España has 17 office locations, which include the two Madrid buildings (the main headquarters, in Calle de Alcalá 48, and operational headquarters in Calle de Alcalá, 522), and a network of 15 branches, located in A Coruña, Alicante, Badajoz, Barcelona, Bilbao, Las Palmas, Malaga, Murcia, Oviedo, Palma, Seville, Santa Cruz de Tenerife, Valencia, Valladolid and Zaragoza.

The main headquarters of the Banco de España, next to Plaza de Cibeles, is a building of great architectural value which stands on the site of the former Palace of the Marquis of Alcañices. Before this building, the Banco de España's headquarters had occupied different locations. The building purchased in 1882 was not preserved, and the new



The Banco de España's regional organisation and branch network.

building designed for the site subsequently underwent as many as three expansions. There are several noteworthy interior spaces, such as the grand staircase, the library, the banking hall and the gold vault.

These headquarters primarily house the Bank's central services, governing bodies and senior management. The building in Calle de Alcalá, 522, is reserved for various operational functions.



Panoramic view of the head offices of the Banco de España in Madrid.

### 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 Foundation Centro de Estudios Monetarios y Financieros (CEMFI).

#### a) Imprenta de Billetes, SA, specific resource of the Banco de España (IMBISA)

The Banco de España owns 80% of IMBISA, a company that manufactures euro banknotes.

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 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, which was created on 2 November 2015, is 80%-owned by the Banco de España and 20%-owned by the Spanish National Mint (FNMT-RCM, by its Spanish abbreviation). According to the amendment of the above law contained in the 2017 State Budget Law, the latter 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. Pursuant to IMBISA's articles of association, the Shareholders' General Meeting and the Board of Directors are responsible for the governance, management and representation of the company.

In compliance with its corporate purpose, since 2 November 2015, IMBISA has been producing the quota of euro banknotes assigned to the Banco de España.

#### b) Centro de Estudios Monetarios y Financieros (CEMFI)

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

CEMFI was 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. In 1991, the Bank set up the Fundación Centro de Estudios Monetarios y Financieros (CEMFI), 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 State Foundation Register.

The foundation's Board of Trustees is composed of a minimum of five and a maximum of 16 members. Its ex officio members are the Governor and the Deputy Governor of the Banco de España. The Governor chairs the Board of Trustees and the Deputy Governor chairs the Executive Commission of the foundation. The elected members of the Board of Trustees 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 foundation's Executive Commission is composed of a minimum of three



Courtyard in the CEMFI head offices (left). Production of Europa series €20 banknotes (right).

and a maximum of five members. The elected members of the Executive Commission are appointed by the Board of Trustees.

To fulfil its goals, the foundation's activity focuses on graduate education and research. As regards graduate education, CEMFI offers, jointly with the Universidad Internacional Menéndez Pelayo, a post-graduate programme which leads to a master's degree in Economics and Finance and to a PhD in Economics and Governance. It also organises, in collaboration with the Directorate General Banking Supervision, a Diploma in Banking Supervision to provide training for those aspiring to form part of the credit institutions inspectorate. With respect to research, CEMFI obtained accreditation from the María de Maeztu Excellence Unit, granted by the State Research Agency to boost the quality of Spanish scientific research through the recognition of the research centres that stand out internationally.

## 1.4 REPORTS AND PUBLICATIONS

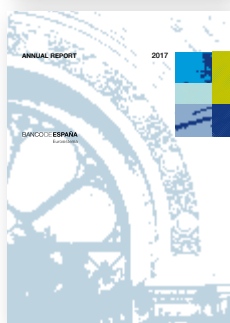
The Banco de España periodically publishes documents providing information on the activities that fall within its remit. These publications are listed on its website<sup>4</sup>.

The documents published by the Banco de España on an annual or half-yearly basis include:



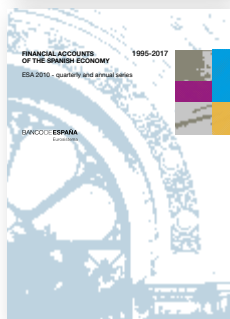
### Institutional Report

The *Institutional Report* is intended to provide 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 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

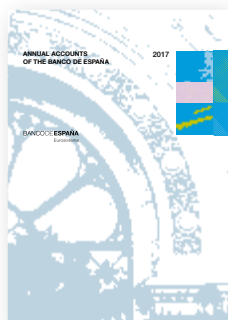
The *Financial Accounts of the Spanish Economy* includes annual and quarterly series on financial and non-financial flows in the Spanish economy, and is divided into two sections: i) the non-financial national accounts, prepared by the Spanish National Statistics Institute (INE, by its Spanish abbreviation),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

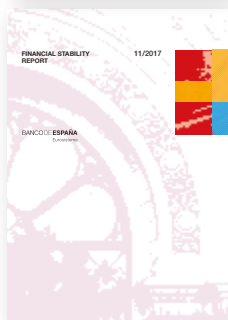
This annual publication includes a detailed description of the supervisory functions of the Banco de España and the supervisory actions undertaken during the year, and of the organization of the Banco de España's supervision, the priorities and strategies adopted, Banco de España circulars relating to supervision and its participation in international fora on banking regulation and supervision.

<sup>4</sup> 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](mailto:publicaciones@bde.es).



## Annual Accounts of the Banco de España

The *Annual Accounts of the Banco de España* 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 framework established for national central banks in the European System of Central Banks (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 using both a backward- and forward-looking approach. The report likewise presents the Banco de España's macroprudential policy and measures.



## Central Credit Register Report

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



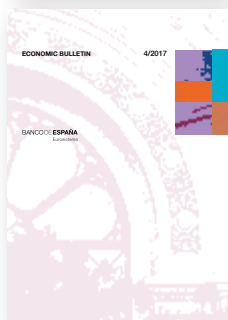
## Central Balance Sheet Data Office. Annual results of non-financial corporations

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.



## Annual Report on the Oversight of Financial Market Infrastructures

This publication describes the main changes that took place in Spanish financial market infrastructures during the year and explains the oversight activities carried out in the area of payment systems.



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. The Bulletin is published on a quarterly basis and contains the “Quarterly Report on the Spanish Economy”.

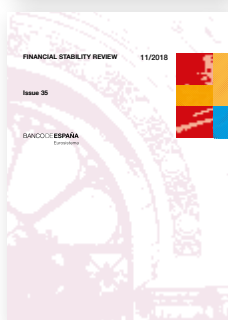
The Banco de España publishes the “Quarterly Report on the Spanish Economy” and various analytical articles and economic notes.

The analytical articles in the Bulletin are published separately on the Bank’s website during the quarter.

The economic notes focus 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 the international scientific community, which provides a summary, every six months, of research activities at the Banco de España.



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

## 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 a broad range of information and documents which, both in terms of volume and useful content, are a major source of economic and financial information.

The contents of the website are organised according to the Bank's main area of activity: economic analysis, banknotes and coins, Central Balance Sheet Data Office, public debt, financial stability, statistics, monetary policy, payment systems and supervision.

The electronic versions of publications and an extensive database of sector-specific legislation are available on the website, which 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. In addition, users have access on this website to all the information relating to Banco de España job offers and scholarships.

### 1.5.1 Virtual Office

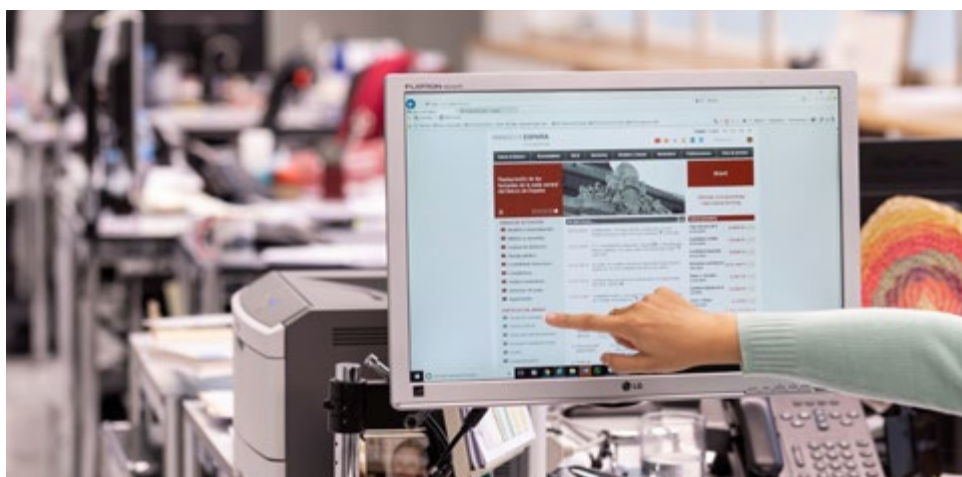
The Virtual Office continues to be the website of the Banco de España. It is available to all users wishing to conduct business with the Bank by electronic means.

In 2018, four new procedures were added to the Virtual Office, bringing the total number of electronic procedures to 72.

The 72 procedures provided by the website include all those instituted or resolved by the Banco de España at the request of the party concerned.

The number of visits to the Virtual Office has continued to rise gradually since it was launched in 2010. In 2018, the Virtual Office received 1,047,765 visits, 196,765 more than in 2017 (an increase of around 23%).

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),



The electronic versions of publications can be accessed on the website.

MOST VIEWED PROCEDURES	Request for credit reports from the Central Credit Register	785,118 page views (69% of the total)
	Submission of claims, complaints and enquiries	120,850 page views (10% of the total)
	Reporting by residents in Spain on cross-border economic transactions and stocks of external financial assets and liabilities (ETE form)	76,867 page views (7% of the total)
	Exchange of pesetas for euros	58,938 page views (5% of the total)
	Changing euro banknotes and coins for smaller denominations	26,631 page views (2% of the total)
MOST DOWNLOADED FILES	Request for credit reports from the Central Credit Register	117,671 downloads
	Credit report: explanation of content and codes used	48,956 downloads
	Form for abridged annual reporting	24,795 downloads
	Form for reporting agents, legal persons (including public units) and natural persons with transactions and/or balances	13,183 downloads
	List of electronic procedures and services	9,100 downloads

SOURCE: Banco de España.

accounting for 47% of all visits, the “Citizens” section, with 28% of visits, and the “Public Authorities” section, with 9%.

A total of 234,588 files were downloaded from the website.

In 2018, backup was provided to the Virtual Office in the form of 2,487 electronic mails, which represents an increase of approximately 7% with respect to 2017.

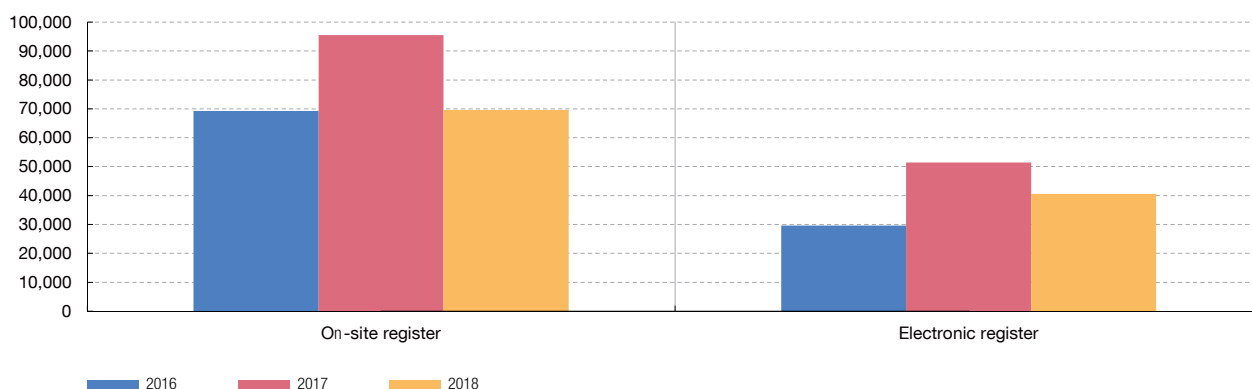
### 1.5.2 General Register and general information point

The Electronic Register is the channel for receiving and sending communications relating to the procedures and services of the Banco de España.

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, except when necessary interruptions arise for technical reasons.

## REGISTERS

CHART 1



SOURCE: Banco de España.

As the table below shows, in 2018 the total number of documents submitted through Banco de España registers fell considerably, in both the on-site registers and in the Electronic Register, reversing the upward trend of recent years.

	2016	2017	2018	Year-on-year change (2017-2018)
On-site register	69,232	95,427	69,539	-27%
Electronic register	29,539	51,342	40,505	-21%
<b>TOTAL</b>	<b>98,771</b>	<b>146,769</b>	<b>110,044</b>	<b>-25%</b>

The on-site general information point handled 3,275 requests in 2018.

The Banco de España also offers citizens an on-site general information point which gives them access, both at the head offices or at the branches, to any general information they may need about the procedures and services provided by the Banco de España.

	2016	2017	2018	Year-on-year change (2017-2018)
On-site information point	5,092	4,054	3,275	-19%

In 2018, the information point of the Banco de España handled 3,275 requests, continuing the downward trend of previous years.

### 1.5.3 E-Administration and document processes

To achieve the objective of incorporating information and communication technologies to the Bank's procedures, and adapting public-sector governance to the use of electronic means, the Banco de España is, together with the central government, drawing up an agreement to establish the general terms and conditions for the use by the Banco de España of the basic technological solutions owned by the State General Secretariat for Digital Administration. Having recourse to these technical infrastructures will enable the Banco de España to access the registry of powers of attorney or the Notific@ platform, which receives notifications and communications from the issuing agencies and makes



General information point at the head offices of the Banco de España

them available to the parties concerned so that they can “appear” electronically in the general government website (060).

The Banco de España continues to implement the E-Administration Model to optimise its organisational processes.

The Banco de España continues to implement the E-Administration Model to optimise its organisational processes. In 2016, there was an initial phase of identification, classification, digitalisation and inclusion in the corporate document management system of frequently used documentation relating to the personal files of Banco de España employees. The second phase, which concluded in 2018, dealt with all the files held by the Human



A mobile phone application to view and approve documents has been developed.

Resources and Organisation Department on their records. Among other important aspects, this work has enabled the Bank to strengthen information control and security, improve accessing and searching for information, convert paper documents into electronic form with full legal guarantees, reduce the costs and the time spent on the hard-copy archives and, thus, free up physical space in the office archives.

In 2018, an application was developed to enable employees working with mobile devices to perform certain documentary processes, such as viewing and approving documents, or performing searches, using tablets or mobile phones.

In 2018, a total of 169,240 documents were digitalised.

Implementation of the guaranteed digitalisation of documents in the General Register resulted in the digitalisation of 169,240 documents (1,145,820 pages) in 2018.

In this respect, the Banco de España has continued to extend the process of guaranteed digitalisation to other units and has begun implementing it at department-level, allowing them to digitalise any important, paper-based documentation themselves, with full guarantees.

## 1.6 OTHER WEB PORTALS

In addition to the Virtual Office, mention should be made of other portals that can be accessed on the Banco de España website.

### 1.6.1 *The Transparency Portal and requests for access to public information*

The Banco de España addresses the issue of transparency from the perspective of a commitment to inform citizens, through the Transparency Portal, and their right of access to public information.

The activities pursued by the Banco de España that are regulated by administrative law are subject to compliance with certain transparency obligations stipulated in Law 19/2013 of 9 December 2013 on transparency, access to public information and good governance, from the double perspective of a commitment to inform citizens (which entails the regular publication of certain information on its website) and of the obligation to ensure citizens' right to access public information.

