

Foreword by the Governor Pablo Hernández de Cos



In accordance with the annual schedule established for the release of Banco de España reports and publications, the month of April sees the publication of the *Institutional Report*, which aims to provide information about our institution's functions and organisational structure and about the main activities and events of 2019.

This report, which is essentially intended to share with society at large how a public institution such as the Banco de España operates, as part of a regular exercise to ensure accountability, is published in highly exceptional circumstances owing to the effects of the COVID-19 pandemic.

This disease has given rise to a public health challenge of the first order, which has required the adoption of extraordinary measures restricting people's movements and the shutdown of a significant portion of productive activity. Apart from the grave effects of the pandemic on people's health, and its inevitable repercussions on society, the containment measures are undeniably having a very severe impact on the economy in the short term. A swift, robust and coordinated response in terms of economic policy – at the national and the European level – and of fiscal, monetary and supervisory policy, should help to mitigate the damage, ensuring that the effects are as short-lived as possible.

Thanks to the efforts of all its employees, the Banco de España has adapted its working practices to this exceptional situation in record time, enabling us to maintain intact the service we provide to Spanish society. Since the onset of this crisis, the Banco de España has worked to safeguard the sound functioning and stability of the financial system, to ensure that it is able to support businesses and households with funding during this extraordinarily difficult time.

In all the areas under its remit, the Banco de España is playing an active part in the international organisations of which it is a member, such as the Financial Stability Board or the Basel Committee on Banking Supervision, to offer the rapid and effective response the crisis demands. As a member of the Eurosystem, it has participated in the urgent decisions adopted by the ECB, such as the new €750 billion pandemic emergency purchase programme (PEPP) that aims to maintain

favourable financing conditions throughout the euro area. It has also played an active part in the decisions of the ECB's Single Supervisory Mechanism and of the European Banking Authority. These are geared towards relaxing capital and liquidity requirements for banks, allowing a more flexible application of accounting standards and recommending that banks do not distribute dividends to their shareholders at least until October this year, so that they have all the possible capital available to provide funding to economic agents.

Against this background of enormous uncertainty, the Banco de España has also worked closely with Spain's economic authorities, in its role as adviser to the Government, as established in its Law of Autonomy, and has stepped up its monitoring of economic and financial developments, particularly in the Spanish banking sector.

Turning to the report itself, the *Institutional Report 2019* contains editorial and content changes that are a direct response to our organisation's ongoing resolve to improve our regular reports and documents.

This is in keeping with one of the strategic objectives that the Banco de España has set itself, which is none other than to promote greater institutional transparency in its relationship with society. Such transparency is a necessary complement to the independence that characterises our activity as a central bank and national supervisor fully integrated in the European institutional framework.

One of the aspects addressed in this report is precisely our position as an independent public institution, given that 2019 marked the 25th anniversary of the Law of Autonomy of the Banco de España. That Law set our status on a par with that of other European central banks and provided the legal framework necessary for us to subsequently become fully integrated in the structural arrangements of the Economic and Monetary Union.

This report also refers to other anniversaries that have marked the process of European integration in recent decades, such as the 20 years since various European countries adopted the euro as the single currency, or the five years since the

European Single Supervisory Mechanism was created. These events reflect the scale and significance of the initiatives undertaken in the process towards European convergence, in which our country has taken part.

Before I conclude I wish to refer to a new and important task in which we have been engaged internally in 2019, namely the drafting of the Banco de España's 2024 Strategic Plan, which sets out the mission, values and vision of our institution and establishes a series of strategic objectives and projects to be achieved in the timeline set.

I trust that readers will find the information and content presented here of interest, since that is precisely our main goal, to provide a clearer and more accessible picture of our organisation and functions and of our main activities in 2019.

Pablo Hernández de Cos

Governor of the Banco de España