

INSTITUTIONAL REPORT

2019

BANCO DE **ESPAÑA**
Eurosistema



INSTITUTIONAL REPORT 2019

1

THE BANCO DE ESPAÑA FROM THE INSIDE

1 Main functions of the Banco de España 19

- 1.1 Functions as a member of the ESCB and as a national central bank 20
- 1.2 Functions as a supervisory authority 23
- 1.3 Other functions 26

2 Governing bodies of the Banco de España 29

- 2.1 The Governor 29
- 2.2 The Deputy Governor 29
- 2.3 The Governing Council 31
- 2.4 The Executive Commission 34
- 2.5 Committees 38

3 Structure of the Banco de España 42

- 3.1 Organisation chart and structure 42
- 3.2 Banco de España head offices and branches 47
- 3.3 Human resources 49
- 3.4 Special-purpose entities 51

4 Transparency and accountability 55

- 4.1 Reports and other annual publications 55
- 4.2 Other publications 57
- 4.3 The Transparency Portal and requests for access to public information 58
- 4.4 Relationship with the Spanish Parliament and calendars of the Governor and Deputy Governor 61

2

MAIN ACTIVITIES

1 Internal organisation and administration 67

- 1.1 Main activities of internal services 67
- 1.2 Activity of branch offices 71

2 Economic analysis, research and statistics 73

- 2.1 Economics and Research 73
- 2.2 Statistics 78

3 Monetary policy implementation and payment systems 83

- 3.1 Monetary policy implementation 83
- 3.2 Asset management 85
- 3.3 Payment systems and market infrastructures 87

4 Banknotes and coins 89

- 4.1 Banknote and coin management 89
- 4.2 Fight against banknote counterfeiting 91

5 Supervision of financial institutions 93

- 5.1 Prudential supervision 93
- 5.2 Supervision of market conduct 99
- 5.3 Sanctioning activity 100

6 Complaints and enquiries received from bank customers 102

7 Financial stability and preventive resolution 105

- 7.1 Macroprudential policy 105
- 7.2 Preventive resolution 107
- 7.3 Financial reporting and reporting to the Central Credit Register 107

8 Activities of the Banco de España as a member of the Eurosystem and other international organisations 110

- 8.1 The Eurosystem and other European Union institutions 110
- 8.2 European Banking Authority 111
- 8.3 European Systemic Risk Board 112
- 8.4 The Financial Stability Board, the Basel Committee on Banking Supervision and the Bank for International Settlements 113
- 8.5 The International Monetary Fund and the G-20 114

3

HOW THE BANCO DE ESPAÑA INTERACTS WITH THE PUBLIC

9 International cooperation 116

10 Regulatory changes 119

**1 Banco de España websites and internet portals.
Virtual Office** 125

1.1 Website 125

1.2 Banco de España internet portals 126

1.3 Virtual Office 127

1.4 General Register and information for the
public 129

1.5 Personal data protection 132

2 Financial education 134

2.1 Financial Education Plan 134

2.2 Central Banking and Supervision Programme 138

2.3 Institutional and school visits programme 141

3 Research grants and scholarships 142

4 Artistic, historical and bibliographic heritage 143

4.1 Art collection 143

4.2 Historical Archive and numismatic collection 145

4.3 Bibliographic heritage 149

5 Beneficent-Social and Cultural Fund 152

6 Internal environmental sustainability initiatives 154

7 Miscellaneous 156

Acronyms and abbreviations 157

List of photographs 159

Banco de España publications 161

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

Introduction by the Deputy Governor Margarita Delgado Tejero



The *Institutional Report* of the Banco de España aims to present, in a single document, the functions, structure and organisation of our institution, and to give an account of some of the main activities it engaged in during 2019. This poses a challenge, given the broad range of tasks entrusted to it and the multitude of matters addressed by the different areas throughout the year.

But the fact that the report refers to a year in which economic and financial stability was viewed against a backdrop that could be described as “normal” is all the more remarkable in the present circumstances since, regrettably, this is unlikely to be the case next year, based on preliminary data available at the date of this report going to press (early April 2020).

It is still too early to be able to establish reliable parameters to measure the impact that the COVID-19 pandemic will have on society, on the economy in general and on the financial system in particular. The Banco de España, in the exercise of the functions conferred on it by law, has been working, from the outset, to contribute to our collective duty of seeking to mitigate the adverse effects arising from this situation.