#### a) The Transparency Portal

The Banco de España has addressed its commitment to inform citizens by creating a Transparency Portal on its website, whose aim is to broaden and strengthen the institution's transparency as a mechanism for facilitating control of its public actions. The Banco de España publishes information on the Transparency Portal, under the following categories:

- *Institutional and planning information*: this section gives essential information on the Banco de España, what it does, how it is organised and how it works. It includes information relating to the functions of the Banco de España, the legal framework applicable to its activities, the organisational structure of the institution, the agendas of the Governor and the Deputy Governor, the codes of conduct, plans and schedules for the institution's activities, and the logging of personal data processing activities for which the institution is responsible.
- *Information of legal importance*: this section basically facilitates public control of the Banco de España's actions relating to the drafting of legal provisions. It includes circulars, documents subject to public consultation, reports, technical applications and guidelines prepared by the institution and documents issued by international organisations developed within the framework of collaboration with the Banco de España.



The Transparency Portal of the Banco de España.

- *Economic information*: this section, which deals with economic, budget and statistical information and the use of public funds, 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 the institution's historical and art heritage.

In 2018, as shown in the table below, the Transparency Portal received fewer visits than in 2017.

	2016	2017	2018	Year-on-year change (2017-2018)
Visits to the Transparency Portal	28,470	33,810	27,929	-17.4%

The most visited section of the Transparency Portal continues to be, as in previous years, the section on economic information, which accounts for 33.2% of total visits to the Transparency Portal.

#### b) Citizens' right of access to public information

As indicated earlier, the Banco de España is an institution subject to the right of access to public information by citizens, with regard to those activities that are governed by administrative law.

The number of requests for access to public information increased by 385% with respect to the previous year.

In 2018, the public submitted 63 requests for access to public information, significantly more than in the previous year, in which 13 requests were received. This notable increase was basically due to the requests for access to public information regarding the different aspects of the resolution of Banco Popular Español, SA.

### 1.6.2 The Bank Customer Portal

The Bank Customer Portal offers a wealth of information to customers of banking and payment services.

The Bank Customer Portal aims to provide information to individuals who have (or may have in the future) dealings with a financial institution.

The portal offers a wealth of information on banking and payment products and services, statistics and indicators on, among other topics, interest rates, bank charges and complaints, the latest financial news and e-mail boxes for submitting complaints and queries. It also provides useful information on good banking practices, and on the different types of financial institutions and their operational framework and activities, paying particular attention to those that are supervised by the Banco de España. This information is supplemented with an extensive compilation of regulations relating to general banking, regulations usually referred to as "banking transparency and consumer protection regulations", and also those relating to payment services.

The portal also includes information sections which provide detailed explanations, in language that is easy to understand, of the different banking and payment products and services, with 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.



The Bank Customer Portal of the Banco de España.

In 2018, there was a special drive to develop the blog section, as a key element to offer up-to-date or specific information on topics of interest to the public, thus strengthening the portal's role as a financial education tool.

The portal has undergone major redesign and technological renewal to make it more user-friendly and accessible to the public. However, such renewal has required certain changes to the login URL and key search words, leading to a fall in the number of visits, which has gradually tempered.

### 1.6.3 Protection of personal data

The Banco de España applies the General Data Protection Regulation and has appointed a data protection officer.

Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (implemented by Organic Law 3/2018 of 5 December, on the protection of personal data and the guarantee of digital rights) applies in all Member States of the European Union from 25 May 2018. Under this Regulation, public authorities or bodies that process personal data must appoint a data protection officer (DPO).

To comply with this obligation, in April 2018, the Banco de España appointed, as the institution's DPO, the Governance and Transparency Division in the Associate Directorate General Deputy General Secretariat. The DPO acts as a liaison between the Banco de España and the Spanish Data Protection Agency and the general public in all matters relating to the processing of personal data.



## 2 ACTIVITY REPORT



Ornamental clock and chime tower on the chamfered corner of Plaza de Cibeles. Main headquarters of the Banco de España.

## 2.1 INTERNAL ORGANISATION AND ADMINISTRATION

### 2.1.1 Human Resources

The Bank employs a total of 3,193 staff, with an average age of 44.63 years, and a proportion of 49.9% of women to 50.1% of men.

As at 31 December 2018, the total number of Banco de España staff was 3,193. In line with the trend observed in recent years, the average age of employees continued to decrease, to 44.63 years by the end of the year, and there was a greater gender balance, with 49.9% of women and 50.1% of men. As Chart 2 shows, it should be noted that, so far this decade, the proportion of total Bank staff that are women has increased by more than nine percentage points, from 40.5% in 2011 to 49.9% in 2018.

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 employment portals or LinkedIn, whose corporate website has more than 37,000 followers.

More than 9,200 job applications were received 2018.

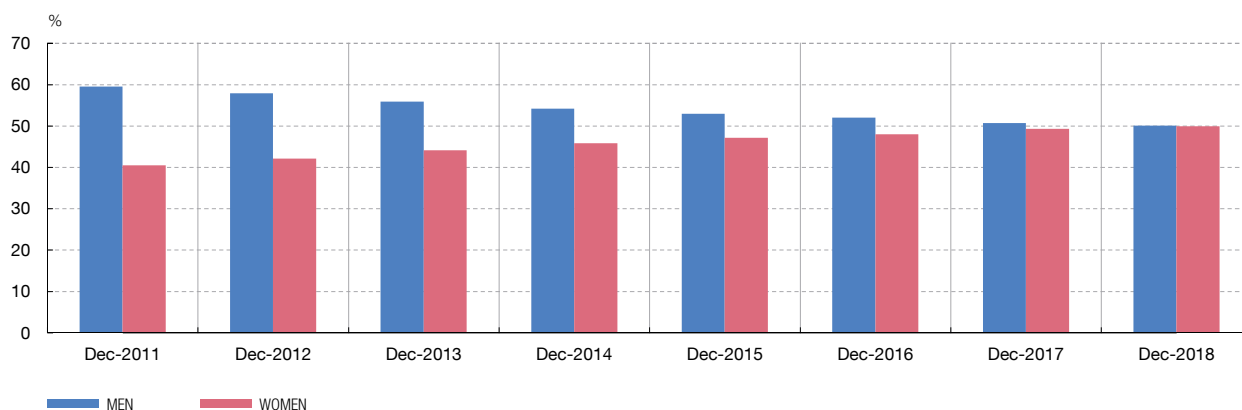
More than 9,200 job applications were received 2018 for the Bank's selection processes for permanent and temporary employees. A total of 269 permanent employees were recruited, of which 100 were administrative staff and employees for various support services, and 169 were managerial staff, mainly senior specialists and specialists.

In 2018, the Bank welcomed 24 professionals from other central banks, and similar organisations. In turn, at year-end, 176 Banco de España employees were working in international organisations.

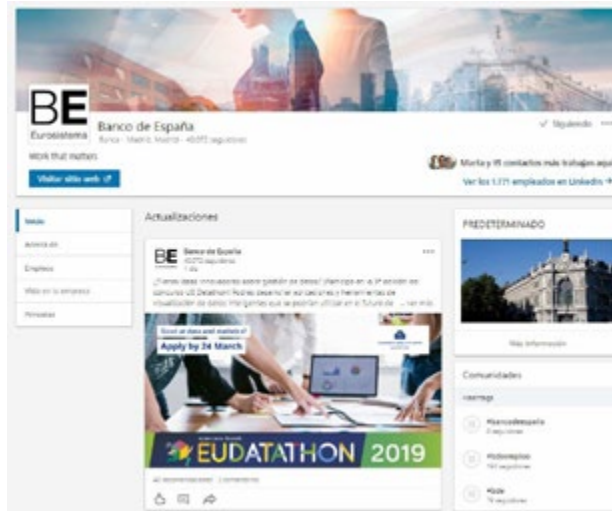
The average time devoted to training per employee amounted to 39 hours for the year as a whole. The Bank has structured its training programme around 16 knowledge areas, ten competencies, seven interdisciplinary skills and three categories relating to health and well-being. Other training processes were reviewed and the Bank collaborated with the Security Service to develop a three-year training plan on physical safety.

#### STAFF COMPOSITION

CHART 2



SOURCE: Banco de España.



The Banco de España page on LinkedIn.

2018 saw the conclusion of the first edition of the management training programmes aimed at providing certain groups with people management tools. In addition, pilot programmes on coaching and mentoring were launched, and workshops were held on the use of innovative and collaborative methodologies in the Bank's projects.

International and internal mobility continued to be promoted, with the publication of existing vacancies, attracting considerable interest among employees.

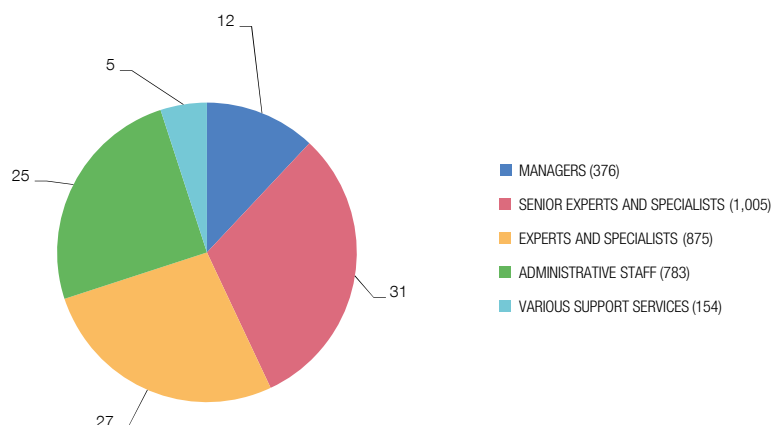
The implementation of teleworking, using new technologies, was extended to an ever-growing number of employees, and contributed to improving the work-life balance of employees, increasing their motivation and further developing management systems and organisational structures. Since 2017, various teleworking programmes have been



Bank examiners' graduation event (2017-2018).

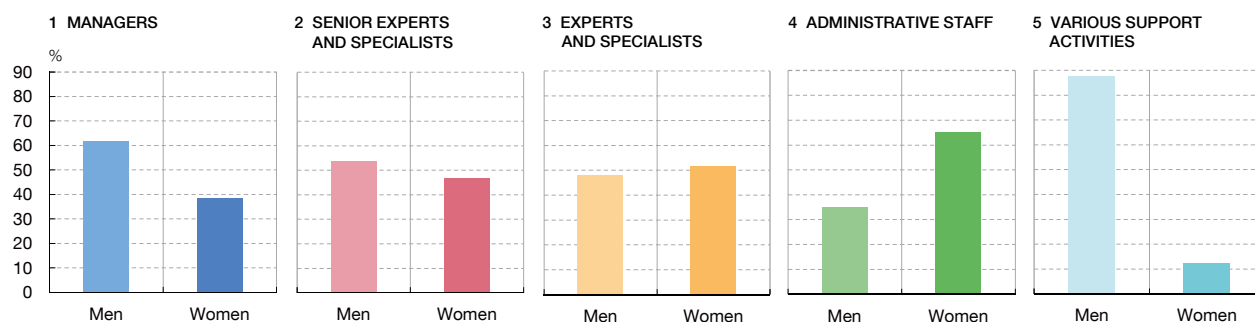
STAFF COMPOSITION BY PROFESSIONAL GROUP (%)

CHART 3



STAFF COMPOSITION BY GENDER

CHART 4



Men	61.70	53.53	48.23	34.87	87.66
Women	38.30	46.47	51.77	65.13	12.34

SOURCE: Banco de España.

implemented in different areas of the Bank. In 2019, they will include more than 350 employees.

The collective labour agreement for Banco de España employees signed in 2018 continued to make progress with the implementation of measures to improve the work-life balance, and more flexible working hours were introduced for some cases, such as single-parent families or families with disabled children.

The staff composition is based on five professional groups.

Lastly, as regards the staff composition by professional groups, Chart 3 shows the current distribution and percentage corresponding to the following: i) individuals in management positions or with responsibility over teams (managerial staff, levels 1 to 9); ii) senior experts and specialists (other managerial staff up to level 9); iii) experts and specialists (managerial staff, levels 10 to 14); iv) administrative staff, and v) various support services. In addition, the breakdown by gender in Chart 4 shows the distribution and percentage of men and women in each of the professional groups.

### 2.1.2 Reorganisation

The following restructuring processes were carried out in 2018:

Organisational changes took place in various directorates general.

The Directorate General Operations, Markets and Payment Systems was reorganised to take on new responsibilities relating to the supervision of payment service providers and the analysis and monitoring of financial innovation. To this end, the Associate Directorate General Financial Innovation and Market Infrastructures was created and the Operations and Payment Systems departments were reorganised.

The Directorate General Economics, Statistics and Research was reorganised to harness synergies and better adapt its structure to its economic and financial analysis and advisory functions. This directorate is currently made up of six departments: the existing Statistics department and five newly created ones.

A further step was taken to bring the structure of the Directorate General Banking Supervision into line with the European supervisory framework, enhancing its relationship with its peers in the Single Supervisory Mechanism (SSM), with other directorates general of the Banco de España and with national supervisory bodies, and strengthening the supervision of less significant institutions. It has been organised around two Associate Directorates General, which coordinate the five departments. The SSM Executive Coordination Service and the Organisation and Quality Division also report to the Directorate General.

The Associate Directorate General Deputy General Secretariat was also reorganised to assume new responsibilities in the areas of authorisations, suitability and register of senior officers, and register of credit institutions, and to improve corporate governance functions, corporate social responsibility, protection of personal data and documentary policy. An Executive Coordination Service and a Governance and Transparency Division have been created for this purpose.

### 2.1.3 Services

In the area of IT systems, the department was reorganised to accommodate the creation of a technological innovation unit, among others, which analyses current market trends, such as the use of artificial intelligence, the cloud and automation techniques, and prepares specific proposals for conceptual trials and innovation projects for 2019.

The Banco de España continued to participate very actively in the IT development of European projects in different areas, in collaboration with other central banks. Also noteworthy was the creation of the ESAP platform, jointly with the Banque de France, to support the development and implementation of different European projects. Additionally, considerable efforts were made to implement technological and organisational measures to improve the capacity for protection against the growing threat of malware and cyber attacks. These efforts will have to continue in the coming years.

The rules and processes applicable in the area of procurement have been adapted.

The entry into force of the new Public Sector Contracts Law (Law 9/2017) of 8 November 2017, which transposes Directives 2014/23/EU and 2014/24/EU of the European Parliament and Council of 26 February 2014 to Spanish law, aims to improve transparency by firmly supporting the principles of good governance. In the case of the Banco de España, this

law has led to the adaptation of a number of its work processes. In this respect, mention should be made of the approval of internal regulations on procurement, in the form of the new Internal Circular 4/2018 and Internal Regulation 5/2018.

Also noteworthy was the active participation of the Banco de España in a number of joint procurement procedures in the framework of the Eurosystem, which is key for performing its functions, with the support of the Eurosystem Procurement Coordination Office (EPCO). The EPCO community is made up of 23 central banks. It also works with other European institutions, such as the Single Resolution Board (SRB), the European Investment Bank (EIB), the European Stability Mechanism (ESM) and the Financial Services and Markets Authority (FSMA).

The restoration of the façades of the Cibeles building was completed in 2018.

On another front, the completion in May 2018 of the project to restore and reinforce the façades of the Cibeles building has provided a detailed map of their state of conservation, which has served as the starting point for drawing up conservation plans for the building's façades and those of some branch offices.

Restoration and refurbishment work on the Library and the areas formerly occupied by the key depository also concluded in 2018. This project, together with the refurbishment of other spaces as part of the renovation project for the ground floor of the Banco de España's Madrid building, by Paredes Pedrosa Arquitectos, was awarded the COAM Prize (Official Association of Architects of Madrid). In addition, it was selected, from among the 23 national and international architectural projects in the Spanish Biennial Exhibition, which recognised the best architectural and urban development projects worldwide in 2018.



The façades on Paseo del Prado (left) and Calle Los Madrazo (right), seen from Cibeles, following completion of restoration and cleaning work. Main headquarters of the Banco de España.



Reading room in the Library, after refurbishment.

In addition, to improve the quality of the environment, energy efficiency projects are under way in the two Madrid buildings, where more efficient LED lighting systems have been installed and other measures taken to reduce emissions by more than 1,000,000 kg of CO<sub>2</sub>/year through electricity power saving.

Lastly, various measures were taken in relation to the security installations in our buildings. This work mainly affected the access control systems (mechanized corridors in access to buildings and access control gates) and closed circuit television systems.



Access control gates in the Cibeles building.

#### 2.1.4 Branch offices

Renewal of banknote handling and sorting machines continued.

Work continued in 2018 to renew the banknote handling and sorting machines used by the branch offices of the Banco de España to verify the authenticity and condition of banknotes. The long-term project to modernise the machines used in the branches began in 2016. Renewal is still pending in some branches and will be carried out in the coming years. The project includes the installation of automatic banknote weighing and packaging systems, for the handling machines still lacking such equipment.

Work continued in the operational centres of the ancillary deposit system located throughout the country, with an update of the control procedure in 2018 which has expanded the aspects to be reviewed.

In addition to the functions relating to the distribution and processing of cash, the branches also 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, public debt subscription, claims, Central Credit Register reports, collaboration with the Central Balance Sheet Data Office, and financial education and training.

At the end of 2018, there were 440 employees at the Banco de España's 15 branch offices. There is a director in charge of each branch, who represents the Banco de España and 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.



Façade of the Badajoz branch office (left). The glass dome of the banking hall in the Bilbao branch (top right). Banking hall of the Seville branch (bottom right).

## 2.2 FUNCTIONS RELATING TO BANKING OPERATIONS

### 2.2.1 Implementation of monetary policy and asset management

In the area of monetary policy, there were no new developments as regards the setting of policy rates or regular operations.

In 2018, the implementation of monetary policy continued to be mostly channelled through the purchase programmes (see Chart 5), in a period characterised by the absence of new developments regarding policy rates and regular operations. As regards targeted four-year liquidity-injection operations (TLTRO II), institutions may make early repayments on a quarterly basis as from June 2018 provided that at least two years have elapsed since the funds were granted. In the euro area as a whole, of a total of €736.6 billion originally allotted in these operations, early repayments amounted to €17.8 billion, only 2.4% of the total. Spain and another six euro area jurisdictions did not avail themselves of this possibility.

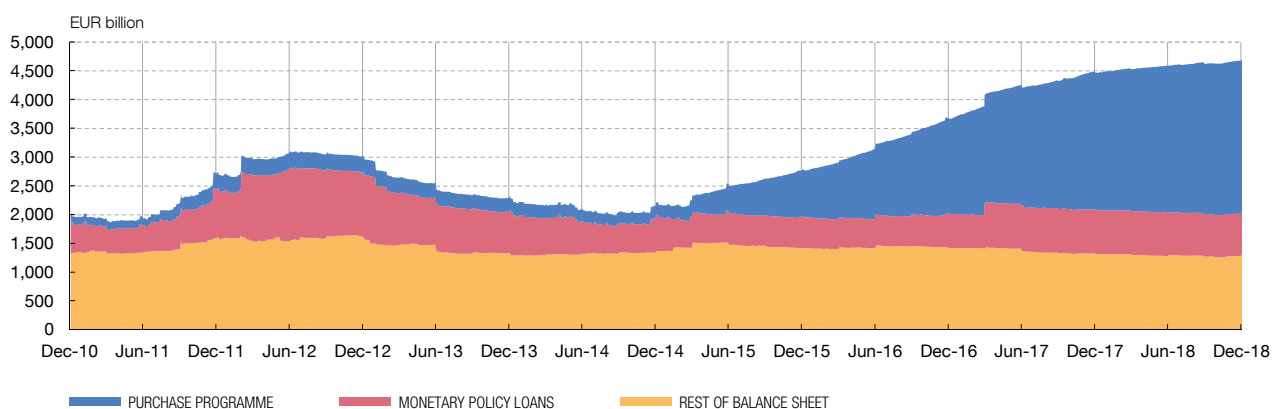
With respect to the programmes, it is worth noting that the monthly target of net purchases fell gradually, while the remaining operational parameters held stable. From January 2018, this target was reduced from €60 billion to €30 billion, and to €15 billion in the last three months of the year (see Chart 6).

The public sector purchase programme (PSPP) continues to be the largest in terms of cumulative volume. As regards private-sector programmes, the corporate sector purchase programme (CSPP) gained weight vis-à-vis the covered-bond purchase programme (CBPP3). Lastly, it should be noted that the smooth functioning of the public sector purchase programme securities lending facility helped to ease the potential tensions in the repo market at quarter and year-ends.

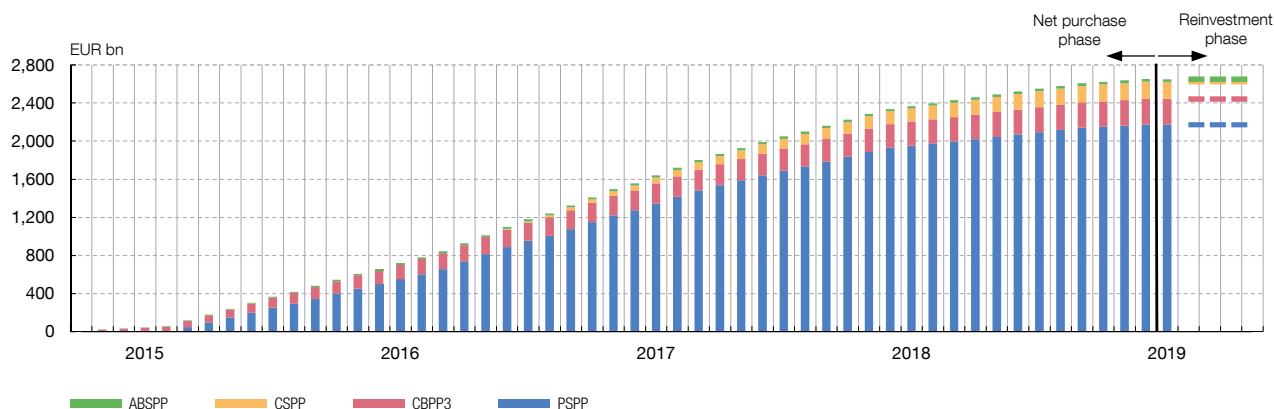
On 13 December 2018 the European Central Bank (ECB) announced the end of net purchases under the various programmes, and the start of a reinvestment phase as from January 2019. This phase, in which the volume of purchases is restricted to the volume of repayments, will continue for as long as necessary to maintain favourable liquidity conditions in the markets and an ample degree of monetary accommodation.

#### DEVELOPMENTS IN THE EUROSISTEM'S BALANCE SHEET

CHART 5



SOURCE: Banco de España.



SOURCE: European Central Bank.

As regards portfolio management, in 2018, the process of diversifying the own portfolios denominated in foreign currencies continued, with the inclusion of new currencies and eligible instruments and issuers. Noteworthy was the investment of a small percentage of reserves in Chinese yuan-denominated portfolios, and the adherence of the Banco de España to the Foreign Exchange Global Code of Conduct. The Bank 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

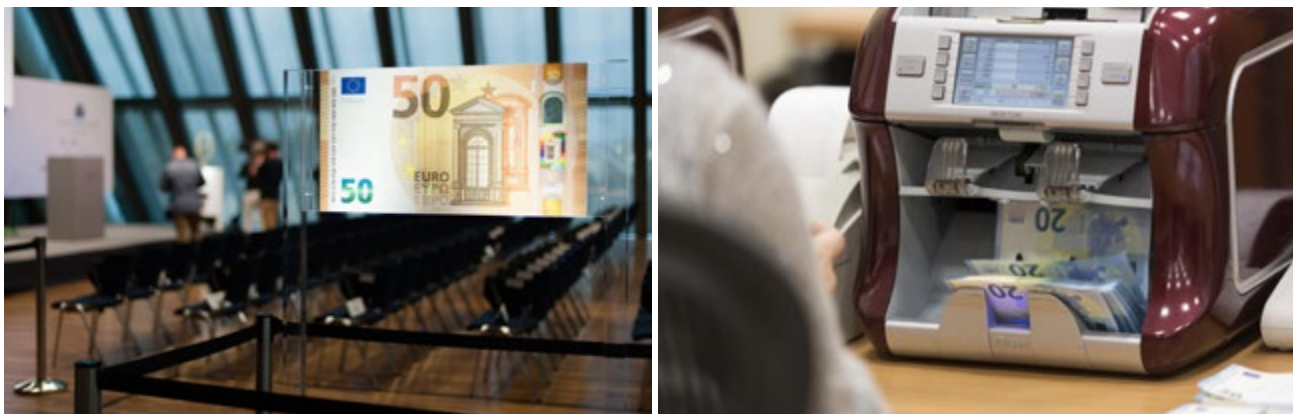
The Spanish financial community finalised the adjustments and tests for the migration to TARGET Instant Payment Settlement (TIPS), the pan-European platform for instant payment settlement operated by the Eurosystem. The migration took place in November, as scheduled, and was led by the Banco de España.

In November 2018, Directive (EU) 2015/2366 on payment services in the internal market was transposed into Spanish law through the publication of Royal Decree-Law 19/2018. This transposition makes major changes to the legal and operational framework of the payments industry. As a result, headway was made in adapting regulations to the new technological changes which allow users to have recourse to new payment services and new agents, in a more reliable way. These changes are reflected in the Banco de España's supervisory function, with the roll-out of new tools and procedures that are adapted to the new, legally stipulated, security requirements.

### 2.2.3 Banknote and coin management

There was demand for 3,020 million banknotes and 1,194 million coins from credit institutions.

The Banco de España, as a member of the European System of Central Banks (ESCB) issues euro banknotes together with the ECB and other national central banks in the euro area. It also puts euro coins into, and withdraws them from, circulation on behalf of the Spanish state. The Banco de España manages the cash cycle in Spain, performing two of its core functions: to guarantee the supply of banknotes and safeguard their integrity when in circulation.



Europa series €50 banknote (left). Banknote counting and sorting machine (right).

In 2018, credit institutions withdrew 3,020 million banknotes from the Banco de España, for an amount of €89,422 million, which they distributed over the counter and through ATMs to meet customer demand. Credit institutions also requested 1,194 million euro coins, of which almost two thirds were of the three lowest denominations.

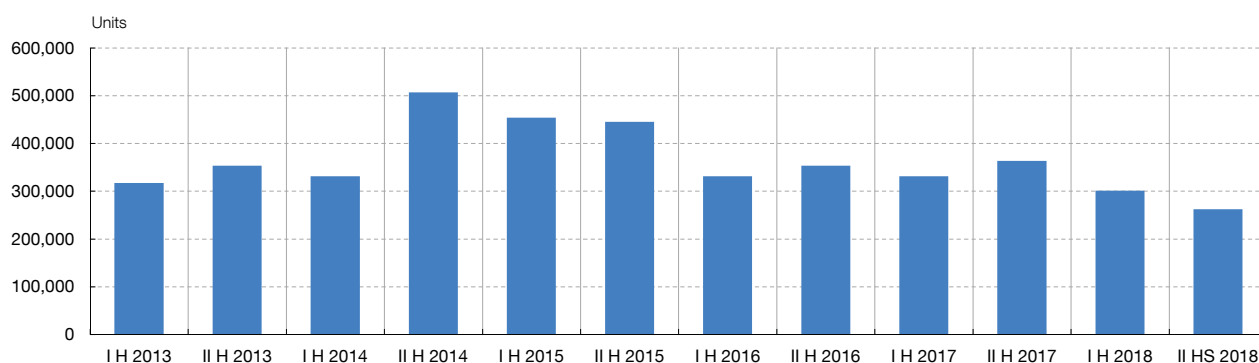
	2016	2017	2018
Millions of withdrawn banknotes	2,965	3,088	3,020
Millions of withdrawn euros	91,200	93,000	89,422
Millions of withdrawn coins	1,300	1,280	1,194

As part of its task of safeguarding the integrity of banknotes in circulation, the Banco de España verified, using automatic systems, the authenticity and condition of approximately 3,500 million banknotes sent to credit institutions in 2018. In this process, almost a third of the banknotes verified were declared to be unfit to be returned to circulation, and were consequently destroyed.

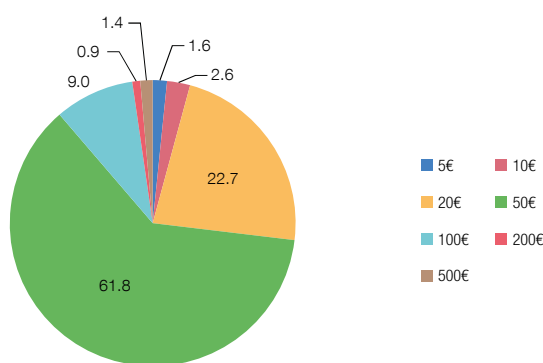
In the fight against euro counterfeiting, an international phenomenon, the Banco de España cooperates not only with the Spanish police and judicial authorities, but also with those of the Eurosystem. In this setting, in the second half of 2018, 262,000 counterfeit banknotes

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

CHART 7



SOURCE: European Central Bank.



SOURCE: European Central Bank.

were withdrawn from circulation in euro area countries, a decline of 13% compared with the first half of the year and almost 28% less than in the latter half of 2017. Bearing in mind that there are 22,600 million banknotes in circulation, the probability of receiving a counterfeit banknote is low. As in previous six-month periods, the bulk of counterfeit banknotes (approximately 80% of the total) were €20 and €50 banknotes, the most widely used in commercial transactions.

The Banco de España is aware that training is a powerful weapon in the fight against counterfeiting. Consequently, in 2018, it organised attendance-based and online courses on how to verify the authenticity of banknotes and classify them according to their condition. These courses were aimed at professionals from the sectors most closely involved in cash handling (credit institutions, cash-in-transit security companies and retailers), which are on the front line for detecting counterfeits. Particular attention was paid to courses for young people.

## 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 ECB directly supervises 12 Spanish banking groups, which account for 91.4% of the Spanish banking system's assets.

At 31 December 2018, the SSM supervised 119 groups of significant institutions, made up of 822 individual institutions, and 3,008 less significant institutions. There are 12 Spanish groups of significant institutions<sup>1</sup>, which account for 91.4% of the Spanish banking system's assets, and 58 Spanish groups or institutions classified as less significant that represent 4.5%. The rest is accounted for by subsidiaries and branches of significant groups in the euro area (3.5%) and by branches of less significant institutions, branches of credit institutions in EU countries not participating in the SSM, and branches in non-EU countries.

The Banco de España headed 22 of the 29 on-site inspections at significant Spanish credit institutions.

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 reviews of the models of these institutions. The Banco de España participates in the JSTs of the 12 groups of Spanish credit institutions classified as significant and in the JSTs of significant foreign banking groups with a strong presence in Spain through subsidiaries and/or branches. The Banco de España provides approximately two-thirds of the staff for the JSTs of the former. In addition, in 2018, 29 on-site actions (inspections and model reviews) were carried out at 29 significant Spanish institutions, of which 22 were led by Banco de España staff, two by ECB staff and five by staff from other SSM Member States. A significant proportion of the staff who participated in the aforementioned on-site inspections were from the Banco de España.

The Supervisory Board of the ECB, in which the Banco de España participates, adopted 1,920 supervisory decisions. 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 2019.

Other key elements of the SSM's operation are the working groups and expert networks which analyse and develop technical and supervisory policy proposals, with a view to improving the functioning of the Single Supervisory Mechanism. The Banco de España participated in approximately 90% of these groups in 2018.

In 2018, 529 monitoring actions were carried out in relation to less significant institutions.

With respect to the less significant institutions supervised by the Banco de España, 23 banking groups or institutions were subject to ongoing monitoring in 2018. Simplified monitoring (based on a system of alerts) was performed at the remaining 36 groups<sup>2</sup>.

<sup>1</sup> Santander, BBVA, Caixabank, Bankia, Sabadell, Unicaja, Bankinter, Kutxabank, Ibercaja, Abanca, Liberbank and Banco de Crédito Social Cooperativo.