Accordingly, as soon as the state of alert was declared and the initial measures were adopted, the Banco de España took steps to ensure the continuity of its functions. In particular, the extensive use of technology has allowed most of our employees to work remotely, as normally as possible, under exceptional circumstances. Naturally, we would not be able to ensure the normal course of our work without the willingness of our employees, who are demonstrating an enormous capacity to adapt, relying on new technologies to maintain highly efficient work processes.

In any event, despite the extraordinary circumstances, it is important that we continue to publish reports and information that may be of interest and use to the general public. That is precisely the purpose of the Banco de España's *Institutional Report* for 2019. In keeping with previous years, it aims to provide the most important information on our institution, in clear and simple language that is accessible to readers interested in such matters, making greater use of graphics and introducing boxes on topical subjects and other visual resources.

The report is divided into three chapters, whose titles aim to encapsulate the information contained in each.

The first, “The Banco de España from the inside”, explains the key functions of the Bank, its integration in the European institutional framework, the composition of its governing and management bodies, and its structure and organisation. To enhance institutional transparency, the chapter also includes a summary of the main documents and reports published during the year, and offers a wealth of information about the Bank.

The second chapter, “Main activities”, summarises true to its name some of the Bank’s key activities in various spheres of activity, including internal services, economic analysis, statistics, prudential supervision and supervision of conduct, and banking operations and payment systems. This chapter also describes the Bank’s relationship with, and participation in, various European and international organisations, and its international cooperation activities.

The third and final chapter, “How the Banco de España interacts with the public”, covers a variety of subjects that may be of interest to a wide audience, including information on the website, the Virtual Office and the Bank Customer Portal, on financial education and on financial support for economic research. It also provides information on the dissemination of our institution’s historical, artistic and cultural heritage.

To sum up, this publication seeks to paint an overall picture of the Banco de España and of its activities in 2019, with a view to raising public awareness of how it operates and thus help it become a public institution that is more open to society.

Timeline

FROM THE BANCO DE SAN CARLOS TO THE PRESENT DAY

Banco Nacional de San Carlos

Banco Español de San Fernando

New Banco Español
de San Fernando

1782

1829

1847

The forerunner of the Banco de España, this bank was founded under Royal Warrant of King Carlos III.

The capital of Banco Nacional de San Carlos was transferred to this bank, which was founded under Royal Warrant of King Fernando VII.

This bank was formed from the merger of Banco Español de San Fernando and Banco de Isabel II (created three years earlier on private initiative).

Banking Law

Civil War

New Banking Law

1921

1936-1939

1946

Also known as the “Ley Cambó”, it entailed the reorganisation of the financial system and the transformation of the Banco de España into a central bank.

The Banco de España was split into two institutions, each with the power to issue pesetas in their respective area.

The law withdrew some of the Banco de España’s powers, but strengthened its role as a “bank of banks”.

Law on Banking Discipline
and Intervention

Law of Autonomy

ESCB

1988

1994

1998

Under this law the Banco de España was entrusted with broad supervisory and intervention powers over credit institutions.

This law made the Banco de España responsible for monetary policy, while ensuring its independence, with a view to its integration in Europe.

The Banco de España joined the European System of Central Banks (ESCB).

Banco de España

Peseta

Monopoly over issuance

1856

1868

1874

The institution was definitively renamed.

The peseta was declared the basic unit of the Spanish monetary system.

The Finance Minister, José Echegaray, granted the Banco de España monopoly over peseta banknote issuance.

Nationalisation

Supervision

Law on the Governing Bodies

1962

1971

1980

The Banco de España was nationalised and was granted powers to develop and implement the Government's monetary policy.

The Banco de España was entrusted with the supervision of savings banks and credit co-operatives.

A substantial degree of autonomy was conferred on the Bank, both from a functional (i.e. monetary policy) and organisational standpoint.

The euro: a currency for Europe

Circulation of the euro

European Single Supervisory Mechanism

1999

2002

2014

The euro became the currency of various EU countries, including Spain.

The new euro banknotes and coins were put into circulation on 1 January 2002.

The direct supervision of significant credit institutions of various countries was transferred to the SSM.