<sup>2</sup> Simplified monitoring actions included a credit institution (Citibank España, SA) that does not appear in the figures for 31.12.2018, since it was deregistered on 27.12.2018.



Danièle Nouy, Chair of the ECB's Supervisory Board, with Margarita Delgado, Deputy Governor of the Banco de España, during her visit to the Bank's headquarters.

A total of 529 supervisory monitoring actions and 12 on-site inspections were carried out. The planned actions also include, apart from the above-mentioned monitoring, more than 300 detailed actions encompassing reviews of internal capital adequacy assessment reports or regular meetings with persons in positions of responsibility at the institutions.

In the case of branches in Spain of institutions with head offices in other EU Member States not under the direct supervision of the ECB (including branches of less significant institutions or groups and branches in EU countries not participating in the SSM<sup>3</sup>), as they are not subject to prudential or liquidity requirements at the branch level, the Banco de España carries out off-site monitoring and regularly exchanges information with the authorities of the home country of the branch, under the terms established in Commission Implementing Regulation (EU) No. 620/2014.

As regards the branches in Spain of institutions with head offices in non-EU countries, the Banco de España's supervision also includes half-yearly monitoring and regular meetings with the branch management. Lastly, the Banco de España exercises supervision of the Official Credit Institute (ICO by its Spanish abbreviation), which has the legal status of a credit institution. Regarding the branches of less significant institutions, the non-EU branches and the ICO, a total of 127 supervisory actions were carried out in 2018.

At the end of 2018, the Banco de España adopted the capital decisions corresponding to less significant institutions. The SREP methodology approved by the ECB's Supervisory Board in January 2018, which envisages a similar arrangement to that for significant institutions, was applied. It is also worth noting that a review was conducted in 2018 of the

<sup>3</sup> The latter (10 branches as at 31 December 2018) are included in the list of less significant Spanish institutions published by the ECB.

first ICAAP (internal capital adequacy assessment process) and ILAAP (internal liquidity adequacy assessment process) prepared following the publication by the Banco de España of its new guidelines on capital and liquidity adequacy.

The table below lists the number of credit institutions “with an establishment” in Spain in the Spanish banking system in 2018. Institutions operating “without an establishment” should also be included.

Institutions with an establishment in Spain	2016	2017	2018
Banks	60	59	52
Savings banks	2	2	2
Credit co-operative banks	63	63	62
ICO	1	1	1
Branches of EU credit institutions	77	78	78
Branches of non-EU credit institutions	5	4	3
Controlling companies	4	3	5

The recovery plans of less significant institutions were reviewed.

Within the recovery framework, and as regards the groups of significant institutions, the JSTs completed the 2017 recovery plan review cycle, initiated in the fourth quarter of the previous year. As a result of the assessments, letters were sent to institutions notifying them of the aspects in which they have to improve and, in the case of more serious shortcomings, requesting the remittance of specific action plans to remedy them within a reasonable period of time. As regards less significant institutions, the review of the recovery plans submitted in the fourth quarter of 2017 by entities with reporting obligations was completed in 2018. As a result of the review, where appropriate, letters were sent to the institutions either requesting that the shortcomings detected be remedied by them in the next plan sent or requiring that a new plan be sent within the legally established deadline in the case of significant shortcomings.

A total of 344 monitoring actions and two on-site 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 2018, a total of 344 monitoring actions and two on-site inspections were performed at these institutions.

For information purposes, the table below lists the institutions “with an establishment” in Spain, other than credit institutions, in the Bank’s registers in 2018, by type and business area. Institutions other than credit institutions operating in Spain “without establishment” should also be taken into account.

## YEAR-END FIGURES (a)

	2016	2017	2018
Institutions with an establishment	172	164	165
Specialised lending institutions (b)	35	31	31
Mutual guarantee companies	21	19	18
Reguarantee companies	1	1	1
Appraisal companies	37	35	35
Currency-exchange bureaux (c)	12	14	14
Payment institutions	41	39	40
Hybrid payment institutions	3	3	4
Branches of EU payment institutions	15	14	12
Electronic money institutions	4	5	5
Branches of EU electronic money institutions	2	2	4
Sareb (asset management company for assets arising from bank restructuring)	1	1	1
Institutions operating without an establishment	484	556	597
Electronic money institutions	112	156	187
Payment institutions	372	400	410

Source: Banco de España.

- a The number of institutions also includes those that are non-operational and in the process of deregistering.  
b Not including specialised lending institutions that have accredited their status as hybrids, in application of Law 5/2015 on the promotion of business financing (0 in 2014; 5 in 2015; 8 in 2016; 8 in 2017; 8 in 2018).  
c Not including establishments only authorised to purchase foreign currency with payment in euro.

Also, an inspection on the prevention of money laundering at Spanish institutions was completed in 2018, together with the fieldwork for another two, while the participation in various international working groups on this subject continued, in collaboration with other directorates general.

In the performance of its different supervisory tasks, the Banco de España sent 115 letters containing requirements and recommendations to credit institutions. Of these, 57 related to capital decisions, 41 to recovery plans, 16 to on-site inspections and one to standard monitoring.

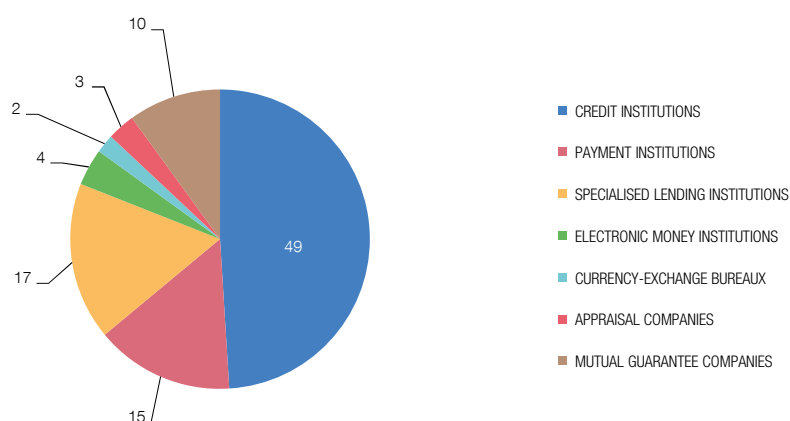
All the information on the supervisory activities carried out by the Banco de España in 2018 is contained in the 2018 *Report on Banking Supervision in Spain*<sup>4</sup>, published on the institution's website. This publication includes a detailed description of the supervisory actions referred to in this, and subsequent, sections, relating to the supervision of market conduct and sanctioning activity. It also contains tables and charts on the actions undertaken with respect to credit institutions and other institutions in relation to which the Banco de España performs supervisory functions.

A total of 488 suitability assessment procedures were conducted for senior officers at supervised institutions.

With respect to the suitability assessment for senior officers of supervised institutions, the Banco de España processed a total of 488 files in 2018, of which 241 related to credit institutions, 49 to mutual guarantee companies, 75 to payment institutions, 82 to specialised lending institutions, 13 to appraisal companies, 18 to electronic money institutions and 10 to currency-exchange bureaux.

<sup>4</sup> [https://www.bde.es/f/webbde/Secciones/Publicaciones/PublicacionesAnuales/MemoriaSupervisionBancaria/18/Documento\\_completo.pdf](https://www.bde.es/f/webbde/Secciones/Publicaciones/PublicacionesAnuales/MemoriaSupervisionBancaria/18/Documento_completo.pdf).

% of procedures conducted



SOURCE: Banco de España.

## SUITABILITY ASSESSMENTS, BY TYPE OF INSTITUTION

	2016	2017	2018
Credit institutions	294	281	241
Mutual guarantee companies	129	85	49
Payment institutions	64	75	75
Specialised lending institutions	54	62	82
Appraisal companies	34	23	13
Electronic money institutions	5	19	18
Currency-exchange bureaux	3	5	10
<b>TOTAL</b>	<b>583</b>	<b>550</b>	<b>488</b>

There was a significant increase in applications for authorisation of payment institutions.

In 2018, applications for the authorisation of payment institutions and electronic money institutions increased considerably. This increase is partly due to market developments, with the emergence of promoters of new business models offering customers technology-based payment services (commonly known as *fintech*), and also to the impact on the sector of the second payment services directive (PSD2), which guarantees a clear and harmonised regulatory framework. Moreover, Brexit has led to the relocation of many British financial corporations, some of which have opted to move their head offices to Spain. Consequently, 33 applications for authorisation of payment institutions or electronic money institutions were received in 2018, compared with 18 in 2017.

In 2018, the full competence for granting authorisation to such institutions was transferred to the Banco de España. In this connection, the Banco de España aims to speed up and simplify the administrative procedure, without detriment to the legal safeguards or breach of the principles underpinning the procedure. Our institution is therefore working on designing forms that will clearly indicate the documentation that must be submitted. It also holds meeting with the promoters, before they formally submit their application, in order to

ensure that the business model proposed fits into the current regulatory framework and to solve any queries they may have.

### 2.3.2 Supervision of market conduct

In its supervision of institutions' conduct in 2018, the Banco de España continued to develop its strategic commitment to strengthen the stability of the financial system by protecting bank customers and promoting best practices in the sector.

In addition to intensifying supervisory activities that focus on correcting inappropriate conduct, work has been under way to boost institutions' efforts to develop a culture of regulatory compliance at all organisational levels and permeating every stage in the life cycle of banking products and services, from the design stage to that of marketing and management. The compliance culture must essentially be built around respect for customers and their interests and enhancing the transparency of institutions' conduct.

In 2018, the review of a significant proportion of the institutions most active in the granting of mortgage loans and credit was completed, with the supervisor urging these institutions to improve the quality of pre-contractual information offered to customers, and to increase transparency in all the stages of the life cycle of such products. In 2018, in response to the growth in consumer credit in recent years, work focused on ensuring regulatory compliance for this type of lending, especially in the pre-contractual phases, and compliance with the requirements of possible credit intermediaries.

Conduct supervision actions are carried out for operations conducted using digital channels.

As a result of the digitalisation of society, traditional consumer patterns have given way to new technology-based channels. The supervision of conduct also includes actions to ensure that consumers are protected when operating through digital channels.

The table below summarises the supervisory actions carried out in 2018, by area and type.

#### SUPERVISORY ACTIONS RELATING TO CONDUCT IN 2018

##### Number by area

	On-site inspections (a)	Off-site inspections (b)
Mortgage	33	16
Consumer credit	4	36
Advertising	0	11
Other (ATMs, SME financial information, customer services, transparency, online channels, payment services)	1	33
<b>TOTAL</b>	<b>38</b>	<b>96</b>

a Of these on-site inspections, 28 began before the start of 2018.

b Of these off-site inspections, 22 began before the start of 2018.

As a result of these activities, the initiation of six sanctioning proceedings was proposed, 72 letters of recommendations and observations and 14 requirement letters were sent, containing 101 specific requirements for institutions.

### 2.3.3 Sanctioning activity

Eleven sanctioning proceedings were initiated and eleven were resolved. Six of the initiated proceedings and nine of those resolved were related to conduct, transparency and customer protection.

In 2018, the Banco de España agreed to initiate six sanctioning proceedings (all against banks), exercising its supervisory powers in relation to institutions' conduct, transparency and customer protection. As a result, infringements were detected regarding the delivery and content of pre-contractual information, the calculation of the APR (which should include all the arrangement and related costs), the charging of fees for early repayment above legal limits or rounding in cases where it is not permitted by regulations. Also, in this area, nine sets of proceedings, all of them brought against banks, were resolved with penalties being imposed. Six of them had been initiated in 2017 and three in 2018.

Sanctioning proceedings were also brought and resolved for infringements in other areas of prudential supervision (such as corporate governance, remuneration policy, internal control, reports to the Banco de España's Central Credit Register and unauthorised activities subject to vetted access), and infringements of sectoral regulations applying to supervised institutions, in particular, payment institutions (effective management and administration in Spain, own funds, the safeguarding of customer funds), currency-exchange bureaux (recording of transactions, performance of unauthorised transactions and book-keeping) and mutual guarantee companies (risk control and monitoring). In this respect, in 2018 five proceedings were initiated against: two banks and the nine directors of one of them; a currency-exchange bureaux and its director; a mutual guarantee company and its 32 directors and managers; and a company engaging in activities subject to vetted access without authorisation and its executive chairman. A further two proceedings initiated in 2017 were resolved, involving a payment institution and its four directors, and a company engaging in unauthorised activities subject to vetted access and its two directors, both resulting in the imposition of penalties on the parties sanctioned. Furthermore, in one of the latter proceedings, the penalties included the disqualification from holding office of the directors and it was resolved that the entity would be temporarily suspended.

Lastly, two proceedings initiated in 2017 were suspended so as not to prejudice the criminal proceedings that were under way for similar events. One of them had been brought against a payment institution and its four directors, and the other against a company and its two directors for using names restricted to credit institutions. In the former case, at the time the proceedings were brought it was agreed to temporarily suspend the payment institution's activities.



Penalties and public reprimands against institutions and their directors for serious and very serious infringements are published on the Banco de España website.

### 2.3.4 Macprudential policy

In 2018, efforts in the area of macroprudential analysis centred on developing new methods and indicators to steer decisions regarding the countercyclical capital buffer (CCyB). Specifically, econometric models were estimated to determine the degree of imbalance in the credit-to-GDP ratio, and the parameters for the estimates were adjusted from their long-term trend to bring them into line with Spain's historical experience of frequency of systemic banking crises. This analysis, together with the information obtained from a map of cyclical vulnerabilities developed by the Banco de España for the financial system, recommended that the percentage of the CCyB be maintained at 0% throughout the year.

Also, the Banco de España conducted the corresponding annual review of Spanish global systemically important institutions (G-SIIs) and domestic systemically important institutions, known as other systemically important institutions (O-SIIs), and confirmed the list of institutions and their associated capital buffers announced the previous year. In 2018, Spain's five systemic institutions were required to have 75% of the fully-loaded capital buffer set for 1 January 2019, when the transitional period for meeting the full requirement expired.

As in previous years, the tool known as "FLESB" (Forward Looking Exercise on Spanish Banks) was used to conduct stress tests at Spanish deposit institutions to assess their resilience to shocks. On this occasion, the exercise served as an internal benchmark for comparison with the stress test exercise performed by the European Banking Authority (EBA), and also to gauge institutions' capacity to cope with the materialisation of the risks identified in the *Financial Stability Report* of May 2018. From a methodological standpoint, the most significant change was the development of an international, more sophisticated, module which better captures the potential impact of risks present in countries in which Spanish deposit institutions operate.

A macroprudential authority for Spain was created, bringing together the Minister for the Economy and Enterprise and the financial supervisors.

Lastly, in the institutional sphere, the Council of Ministers approved Royal Decree 102/2019 on the creation of the Macroprudential Authority Financial Stability Board at the beginning of March 2019, following its announcement and public consultation. This authority, under the acronym AMCESFI, will bring together representatives from the supervisory bodies of financial institutions (Banco de España, Spanish National Securities Market Commission, Directorate General of Insurance and Pension Funds) and the Ministry of the Economy and Enterprise, and will be tasked with "contributing to the stability of the financial system by identifying, preventing and mitigating any circumstances or actions that may give rise to systemic risk". AMCESFI's powers include issuing warnings and recommendations on risks affecting the Spanish financial system. Previously, the Spanish government had approved Royal Decree-Law 22/2018, providing the supervisory authorities with additional macroprudential tools, and empowering the Banco de España to set limits and conditions on lending standards, if the situation so requires.

### 2.3.5 Preventive resolution

Resolution plans were drafted for a total of 41 institutions and recovery plans were reviewed.

In 2018, resolution plans were drafted for a total of 41 institutions (12 significant and 29 less significant), in accordance with the distribution of responsibilities 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. Within this collaboration framework, 49 workshops were organised during

the year, for members of the respective Internal Resolution Teams (IRTs) to discuss aspects relating to the drafting of resolution plans. Also, it should be noted that in 2018, the SRB and the EU resolution authorities outside the euro area signed joint decisions relating both to the resolution plans and to the establishment of MREL targets at consolidated level for the three significant Spanish institutions currently requiring resolution colleges.

Additionally, the recovery plans of significant credit institutions were reviewed jointly with the SRB, as were the recovery plans of less significant institutions received for consultation. Further, the Banco de España updated the list of less significant institutions which may apply simplified obligations.

To promote the effective implementation of Directive 2014/59/EU, the Banco de España participated actively in the development of preventive resolution criteria and strategies as a member of international organisations and fora, notably in the working groups for the definition of criteria for implementation of the SRM and the EBA. Aspects worth mentioning due to their particular significance are: i) the criteria for determining the minimum requirement for own funds and eligible liabilities to absorb losses (MREL); ii) the analysis and development of resolution strategies other than bail-in; iii) participation in the review of the BRRD2; iv) adapting the general principles and best practices for less significant institutions, and v) drafting guidelines on the analysis of the public interest criterion, bail-in operationalisation, asset separation tool and sale of business tool, access to market infrastructures, critical functions, resolvability and coordination with the SRB.

### 2.3.6 Financial and risk reporting

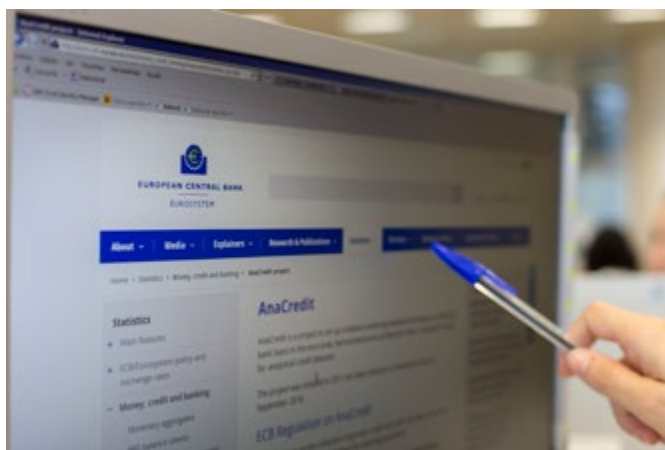
The financial statement formats for credit institutions were updated.

The public and confidential financial statement formats to be submitted by credit institutions to the Banco de España, pursuant to the new accounting rules (Circular 4/2017 of 27 November 2017), came into force on 1 January 2018. This circular updates the accounting regime and financial statement formats of credit institutions, and includes the latest changes in European accounting regulations (adoption of International Financial Reporting Standards 9 and 15). Work was also undertaken to prepare for the publication in 2019 of the euro short-term rate (€STR), based on data collected from the Money Market Statistical Reporting (MMSR) that some credit institutions submit to the Banco de España.

As regards prudential reporting, in 2018 credit institutions started sending reports on exposures to central governments, mainly to provide supervisors with useful information for assessing sovereign risk, and to support the stress-testing exercise and the evaluation of the weighting of these exposures. In addition, institutions began to submit detailed information on the past year's major loss events and, starting with data corresponding to March 2018, the maturity ladder, which reflects the maturity mismatch of an institution's business activities. Lastly, starting with December 2018 data, institutions are required to send information on additional value adjustments for certain positions measured at fair value, in order to comply with the prudent valuation rules established in the regulations. These adjustments are only determined for the purpose of calculating CET1 capital adjustments, if necessary.

In 2018, the Banco de España submitted the initial credit risk data to be sent in the framework of the European project known as AnaCredit.

Following the incorporation into the Central Credit Register (CCR) of the reporting requirements established under ECB Regulation 2016/867 on granular credit and credit risk data ("AnaCredit regulation"), the Banco de España began receiving, in April 2018, new information on counterparties (exposure counterparties, lenders, etc.) and, in May,



Database on individual bank loans in the euro area.

additional data referring to instruments and guarantees. As stipulated by the AnaCredit regulation, in November 2018, the Banco de España sent the first granular credit data to the ECB (as at September). To prepare for the entry into force of AnaCredit, counterparty reference data for the counterparties involved in the instruments to be reported to the ECB were gradually sent over the preceding six months. Additionally, the Banco de España continued participating very actively in the preparatory work for AnaCredit, which in 2018 focused on establishing editing procedures for ensuring data quality and on exchanging information between the ECB and the central banks participating in AnaCredit.

Also in 2018, monitoring tasks were strengthened as regards institutions' compliance with the regulations on reporting to the CCR, the use of data sent by the Banco de España, and their obligations regarding the processing of the claims filed by exposure counterparties on information reported to the CCR.

## 2.4 CLAIMS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

In 2018, the number of claims filed by users of bank services fell, compared with the previous year.

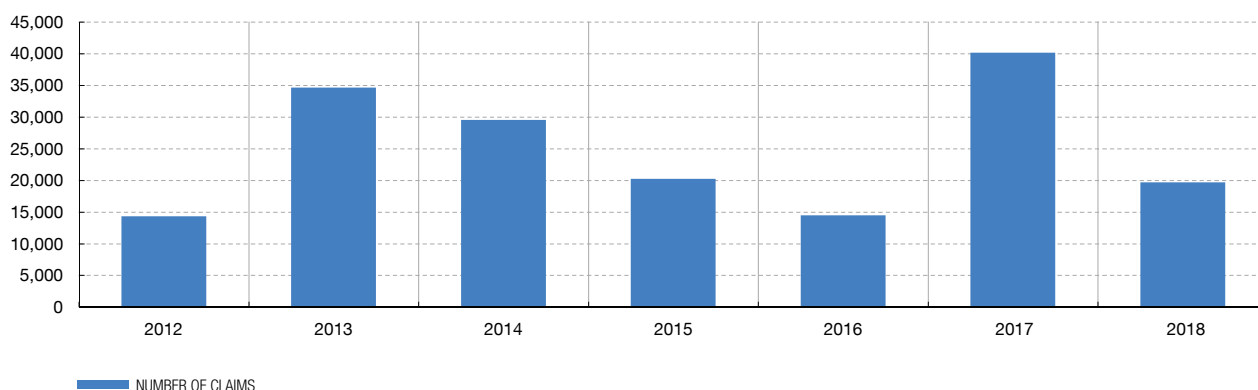
In 2018, the number of claims filed by users of bank services fell substantially with respect to the previous year, to 19,695, compared with 40,170 claims received in 2017, but was higher than in 2016 (14,465). This decrease is explained by the fact that the figure soared in 2017 as a result of the high number of claims filed in connection with the costs involved in arranging mortgages.

This also explains the decline in the number of telephone enquiries received (28,387 in 2018, compared with 39,167 in 2017). A total of 1,672 enquiries were submitted electronically in 2018, compared with 1,889 the previous year.

Work to verify the internal rules applicable to customer services and customer ombudsman departments continued, with the validation of six new sets of rules submitted by institutions, and amendments, both minor and far-reaching, to the contents of a further 47 sets of internal rules.

**CLAIMS FILED IN THE LAST SEVEN YEARS**  
2018 data, provisional as at 31.12.2018

CHART 10

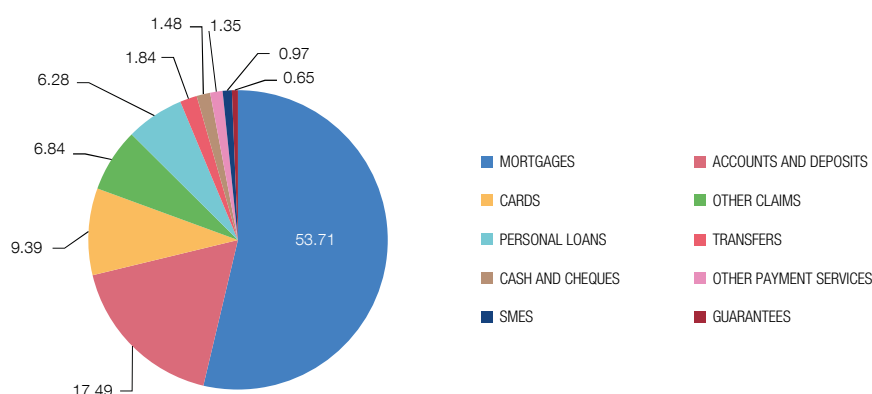


SOURCE: Banco de España.

**TYPES OF CLAIMS**  
Provisional data as at 31 December 2018

CHART 11

% of claims filed



SOURCE: Banco de España.

The Bank Customer Portal registered close to 2.2 million visits. Notably, a new Portal was launched, with new contents, a more attractive design and more user-friendly language. The Portal is also available in English.

In relation to the monitoring and control of advertising there were 309 requests for the withdrawal or rectification of press and Internet advertisements, all of which were handled by the institutions concerned.

## 2.5 REGULATORY CHANGES

In 2018, the Banco de España exercised its external regulatory powers through the approval of two circulars and an amendment to the IRBE.

The following Banco de España circulars were approved in 2018:

- Banco de España Circular 1/2018 of 31 January 2018, amending Circular 5/2016 of 27 May 2016 on the calculation method to be used to ensure that the contributions of institutions belonging to the Deposit Guarantee Scheme for Credit Institutions are proportionate to their risk profile, and Circular 8/2015 of 18 December 2015, to institutions and branches belonging to the Deposit Guarantee Scheme for Credit Institutions, on information for determining the basis of calculation of contributions to the Deposit Guarantee Scheme for Credit Institutions.
- Banco de España Circular 2/2018 of 21 December 2018, amending Circular 4/2017 of 27 November 2017, to credit institutions, on public and confidential financial reporting rules and financial statement formats, and Circular 1/2013 of 24 May 2013 on the Central Credit Register.

Also in 2018, an amendment was approved to the Internal Rules of the Banco de España (IRBE), relating, among other aspects, to: the approval procedure for external Banco de España circulars; the approval of an annual regulatory plan and a regulatory assessment report; control of the effectiveness and ongoing supervision of the Bank's special-purpose entities, and the creation of its own electronic register of agreements signed. In addition, changes were made to the rules regarding the staff representative who attends the meetings of the Governing Council, and the possibility of inviting the Chair of the FROB to participate in the meetings of the Executive Commission in a non-voting capacity, when matters relating to the recovery or resolution of credit institutions are discussed, was also provided for.

New competences relating to the authorisation of payment institutions and to macroprudential tools were conferred on the Banco de España.

Lastly, as mentioned earlier in this report, the Banco de España was notably assigned additional competences regarding the authorisation of payment institutions, pursuant to Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent financial measures, and the setting of limits on the level of indebtedness of banks and the countercyclical capital buffer, and limits on credit exposure, pursuant to the provisions of Royal Decree-Law 22/2018 of 14 December 2018, establishing macroprudential tools.

## 2.6 ECONOMIC ANALYSIS, RESEARCH AND STATISTICS

Economic analysis and research activities, measured in terms of publications issued, took the form of 51 Working Papers, 11 Occasional Papers and 39 articles in anonymously refereed academic and professional journals.

In 2018, 51 Working Papers and 11 Occasional Papers were published. As for 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, with five pending publication. Mention should also be made of the participation of Banco de España's researchers in international initiatives, such as the joint research conducted annually with the Center for Latin American Monetary Studies (CEMLA) or the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), and in numerous expert seminars and conferences.

In addition, the Banco de España publishes its macroeconomic projections four times a year, based on which it provides its view of the economic outlook over a horizon of around three years. 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*, a publication that has been issued quarterly since 2017 and contains the "Quarterly Report on the Spanish Economy", which analyses the most recent developments in the Spanish economy, within the external context. The Bulletin also contains links to the publications released during the related quarter as part of the series of Analytical Articles and Economic Notes. 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 2018, a total of 35 Analytical Articles and 12 Economic Notes were published.

Research activities encompassed a wide variety of issues, such as the Spanish, euro area or world economies, financial matters, monetary policy, microeconomic research, macroeconomic modelling or financial stability.

Research activities encompassed a wide variety of issues. As regards the analysis of the Spanish economy, research was notably conducted on: Spain's participation in the global value chains; the characterisation of competition levels and business mark-ups, and recent developments; the transmission of economic shocks across different business sectors; analysis of the low relative wage growth; the recent improvement in total factor productivity and its effect on the allocation of credit; the continuing process of import substitution; and the effects of trade protectionism in the form of higher tariff and non-tariff rates. Moreover, work continued on regional analysis, on the measuring and quantification of the macroeconomic effects of uncertainty and on the use of textual analysis and Internet searches to develop short-term economic indicators.



The series of Analytical Articles and Economic Notes seek to bring the analyses of the Banco de España to the attention of a broad public audience.

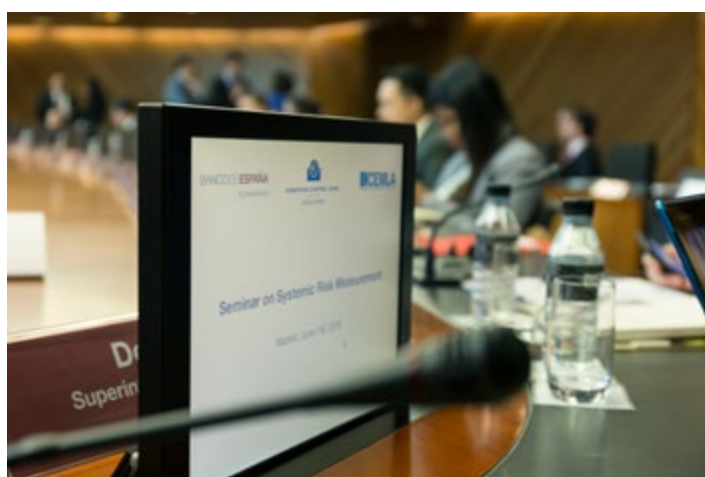
In the euro area, research efforts notably focused on the determinants of wage and inflation trends, particularly on the interdependence of inflation and the low inflation phenomenon. Analyses also encompassed the progress made in the reform process and correction of macroeconomic imbalances, TARGET balances, the process to review and strengthen governance in the euro area, especially as regards the need to complete the banking union and build a greater fiscal union.

In the international sphere, research centred on issues of global significance, such as developments in world trade, increased global protectionism or Brexit (participating in the Eurosystem's Brexit task force). Other research projects focused on global factors explaining the natural rate of interest in emerging economies, the impact of unconventional monetary policies on productivity, the reasons for the flattening of the yield curve in the United States, the influence of global factors on inflation, the pass-through of exchange rates to inflation, models for the decomposition of oil prices or the determinants of capital flows to emerging economies.

As regards financial issues, research was conducted in 2018 on the credit conditions of corporations throughout the economic cycle, the impact of credit constraints on corporate investment and growth, the decomposition of the yield curve into rate expectations and risk premiums, the effects of unconventional monetary policy measures on credit conditions, the impact of monetary policy on consumption by indebted households, the effects of changes in ECB monetary policy on the external financing of Spanish banks, and investment and financing of Spanish non-financial corporations.

Research in the area of monetary policy centred on the new operational framework in an environment of abundant liquidity, the redistributive effects of monetary policy, the natural rate of interest, links between financial stability and sustainability of sovereign debt, the possibility of central banks issuing digital money, the strategy of issuing government debt at different maturities, and asset encumbrance and its impact on credit.

In the area of microeconomic analysis, there were four notable contributions in 2018. The first models income uncertainty facing households and examines to what extent this risk affects various spending and insurance decisions. Secondly, the spillover of the effects of aggregate demand policies was analysed: on the theoretical side, research was conducted



Seminar on systemic risk measurement, held at the Banco de España.

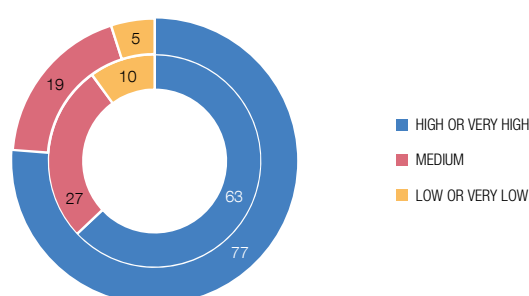


Sculpture titled *Esfera roja* (Red Sphere), by Jesús Rafael Soto, located in the building at Calle de Alcalá, 522, Madrid.

on how the effect of public spending on aggregate output varies depending on the demographic structure of the population, and, on the empirical side, new databases and tools relating to Big Data were developed for the purpose of analysing the role of possible anticipation effects. Thirdly, research continued on the determinants of political decision-making. Lastly, work was under way to assess the impact of financial education programmes in the medium term.

In the area of macroeconomic modelling, 2018 saw the completion of the development and estimation of a general equilibrium model for the Spanish economy, which has been used in areas relating to monetary policy design, the transmission of shocks, the consistency of macroeconomic projections, etc. Turning to microeconomic modelling, microsimulation tools were developed and updated for personal income tax, VAT and special taxes, and for the evaluation of employment policies (contribution bases, minimum wage and unemployment benefits). To analyse other economies, the short-term forecasting models of the euro area were reviewed, as was the estimation of the models for the emerging economies of most significance for Spain. Moreover, work was under way on an empirical model to validate the vulnerability exercises for these economies, and on a model to analyse global spillovers.

In the area of financial stability, research encompassed a number of different areas. The role of banks' capital in the prevention of systemic banking crises and moderation of credit cycles was analysed, and structural models to identify cyclical systemic risk were developed. In addition, the reasons behind banks' decisions regarding their government debt portfolios during bouts of market turbulence, and the impact of interest rates on their profit and loss accounts, were also examined. Work is set to continue on the lines of research already in progress on banks' credit policies and their implications for financial stability, and on the impact of credit constraints on households. Moreover, research is planned on the effect of bank mergers on the credit supply of merged institutions and the implications for customer behaviour.



SOURCE: Banco de España.

Collaboration with the ESCB and ECB continued in the area of statistics.

In the area of statistics, the Banco de España collaborated in 2018 with the ESCB and the ECB in the drafting of a number of regulations to improve the quality of statistical information and cater for the analytical needs of users. They notably include the publication of the Guidelines<sup>5</sup> on the RIAD (Register of Institutions and Affiliates Data, a database which processes information relating to the identification of entities), and approval of the Regulation<sup>6</sup> on pension funds, which will be implemented gradually throughout 2019.

In 2018, the statistical information published by the Banco de España was expanded with: i) the publication of new information on the details of regional government debt securities-holding sectors; ii) the greater detail provided in the information on lending by purpose, with new breakdowns for consumer credit and the corresponding non-performing loans, and iii) the improvement in the publication frequency of statistics relating to appraisal companies. The information made available to users on the financial transactions and positions of the Spanish economy abroad was also enhanced, by starting to provide data on foreign investments in negotiable securities with a breakdown of the non-resident issuing sector. Those data, which are consistent with the portfolio assets of the International Investment Position, are sent to the IMF on a half-yearly basis and can be accessed, together with equivalent data for other countries, on the website of the Coordinated Direct Investment Survey<sup>7</sup>.

The Banco de España's Central Balance Sheet Data Office, which collects information on Spanish non-financial corporations, optimised the processes for data reception from the Mercantile Registries, allowing for another 100,000 corporations to be included in the early release of data, bringing the number to 700,000 at the cut-off date for the receipt of data. Also, in 2018, access to information by analysts and users was improved by updating the software provided free of charge on the Banco de España website (specifically, the "Sectoral Aggregates" software can now be used in multiple browsers and devices).

Work was undertaken on the Spanish Survey of Household Finances and the Financial Competence Survey.

Work continued on two surveys on the Spanish population in 2018. The field work for the 2017 Survey of Household Finances was completed, and progress was made on the task of editing the collected data. The main results are expected to be published at the end of 2019. Those of the Financial Competence Survey were published in the spring of 2018.

<sup>5</sup> [https://www.ecb.europa.eu/ecb/legal/pdf/celex\\_32018o0016\\_en\\_txt.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/celex_32018o0016_en_txt.pdf).

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0231&from=EN>.

<sup>7</sup> <http://data.imf.org/?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363>.

The microeconomic data corresponding to the part of the Financial Competence Survey that is comparable to a similar survey by the OECD were made available to researchers, and the same is expected to occur with all microdata in the first half of 2019.

Lastly, in early 2018, the Statistics Department launched a user satisfaction survey, with a view to attaining higher quality standards in the output and dissemination of Banco de España statistics. The results obtained were satisfactory, since 78% of survey participants (almost 600 users) indicated that their general level of satisfaction with Banco de España statistics was high or very high, and 85% expressed a similar level of confidence in these statistics. The level of satisfaction expressed with statistical dissemination was high, although there was more room for improvement in this area. The results of this survey are explained in detail in Statistical Note 8.

## 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 2018, the Banco de España continued to participate intensively in the activities of the Eurosystem. The Governor attended the regular 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 up until the end of his term of office, and the new Deputy Governor has been attending them since she was appointed. At these meetings, the supervisory tasks of the ECB are discussed, planned and executed, and draft decisions on matters of prudential supervision of credit institutions are proposed for approval by the Governing Council through the non-objection procedure.

The Banco de España also continued to be actively involved in the work of the different ECB committees (Monetary Policy, Market Operations, Financial Stability, Statistics, Banknotes, 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 monetary policy measures which translated into maintaining the rate on the main refinancing operations, the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.40%, respectively. Unconventional monetary policy measures included the conclusion in December of net purchases under the asset purchase programme (APP), whose monthly pace of €30 billion had fallen to €15 billion at the end of September. In addition, the Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time, past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Moreover, a time horizon was introduced in the forward guidance on interest rates, with the disclosure that rates were expected to remain at their present levels at least until the summer of 2019, and a contingency factor was added, expressly linking the first increase in the key rates to the sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. However, at its meeting on 7 March 2019, the Governing Council decided to extend the time horizon over which key interest rates are expected to remain unchanged at least until December 2019, and also approved a new series of targeted longer-term refinancing operations (TLTRO-III), to help preserve favourable bank lending conditions and the accommodative monetary policy stance.

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 addressed, inter alia, future initiatives to complete the Economic and Monetary Union, the Banking Union or the Capital Markets Union. In this connection, mention should be made of the progress made towards strengthening the crisis prevention instruments of the ESM, creating a fiscal backstop for the Single Resolution Fund, and the implementation of risk mitigation measures contained in the so-called "risk package". Also, negotiations

continued regarding the creation of a common deposit guarantee scheme and a cyclical stabilisation function for the euro area as a whole.

### 2.7.2 European Banking Authority

In 2018, the EBA continued to work on prudential regulations and other pan-European projects.

Contributing to the development of the “Single Rulebook” has remained a key focus of the EBA’s work.

In the field of prudential regulation, the EBA practically completed the regulatory process to review internal models, with the publication of technical standards on the specification of an economic downturn. Also central to the work of the EBA was the preparation of its response to the European Commission’s call for advice on the implementation in Europe of the final Basel agreement of December 2017. Also noteworthy was the development of guidelines on outsourcing and the resumption of work to assess the regulatory equivalence of third countries.

The EBA also focused on the following: i) tasks arising from the Council’s action plan to reduce NPLs, including guidelines on the management of non-performing and forborne exposures, guidelines on loan origination, monitoring and internal governance, and the Commission’s call for advice on the impact of using a prudential backstop to counter a provisioning shortfall in the case of new loans that turn non-performing; ii) tasks relating to the correct interpretation and implementation of the PSD2 and its implementing regulations, particularly as regards the regulations on strong customer authentication and secure communication; iii) the publication of its Financial Education Report 2017/2018, and iv) the work associated with the United Kingdom’s departure from the EU, with the publication of two opinions urging the banking industry to be prepared in the event of the United Kingdom leaving the EU without an agreement, and the monitoring of contingency plans and relocation of institutions.



The BIS “Tower” building in Basel (left). Conference hall at the EBA (right).

### **2.7.3 European Systemic Risk Board**

In the European institutional framework, the Banco de España continued to take an active part in the working structures of the European Systemic Risk Board (ESRB).

The ESRB has notably published a number of reports over the past year, one of which focused on the identification of vulnerabilities in the EU commercial real estate market, assessing the appropriateness of macroprudential tools to mitigate the risks associated with this sector. At the request of the EU Council, the ESRB published another report in which it analysed possible macroprudential approaches to prevent systemic risks associated with non-performing loans, based on the preventive use of sectoral capital buffers and limits on lending standards. In 2018, the ESRB issued two recommendations on voluntary reciprocity for macroprudential measures adopted in Belgium and Finland; the Banco de España assessed both measures and, in line with the ESRB's recommendations, decided not to apply equivalent measures to Spanish banks operating in those countries.

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

The Financial Stability Board has continued working on assessing the effects of the reforms, reviewing their implementation and monitoring new risks for financial stability.

The Banco de España is a member of the Financial Stability Board (FSB), whose steering committee includes the Governor. The FSB has continued to work on completing the latest regulatory reforms undertaken in response to the international financial crisis. It has focused on evaluating their effects and reviewing their consistent implementation, while continuing to monitor new risks for financial stability. The FSB has completed the first two projects of the new framework for evaluating the effects of the reforms. First, it analysed the reforms on the incentives to centrally clear OTC derivatives, and, second, it evaluated the effects of the reforms on infrastructure finance.

The Basel Committee on Banking Supervision completed the review of the market risk framework, and also concluded, among others, the review of the methodology used for the identification and evaluation of global systemically important banks.

The Banco de España also forms part of the Basel Committee on Banking Supervision (BCBS). Following finalisation of the outstanding Basel III reforms in December 2017, the BCBS has continued to work on various regulatory measures, such as the review of the market risk framework, which was endorsed in January 2019 by its oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS). Also noteworthy was the conclusion of the review of the methodology used for the identification and evaluation of global systemically important banks. Lastly, in line with the FSB, the BCBS has also focused on assessing the impact of the reforms, including, for example, the different aspects relating to the leverage ratio framework.

In March 2019, the Governor, Pablo Hernández de Cos, was elected Chairman of the Basel Committee on Banking Supervision.

Also noteworthy was the election, in March 2019, of the Governor of the Banco de España, Pablo Hernández de Cos, as Chairman of the BCBS for a three-year term, renewable once.

In 2018, the Banco de España joined the Committee on Payments and Market Infrastructures of the Bank for International Settlements.

Finally, it should be noted that, in April 2018, the Banco de España joined the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS). By participating in the CPMI, the Banco de España can be directly involved in the development of global standards for financial market infrastructures and in the analytical discussions on trends in payment systems, particularly as regards financial innovation.





### 3 INSTITUTIONAL RESPONSIBILITY REPORT



Painted terracotta stone carving of Mercury's head.

The institutional responsibility of the Banco de España is largely centred on financial education.

In line with the trend observed in recent years in large corporations, the concept of “corporate social responsibility” has steadily gained importance in the Banco de España, and in many European central banks in the euro area.

Corporate social responsibility, referred to as “institutional responsibility” in public institutions such as the Banco de España, is based on a shared understanding that central banks not only have to fulfil the tasks that are inherent to their activity, but should also contribute to improving the societies of which they form part.

Thus, institutional responsibility usually hinges on certain activities of an economic and social nature, notably financial education, for which the Banco de España develops cross-cutting initiatives, implemented by the different directorates general and the branch offices, with the support of the Communication Department. Of particular importance are activities aimed at fostering financial literacy among young people, as part of their general and academic education.

Accordingly, the Banco de España’s efforts in the area of institutional responsibility largely focus on contributing to citizens being able to understand how financial products work, the risks involved and the opportunities they offer, so that they can make informed decisions.

Also in connection with institutional activities related to the economic sphere, mention should be made of the financial assistance provided by the Banco de España for economic research, since progress in this area ultimately contributes to social development and advancement.

Alongside financial education, the Banco de España supports cultural, artistic and social activities.

Apart from the economic aspects of institutional responsibility, the Banco de España also has a long tradition of cultural, arts and social patronage, focusing on activities that, in its view, contribute to improving the society of which it forms part and to the advancement of its citizens.

Lastly, it is worth noting that the Banco de España is committed to environmental protection and the fight against climate change, and adopts environmental prevention and management measures to raise awareness of our planet’s conservation needs.

This chapter aims to provide an overview of the activities in which the Banco de España engages as part of its institutional responsibility.

An essential aspect of the Banco de España’s institutional responsibility are the activities aimed at promoting financial education, in the form of different initiatives.

### 3.1 FINANCIAL EDUCATION PLAN

The agreement between the Banco de España and the CNMV in the area of financial education was renewed in 2018.

2018 saw the start of the first renewal period of the cooperation agreement between the Banco de España and the Spanish National Securities Market Commission (CNMV, by its Spanish abbreviation), to implement the Financial Education Plan (FEP) in 2018-2021. The FEP is also supported by the Directorate General of Insurance and Pension Funds and the General Secretariat for the Treasury and International Finance.

In 2018, work was undertaken to redefine the FEP's governance system and the procedure for incorporating new stakeholders. As a result, a new internal governance statute was established, in line with the requirements of Law 40/2015 of 1 October 2015 on the Legal Regime of the Public Sector, and the system of bilateral cooperation agreements was replaced by a more straightforward and faster mechanism of adherence to a general action protocol.

At present, 32 entities have adhered to the aforementioned General Action Protocol. This figure is growing steadily, with other entities formally requesting to become stakeholders, or expressing an interest in doing so, which will undoubtedly help to increase the capillarity of the FEP so that it reaches people in all social circumstances and situations throughout the country.

In addition, there were a number of new developments regarding the initiatives already implemented and others launched the previous year were consolidated. Information on all these initiatives can be found on the *Finanzas para Todos* (Finance for All) portal (<http://www.finanzasparatodos.es/>), which received 2,320,681 visits in 2018.

One of the FEP's main initiatives is Financial Education Day.

New developments in 2018 notably included linking Financial Education Day to a specific social group or issue. Thus, in 2018, Financial Education Day, held on 1 October, focused on the elderly, since it coincided with the International Day of Older Persons. Together with the branch network, a number of talks were organised in different provinces throughout Spain, and a financial education leaflet targeted at older people was published.

Also noteworthy was the organisation of a sporting event in Madrid, in Paseo del Prado, opposite the Banco de España's headquarters, to raise awareness of the importance of financial education. Table-tennis tables were set up and balls and bats were provided for passers-by to join in the game. The initiative attracted a large turnout of people of all ages.

The central event of Financial Education Day 2018 was held at the CNMV. At this event, attended by the Governor and the Deputy Governor, the yearly Financial Education Plan awards were presented and the final of the financial literacy competition, increasingly popular among schools, was held. The awards went to the BASES project, developed by the Melilla Teachers' Cooperative, for the best financial education initiative among entities that are not FEP stakeholders, and to the *Finanzas para Mortales* (Finance for Mortals) platform, of the UCEIF Foundation, in the stakeholders' category. The Santísima Trinidad School in Plasencia won the financial literacy competition, with the San Francisco Javier (Jesuits) School in Tudela in second place.



Finalists in the latest edition of the Finance for All financial literacy competition.

The Financial Competence Survey, conducted by the Banco de España and the CNMV, in the framework of the FEP, measures the financial literacy of Spanish citizens aged 18 to 79.

Also worth mentioning is the presentation and publication of the Financial Competence Survey, the key data of which were disclosed at this event. The survey was conducted by the Banco de España and the CNMV, in the framework of the FEP, to measure the financial literacy of the population aged between 18 and 79 and this age group's holding, acquisition and use of financial products. This survey is included in the Financial Statistics Plan and is the first to provide a full and thorough account of the financial literacy of adults and their relationship with the financial system.



Presentation of the Financial Competence Survey and the Financial Education Plan 2018-2021.

The FEP includes training initiatives, such as the Schools Programme and the online courses known as “NOOC”.

The FEP also includes other initiatives purely for training purposes, most notably a schools programme, in cooperation with the Ministry of Education and Vocational Training and all the regional education departments, which provides educational resources to schools that wish to participate voluntarily. In this respect, in 2018, the financial education schools programme was consolidated in secondary, upper-secondary and vocational training schools. The financial education handbooks for participating teachers and students were updated, and meetings were held with the departments of education with a view to promoting such publications at primary school level.

Lastly, also with respect to training, it should be noted that in 2018, a series of 15-day online course known as “NOOC” (Nano Open Online Course) were developed and made available to the general public, particularly teachers.

## 3.2 CENTRAL BANKING AND SUPERVISION PROGRAMME

The Banco de España's Central Banking and Supervision Programme promotes awareness of the different areas relating to the Banco de España's mission as a central bank and supervisory authority.

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, in the framework of the Single Supervisory Mechanism.

Some of the initiatives of the Central Banking and Supervision Programme include most notably the "Generation Euro" school competition, organised by the Banco de España and other euro area central banks, for upper-level secondary and vocational training students. The contest gives young people the opportunity to understand how monetary policy in the euro area works and how it relates to the economy as a whole. The teams, made up of five students and coordinated by a teacher, participate in three rounds: an online quiz, a proposal for a decision on interest rates to be adopted days later by the Governing Council of the European Central Bank (ECB) and a presentation of an interest rate forecast before a panel. The winning team has to travel to Frankfurt, at the ECB's invitation, to meet the winners from the other participating countries, in a programme which includes being presented with the European diploma by the President of the ECB, Mario Draghi. A total of 2,545 students from Spanish schools participated in the 8th edition of this competition.

In 2018, the Banco de España organised courses on banknotes and coins as a measure to combat counterfeiting.

In 2018, in the firm belief that education is a powerful weapon to fight against counterfeiting, the Banco de España organised training courses (both attendance-based and online) on banknotes and coins, for nearly 2,000 individuals from different backgrounds (professional cash handling, law enforcement, schools) on how to verify the authenticity of banknotes and classify them according to their condition.



Students from the Camilo José Cela secondary school in Madrid, winners of the 7th edition of the Generation Euro competition.



Educational workshop on euro banknotes and coins held at the Banco de España (left). Cultural visit organised as part of the *Madrid Otra Mirada* (Madrid, from a different perspective) programme (right).

Also worth mentioning are the educational workshops on euro banknotes and coins, for students, which provide the answers to the following questions: What security measures are there for euro banknotes and coins? why is it important to be aware of them? Or, what is the life cycle of a banknote?

The Banco de España offers a programme of guided tours at its Madrid headquarters and the branch network.

Lastly, the programme of institutional and school visits organised by the Banco de España at its Madrid head offices and the branch network received more than 15,200 visitors in 2017-2018. The programme aims to bring the Banco de España closer to citizens. In Madrid, the tours are given by volunteer guides, mostly serving or retired employees, while at the branches, they are organised by the branch directors themselves. These visits can be requested through the Portal Educativo ([portaleducativo.bde.es](http://portaleducativo.bde.es)), a website on which the Banco de España provides teachers and primary and secondary school students with teaching and learning materials about the Banco de España, the Eurosystem and the Single Supervisory Mechanism. In 2018, the portal received 29,800 visits and almost 160,000 page views.

### 3.3 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.

Various economic research projects were conducted in 2018, and PhD researchers and research assistants were assigned to the Directorate General Economics, Statistics and Research.

As regards the Banco de España's Research Plan, work continued on the six economic research projects selected as part of the 2017-2018 programme, based on the excellence, quality, interest and complementarity of the applicant's research. In addition, three PhD researchers were assigned to the Directorate General Economics, Statistics and Research to conduct high-quality research on economic policy issues, and seven research assistants with diverse profiles were hired. Finally, a new call for PhD researchers in the area of economic policy was published in 2018.

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

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

The Banco de España also has an Excellence in Education and Research Programme targeting 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. To this end, the Banco de España funds research projects, for a maximum of two years, on the above areas of study, and the results are published in the form of articles in academic journals of international renown or books published by leading academic publishers.

2018 saw the launch of two projects funded by this programme, one at the Carlos III University in Madrid, and the other at the University of the Balearic Islands.

### 3.4 INTERNATIONAL COOPERATION

The Banco de España cooperates with numerous international organisations, especially CEMLA and Bank Al-Maghrib.

In addition to its close ties with the International Monetary Fund, the World Bank and the ECB, the Banco de España also establishes partnerships and develops alternative cooperation channels with other institutions. Noteworthy in this area was the cooperation agreement signed in April 2018 with the Banco Central de Reserva del Perú or the activities carried out under the cooperation agreements currently in force, particularly those entered into with the Center for Latin American Monetary Studies (CEMLA) or Bank Al-Maghrib. Moreover, the Banco de España continued its cooperation with the Association of Supervisors of Banks of the Americas, the Latin American Reserve Fund and the Ibero-American Institute of Securities Markets.

To implement the International Non-Regulatory Cooperation Agreement with CEMLA, and more specifically, within the framework of the Technical Assistance Programme (TAP) to Strengthen the Accounting Regulatory Framework in Latin America, a “group of local experts” was set up in 2018, with specialists from the central banks of Costa Rica, Colombia and Uruguay, and from the Chilean and Colombian banking superintendencies. This group, which is coordinated by the TAP implementation committee, will facilitate more effective implementation of the initiative. Seven programmes have been implemented so far, beginning with the Banco Central del Uruguay and the Guatemalan Superintendency and, in 2018, continuing with the Colombian Superintendency, Banco de la República (Colombia’s central bank), Banco Central del Ecuador, and Banco Central do Brasil and the Panamanian Superintendency.

In 2018, cooperation activities included seminars, workshops, courses and meetings of experts.

As regards regular cooperation activities, 16 events were organised in 2018, including seminars, workshops, courses and meetings of experts, five of which were hosted by Latin American institutions. More traditional seminars included the “Course on Payment and Securities Settlement Systems” and the International Central Banking Seminar. The latter was more broadly attended, with participants from Latin America, Eastern Europe and the Maghreb countries. There were also expert speakers from European institutions and from Banco Central del Uruguay and the agenda included a monographic session on fintech.



International Central Banking Seminar, organised as part of the cooperation agreement between the Banco de España and CEMLA (left). XVIII Meeting on Central Bank Communication, hosted by the Banco de España (right).



IV Financial Information Forum of Latin American and Caribbean Central Banks, held at the Banco de España's headquarters.

Other activities organised jointly with CEMLA included the IV Financial Information Forum of Latin American and Caribbean Central Banks, the X Conference on Financial Education and Inclusion in Latin America and the Caribbean and the XVIII Meeting on Central Bank Communication. The Banco de España also hosted the following biennial seminars: “Seminar on the euro and international reserves”, “Seminar on analysis of financial statements and central bank costs”, “Seminar on central banking and governance” and the “Seminar on operational risk”. New events included the “Seminar on systemic risk measurement”, organised jointly with CEMLA and the ECB, and the first “Fostering Women’s Leadership in Central Banking” meeting, organised with Bank Al-Maghrib, to identify the challenges and strive towards equal opportunity and gender equality policies at management level in central banks. Other cooperation activities included 33 visits to the Banco de España and 53 missions abroad, and a high level of cooperation was maintained through dealing with the enquiries received.

The Banco de España hosted the annual meeting of the ESCB Task Force on International Central Bank Cooperation.

In addition, the Banco de España hosted the annual meeting of the Task Force on International Central Bank Cooperation under the auspices of the ESCB’s International Relations Committee. At this meeting, representatives of the ECB, the 28 national central banks of the ESCB and some Eastern European NCBs shared their thoughts on international trends in this area in 2018. The Banco de España also hosted the annual meeting of the Alternates and Audit Committees of CEMLA, with representatives from Latin America and the Caribbean.

Finally, as a member of the ESCB Task Force on International Central Bank Cooperation, the Banco de España participated in another working group established following the publication of the ESCB Best Practices document on international cooperation, to develop a set of principles applicable to evaluation procedures that should be included in cooperation activities.

### 3.5 BENEFICENT SOCIAL AND CULTURAL FUND

The Banco de España allocates part of its profits to the Beneficent Social Fund.

The Banco de España has a Beneficent Social Fund (BSF), created under Law 192/1964 of 24 December 1964, on the allocation of the Banco de España's annual profit. Among other provisions, this law stipulates that the Bank may allocate certain amounts for beneficent-social purposes, 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. Financial support from 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 May 2018, the Executive Commission of the Banco de España approved a procedure for granting this type of support, governed by the following principles: alignment with the aims of the BSF; economic, social, cultural and cross-cutting usefulness of the projects; transparency; academic, social or cultural standing of beneficiaries; and, in the case of support for economic research, competition. Before their approval, the proposals for financial support from the BSF are analysed and evaluated by an internal committee.

In 2018 support was granted for educational and cultural activities, social and humanitarian assistance and scientific and analytical collaborative projects.

Against this backdrop, over the course of 2018, the Executive Commission authorised financial support from the BSF for a total amount of €1,201,003. Such support is granted in the context of different areas of action, such as educational and cultural activities, social and humanitarian assistance, and academic and professional collaborations.

Information on the financial support granted from the BSF is published on the Banco de España's Transparency Portal, indicating the authorised amount. Financial support granted in 2018 notably includes:

- In the “educational and cultural activities” category, the support granted to fulfil the founding purposes of the Fundación Princesa de Asturias, Fundación Carolina and Fundación Isaac Albéniz; to meet the goals of the Foundation for the Study of Applied Economics (FEDEA, by its Spanish abbreviation), and for the activities and events organised by the Real Academia Española, Real Academia de Ciencias Morales y Políticas, and Real Academia de la Historia, or sponsorship of the Teatro Real's social programme.
- In the “social and humanitarian assistance” category, the support granted to the Spanish Cancer Association, the Spanish Red Cross and Fundación Reina Sofía; that granted to meet the founding purposes of the food banks, the Fundación de Ayuda contra la Drogadicción (foundation to combat drug abuse) or to comply with the Spanish National Plan on Drugs; or financial assistance for the relief activities carried out by Cáritas Spain, the Bethesda Foundation or the Association of Retirees.
- Financial support was also granted for “academic and professional collaborations” in programmes or events relating to economic or financial matters.

## 3.6 ARTISTIC, HISTORICAL AND BIBLIOGRAPHIC HERITAGE

### 3.6.1 Art collection

In 2018, the Banco de España increased its lending of works of art to national and international museums.

The Spanish Historical Heritage Law calls on owners of assets of cultural interest not only to preserve and safeguard them, but also to disseminate them, in order to bring awareness and enjoyment of such cultural wealth to all sectors of society. The Banco de España, which owns one of Spain's most important private art collections, stepped up its dissemination initiatives in 2018, in a variety of ways. First, by lending its works of art for various exhibitions in national and international museums, notably the temporary loan of two paintings by Francisco de Goya to the Fine Arts Museum in Bilbao, and of Joaquim Mir's landscape titled *Sant Vicenç Cove* to the "Redescubriendo el Mediterráneo" (Rediscovering the Mediterranean) exhibition organised by the Mapfre Foundation in Madrid. The Bank also temporarily lent works of art to the Fine Arts Museum in Granada, the Andalusian Centre for Contemporary Art in Seville or the Les Abbatoirs-Musée-Frac Occitaine in Toulouse. The latter received one of Eduardo Chillida's most famous sculptures, titled *Rumor de límites I*.

In 2018, work began to create a heritage website.

Also working towards the goal of dissemination, an initiative was launched to create a heritage website, in collaboration with the Information Systems Department and the Institutional Image Division. This website will contain the Bank's collection of paintings, drawings, sculptures and photographs and is expected to be presented in the first half of 2019. Further, work continued on the project set up in 2015 to produce an annotated catalogue of the collection, with the completion of the process of photographing and extensively reviewing more than 1,800 works of art. Both the catalogue and the website will be launched in the first half of 2019.



*The God of Fruit*, one of Gabriel Morcillo's most representative paintings, in the Fine Arts Museum of Granada.



*Sant Vicenç Cove* (1903), by Joaquim Mir, before and after its restoration.

Seventeen works of art from the Banco de España's art collection and several decorative features were restored.

Seventeen works of art and a number of decorative features were restored. These notably included paintings by Mariano Salvador Maella, Folch de Cardona, José Gutiérrez de la Vega, Antonio María Esquivel and Joaquim Mir, and drawings by José Villegas and Bartolomé Maura. In addition, a number of preventive conservation actions were carried out, for example, on the bust of Charles III or the sculpture in honour of Echegaray, located in the rotunda connecting the old building with the extension. Other actions included the refurbishment and museographic improvement of the so-called "Sorolla Dining Room", which contains a painting by Sorolla and three still lifes by Juan van der Hamen.

Eight new works of art were acquired for the Banco de España's collection.

An art collection is a living entity, and as such, it needs to be replenished and completed with new acquisitions that reflect the art of our time. In this connection, eight works of art were purchased, in line with the recommendations of the internal circular on historical heritage. These notably include a first edition of *Los Desastres de la Guerra*, a collection of 80 etchings



*Pegasus* (1903), by José Villegas Cordero. A sketch for a banknote.



Two of the photographs in the series titled *Restauración*, by Jorge Ribalta.

considered to rank among Francisco de Goya's most important work, both from a technical and thematic standpoint. Another timely acquisition was that of the portrait of the Count of Cabarrús, one of the founders of the Banco Nacional de San Carlos, by Agustín Esteve. Also noteworthy was the acquisition of four sketches of banknotes by the painter José Villegas Cordero. Lastly, a series titled *Restauración* (Restoration), by the artist Jorge Ribalta, was added to the collection. It comprises 96 photographs taken at the Cibeles headquarters during the recent restoration work carried out on the façades.

The Banco de España received the "A" Award for Collectors, given by Fundación ARCO.

Finally, it is worth mentioning that, on 28 May 2018, the Banco de España received the prestigious "A" Award for Collectors, unanimously granted by the Board of Trustees and the Advisory Board of Fundación ARCO, in recognition of its efforts to support the collection of Spanish contemporary art and of its plans to disseminate its collections by setting up an exhibition room and producing an annotated catalogue.

### 3.6.2 *Historical Archive and numismatic collection*

The various actions 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.

2018 saw the completion of the recovery project for the photographic collection, entailing the identification of 25,000 photographs.

As regards treatment and conservation actions, the recovery project for the photographic collection which began in 2015 was completed in 2018, Entailing the treatment, cataloguing, indexing and presentation of 25,000 photographs, all of which had come from the administrative records filed with the Archive over time. The collection depicts many of the activities carried out by the Bank, such as institutional events, work on its buildings and portraits of its employees, and date from 1869 to 2011. With this project, the Archive has significantly enhanced its documentary heritage and paved the way for new lines of research. It hopes to attract more researchers and new researcher profiles when this documentary heritage becomes available. The photographic collection will foreseeably continue to grow as a result of future transfers of documentation from the offices and branch network of the Banco de España.

Also in 2018, a project was undertaken to describe the contents of the Registry Archive, comprising letters and documents submitted by customers of the Bank (individuals, organisations and companies) since 1870, as a requirement for opening and closing accounts and deposits and related transactions. This document corpus is highly valued by Historical Archive researchers for the wealth of information it provides, particularly as regards corporate history.

The Historical Archive completed the guide to the archives of Spanish banks.

In the area of dissemination, the Historical Archive completed the guide to the historical archives of Spanish banks (*Guía de archivos históricos de la banca en España*, currently in press), resulting from the project to recover banks' historical archives conducted in previous years. The banking archives of major banks (Banco Santander, BBVA, Banco Sabadell and Fundación La Caixa, to mention but a few) participated in the production of this guide. Descriptions of more than 180 archives are provided, mostly from institutions that no longer exist. It is the first compilation of its kind and provides an authoritative guide to banking documentation sources. The project was presented in Turin, at the annual meeting of the European Association for Banking and Financial History, where it was received with great interest by participating historians and banks.

2018 saw the publication of *El papel de la peseta: Iconografía de los billetes españoles (1874-1992)* (The role of the peseta: the iconography of Spanish banknotes), a book which analyses the themes and symbols used in Spanish banknotes in that period and reproduces 59 original banknotes kept in the Historical Archive. This publication was presented at the XVI National Congress of Numismatics, under the theme of "Monetary treasures and discoveries: protection, study and museumisation", held in Barcelona, in the Museu Nacional d'Art de Catalunya in November 2018 and attended by institutions with numismatic collections.

The Banco de España Archive has made its collections available to other departments and to external researchers.

As regards the service provided by the Archive of the Banco de España and the availability of its resources, 144 information requests were dealt with by the different departments of the Bank, 42 of which were addressed to the Historical Archive and 102 to the General Archive. In this connection, it should be noted that various reports were prepared based on research conducted by Archive experts and specialists, which have resulted in the reconstruction of



The Historical Archive makes its collections available to other departments of the Bank and to external researchers.



The Special Value Collection comprises some 16,000 volumes published between the 15th and 19th centuries.

situations and events of the past that help to explain or resolve current actions, such as refurbishment and restoration of buildings, legal claims or administrative proceedings, bearing witness to the value of this service. In addition, the Historical Archive was visited by 56 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, corporate history, the financial system, monetary policy and civil engineering works.

### 3.6.3 Bibliographic heritage

The Library's reading room was reopened to the general public in 2018 and a freely accessible collection was created.

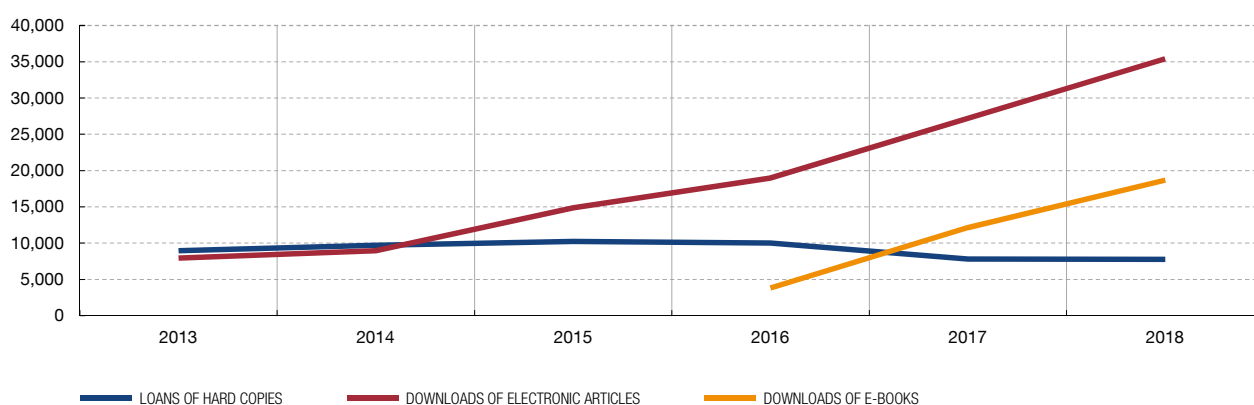
On 2 October 2018, the reading room of the Library was reopened to the general public following two years of refurbishment of the premises it had occupied since 1980, and some of its services were renewed. Of most note was the creation of a freely accessible collection representing the latest and most in-demand publications. A selection of 4,000 monographs, classified by topic, for users to freely browse through, read or borrow, were distributed on the shelves of the reading room. The latest additions to the collection are displayed in special showcases, together with a selection of periodical publications. To make the facilities and services more user-friendly, the reading room was fitted with modern furniture, with a variety of reading areas, large, well-lit desks and the possibility of electronic access.

The recovery and refurbishment of this room led to an 81% increase in external visitors to the Library in 2018. Of the 1,226 requests for information dealt with, 20.5% were made by the general public or other institutions. In addition, 64 books were lent to other libraries and institutions, through the interlibrary loan service.

The growing trend regarding the use of information resources in electronic format continued.

Of the 1,772 monographs added to the collections, 41% were in e-book format and the rest were printed copies. The use of information resources in electronic format continued to grow, with 35,408 downloads of electronic journals and databases (30% more than in 2017) and 18,700 electronic books (54% more than in the previous year). The use of printed collections remained at levels similar to those of 2017, with a total 7,754 loans.

LOANS VS DOWNLOADS



SOURCE: Banco de España.

As regards the Special Value Collection, an essential part of the Bank's bibliographic heritage, 126 new items were added in 2018, notably including two facsimile volumes containing 73 printed memorials and manuscripts dating from the 16th and 17th centuries, with various proposals for monetary and economic reforms. In addition, the full usability of 282 volumes was regained and their long term conservation ensured, as a result of the restoration project under way. A total of 1,533 volumes, containing 214,481 pages, were digitalised, bringing the total number of digitalised volumes in the library's collection to 3,780.

### 3.7 ENVIRONMENTAL SUSTAINABILITY INITIATIVES

Environmental protection and the fight against climate change are becoming increasingly important in the context of the measures and actions taken by the Banco de España to fulfil its institutional responsibility.

In 2018, the Banco de España became a full member of the Network for Greening the Financial System.

On 26 April 2018, the Banco de España was admitted as a full member of the Network for Greening the Financial System (NGFS), a group set up in December 2017 by eight central banks and supervisors, to share their experience and good practice, to contribute to the development of climate and environmental risk management in the financial sector and to mobilise the financing required to make the transition to a sustainable economy. To support its participation in the NGFS, the Banco de España formed a group on climate change with representatives from various directorates general.

In addition, the Banco de España has adopted specific measures in the area of environmental management. For example, the Bank has a procurement policy which gives priority to environmental protection and generally requires firms participating in tender procedures that are subject to environmental contingencies to provide evidence of compliance with certain related management rules, to submit the certificates required under the applicable regulations, and to establish for this purpose specific contractual clauses.

The Banco de España attaches increasing importance to environmental protection, notably by implementing measures to control consumption and manage waste, including recycling.

Internally, environmental prevention and management measures have been established, mainly aimed at monitoring consumption and recycling. In this regard, the Banco de España puts great emphasis on limiting the use of consumables such as paper, toner or office supplies, and on their proper recycling, with a view to encouraging reuse, as far as possible, and double-sided printing as the default option. Generally, the type of paper surface used has been chemically treated to require less toner. This course of action is complemented by the zero paper policy promoted within the Banco de España and the push for the use of electronic documents, which is on the rise.

Similarly, the Banco de España pays particular attention to selective waste removal and management, monitoring energy consumption (for example, by encouraging the responsible use of lighting and air conditioning) and water consumption, measurement of CO<sub>2</sub>, energy efficiency measures for buildings and promoting the use of renewable energies and cogeneration.

These energy control measures have become the object of periodic energy audits to assess energy consumption and efficiency of buildings and to propose energy-saving measures.

### 3.8 OTHER ACTIONS

A total of 180 computers were donated, notably to primary and secondary state schools.

The Banco de España's institutional responsibility also extends to other actions such as a programme whereby it donates computer equipment in perfect working order and fully depreciated, to different non-profit institutions.

In 2018, a total of 180 computers were donated under this programme, mainly to primary and secondary state schools.

Lastly, the Banco de España has initiatives in place to promote a healthy lifestyle among its employees. These include talks and training activities on the physical and emotional health of employees and the so-called "Back School" (which includes physiotherapy and Pilates classes) and professional advice on nutrition.

Further, the Sports and Cultural Club of Banco de España Employees organises a wide range of activities, grouped under twenty different sections, with staff members participating in regular competitions or sporting events, socially, locally and with other European central banks, and in cultural activities, such as visits to museums, courses, music, theatre and photography.





## List of images

Page 5	Governor of the Banco de España. Author: Daniel Santamaría. © Banco de España
Page 8	Medallion on the façade of the Cibeles building. Author: Daniel Santamaría. © Banco de España
Page 9	Chamfered corner of the Cibeles building. Author: Daniel Santamaría. © Banco de España
Page 10	European Central Bank building. Author: Robert Metsch. © European Central Bank
Page 10	Euro symbol at the foot of the Eurotower. Author: Thorsten Jansen. © European Central Bank
Page 13	SSM press conference. © European Central Bank
Page 14	Presentation of the Central Balance Sheet Data Office Survey. Author: Daniel Santamaría. © Banco de España
Page 17	Governing Council of the Banco de España. Author: Daniel Santamaría. © Banco de España
Page 24	The Governor, Pablo Hernández de Cos, appears before the Spanish Parliament. Author: Pablo Moreno.
Page 32	Panoramic view from the head offices in Madrid. Author: Daniel Santamaría. © Banco de España
Page 34	Courtyard in the CEMFI head offices. Author: José Luis Casarrubios. © Banco de España
Page 34	Production of Europa series €20 euro banknotes. © European Central Bank
Page 38	Banco de España website. Author: Daniel Santamaría. © Banco de España
Page 41	General information point at the headquarters. Author: Daniel Santamaría. © Banco de España
Page 41	Mobile phone applications. Author: Gema Sustaeta. © Banco de España
Page 48	Clock on the chamfered corner of the Cibeles building. Author: Daniel Santamaría. © Banco de España
Page 50	Bank examiners' graduation event (2017-2018). Author: Daniel Santamaría. © Banco de España
Page 53	Paseo del Prado façade. Author: Luis Asín Lapique. © Banco de España
Page 53	Façade on Calle de los Madrazo. Author: Luis Asín Lapique. © Banco de España
Page 54	Library. Author: Pablo Moreno. © Banco de España
Page 54	Access control gates in the Cibeles building. Author: Gema Sustaeta. © Banco de España
Page 55	Façade of the Badajoz branch office. © Banco de España
Page 55	Glass dome of the banking hall in the Bilbao branch. © Banco de España
Page 55	Banking hall of the Seville branch. © Banco de España
Page 58	New Europa series €50 euro banknote. © European Central Bank
Page 58	Banknote counting and sorting machine. Author: Daniel Santamaría. © Banco de España
Page 61	Visit by Danièle Nouy to the head offices of the Banco de España. Author: Daniel Santamaría. © Banco de España
Page 69	AnaCredit database. Author: Daniel Santamaría. © Banco de España
Page 73	Detail of library shelves. Author: Pablo Moreno. © Banco de España
Page 74	Seminar on systemic risk measurement. Author: Daniel Santamaría. © Banco de España
Page 75	<i>Esfera roja</i> (1992), by Jesús Rafael Soto. Author: Daniel Santamaría. © Banco de España
Page 79	The BIS Tower building in Basel. © Bank for International Settlements
Page 79	EBA conference hall. © European Banking Authority
Page 84	Keystone in the form of Mercury's head. Author: Daniel Santamaría. © Banco de España
Page 87	Finalists in the annual financial literacy competition for schools. Author: Daniel Santamaría. © Banco de España
Page 87	Presentation of the Financial Competence Survey and the Financial Education Plan 2018-2021. Author: Daniel Santamaría. © Banco de España
Page 89	Winners of the 7th edition of the Generation Euro competition. Author: Daniel Santamaría. © Banco de España
Page 90	Educational workshop on euro banknotes and coins. © Banco de España
Page 90	Poster for the <i>Madrid Otra Mirada</i> cultural programme. © Office for Culture and Sports of the Madrid City Council
Page 92	International Seminar on Central Banking. Author: Pablo Moreno. © Banco de España
Page 92	XVIII Meeting on Central Bank Communication. Author: Pablo Moreno. © Banco de España
Page 93	IV Financial Information Forum of Latin American and Caribbean Central Banks. Author: Daniel Santamaría. © Banco de España
Page 95	<i>The God of Fruit</i> (1936), by Gabriel Morcillo. Museo de Bellas Artes de Granada. Author: Curatorship Division. © Banco de España
Page 96	<i>Sant Vicenç Cove</i> (1903), by Joaquim Mir. Author: Fernando Maquieira. © Banco de España
Page 96	<i>Pegasus</i> (1903), by José Villegas Cordero. Author: Fernando Maquieira. © Banco de España
Page 97	<i>Restauración</i> series (2017-2018), by Jorge Ribalta. © Banco de España
Page 97	<i>Restauración</i> series (2017-2018), by Jorge Ribalta. © Banco de España
Page 98	Historical Archive. Author: Daniel Santamaría. © Banco de España
Page 99	Special Value Collection. Author: Daniel Santamaría. © Banco de España



## Abbreviations used

AMCESFI	Macprudential Authority Financial Stability Board	FSB	Financial Stability Board
AnaCredit	Analytical Credit Datasets	FSMA	Financial Services and Markets Authority
APR	Annual percentage rate	GHOS	Group of Central Bank Governors and Heads of Supervision
NCA	National competent authority	G-SIIs	Global Systemically Important Institution
BCBS	Banking Committee on Banking Supervision	ICAAP	Internal Capital Adequacy Assessment Process
BFS	Beneficent-Social Fund of the Banco de España	ICO	Official Credit Institute
BIS	Bank for International Settlements	ILAAP	Internal Liquidity Adequacy Assessment Process
BRRD	Bank Recovery and Resolution Directive	IMBISA	Imprenta de Billetes, SA
CBPP3	Covered Bonds Purchase Programme	IMF	International Monetary Fund
CCR	Central Credit Register of the Banco de España	IRBE	Internal Rules of the Banco de España, approved by the Banco de España's Governing Council Resolution of 28 March 2000
CCyB	Countercyclical Capital Buffer		
CEMFI	Fundación Centro de Estudios Monetarios y Financieros	IRT	Internal Resolution Groups
CEMLA	Center for Latin American Monetary Studies	JST	Joint Supervisory Team
CNMV	Spanish National Securities Market Commission	MMSR	Money Market Statistical Reporting
COAM	Official Association of Architects of Madrid	MREL	Minimum requirements of own funds and eligible liabilities
CPMI	Committee on Payments and Market Infrastructures	NCB	National central bank
CSPP	Corporate Sector Purchase Programme	NGFS	Network for Greening the Financial System
DPO	Data Protection Officer	NOOC	Nano Open Online Course
EBA	European Banking Authority	NPL	Non-performing loans
ECB	European Central Bank	OECD	Organisation for Economic Co-operation and Development
ECOFIN	Economic and Financial Affairs Council	O-SIIs	Other systemically important institutions
EFC	Economic and Financial Committee	OTC	Over-the-counter
EIB	European Investment Bank	PSD2	Payment Services Directive 2
EMU	Economic and Monetary Union	PSPP	Public Sector Purchase Programme
EPC	Economic Policy Committee	REPER	Permanent Representation of Spain to the European Union
EPCO	Eurosystem Procurement Coordination Office	RIAD	Register of Institutions and Affiliates Data
ESCB	European System of Central Banks	SRB	Single Resolution Board
ESM	European Stability Mechanism	SREP	Supervisory Review and Examination Process
ESRB	European Systemic Risk Board	SRM	Single Resolution Mechanism
€STR	Euro Short-Term Rate	SSS	Single Supervisory Mechanism
EU	European Union	TAP	Technical Assistance Programme to Strengthen the Accounting Regulatory Framework in Latin America
FEF	Financial Education Plan		
FINTECH	Financial Technology	TFEU	Treaty on the Functioning of the European Union
FLESB	Forward-Looking Exercise on Spanish Banks	TIPS	Target Instant Payment Settlement
FNMT-RCM	Spanish National Mint	TLTRO II	Targeted Longer-Term Refinancing Operations
FROB	Fund for the Orderly Restructuring of the Banking Sector		

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Most of these documents are available in pdf format and can be downloaded free of charge from the Banco de España website at <http://www.bde.es/webbde/en/secciones/informes/>. Requests for others should be addressed to [publicaciones@bde.es](mailto:publicaciones@bde.es).

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