1

THE BANCO DE ESPAÑA FROM THE INSIDE

THE BANCO DE ESPAÑA IN A NUTSHELL

AUTONOMY

The Banco de España has been an **independent public institution**, by law, since 1994

EUROPEAN INTEGRATION

It is a member of the **Eurosystem**, along with 18 other national central banks and the European Central Bank

GOVERNING BODIES

Governor
Deputy Governor
Governing Council
Executive Commission

HEAD OFFICES

2 head offices in Madrid
15 branch offices in provincial capitals

STAFF

Total employees: **3,331**

| | |
|---------------|---------------|
| Women | Men |
| 50.23% | 49.77% |

PUBLICATIONS

The Banco de España publishes:
10 reports on a yearly or half-yearly basis
4 bulletins and reviews

1 MAIN FUNCTIONS OF THE BANCO DE ESPAÑA

The Banco de España is a public institution which performs the functions of a national central bank. In addition, the Banco de España is also responsible for the supervision of the Spanish banking system, and of other financial intermediaries operating in Spain.

These functions are carried out in the European institutional context, of which the Banco de España forms part as a member of the European System of Central Banks (ESCB) and the Eurosystem, and of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM).

In order for the Banco de España to be able to adequately fulfil its role, the law acknowledges its autonomy from the central government, and its status is that of an independent institution. Thus, neither the government nor any other national or EU body may issue the Banco de España with instructions, and the latter may not request or accept such instructions in the exercise of its functions, except for those that derive from its membership of the ESCB, the exercise of which must follow the guidelines issued by the European Central Bank (ECB).

At national level, the nature and functions of the Banco de España are regulated by Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España (hereafter, the “Law of Autonomy”), and amendments thereof. With regard to the internal organisation and operations of the institution, the Law of Autonomy was 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, which have also been subject to several updates.

In accordance with these regulations, the Banco de España is a public law entity with its own legal personality and full legal capacity. Its activities are subject to private law, except when it is exercising the administrative authority conferred on it, including supervisory authority. Its budget is not consolidated with other State public sector budgets and has the same fiscal treatment as the State.

As indicated earlier, the Banco de España carries out its functions in a European institutional framework. The Banco de España is therefore subject to, among other regulations, the Treaty of the Functioning of the European Union (TFEU), the Statutes of the ESCB and the ECB and Council Regulation (EU) No 1024/2013 of 15 October 2013, which confers powers on the ECB relating to the supervision on a consolidated basis of credit institutions deemed significant.

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

The Banco de España is a public institution which fulfils the role of a central bank and supervisor of the banking system in Spain, within the European institutional context of which it forms part, through the European System of Central Banks and the Eurosystem, and the single supervisory and resolution mechanisms.

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

The Banco de España, the ECB and the central banks of all other Member States of the European Union (EU) make up the ESCB, established pursuant to the TFEU, and regulated by the Statutes of the ESCB and the ECB. The ESCB lacks separate legal personality and is governed by the ECB's decision-making bodies, in which the Governor of the Banco de España, among others, participates.

The Eurosystem, in turn, groups together the ECB and the national central banks (NCBs) of the nineteen EU Member States whose single currency is the euro. The ESCB and the Eurosystem will continue to coexist while there are Member States of the EU that do not belong to the euro area.

The Eurosystem is the monetary authority of the euro area entrusted with the following core functions: i) to define and implement the Eurosystem's monetary policy, with the primary objective of maintaining price stability; ii) to carry out foreign exchange transactions; iii) to hold and manage the official currency reserves of euro area countries; and iv) to promote the sound functioning of payment systems.

It also carries out additional tasks in the following areas: i) banknotes: the ECB has the exclusive right to authorise the issuance of euro banknotes; ii) statistics: the ECB, in collaboration with NCBs, collects, compiles and distributes monetary and financial statistics; and iii) supervision and financial stability: the Eurosystem contributes to the proper implementation of policies established by the authorities responsible for the prudential supervision of credit institutions and the stability of the financial system. It also has a consultative role regarding financial legislation, and European and international cooperation functions.

Since 1 January 1999, the Banco de España has been performing the following basic functions attributed to the ESCB. As a member 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. In addition, it manages foreign currency reserves as an agent for the ECB.

Lastly, the Banco de España, as part of the ESCB and the Eurosystem, carries out tasks relating to the compilation and dissemination of statistical information and the issuing and processing of banknotes in Spain. Specifically, the ECB approves the volume of banknote production, while NCBs are responsible for actually issuing them in their respective territories.

In the performance of the aforementioned functions, the Banco de España, as a member of the ESCB and the Eurosystem, is subject to the guidelines and instructions issued by the decision-making bodies of the ECB.

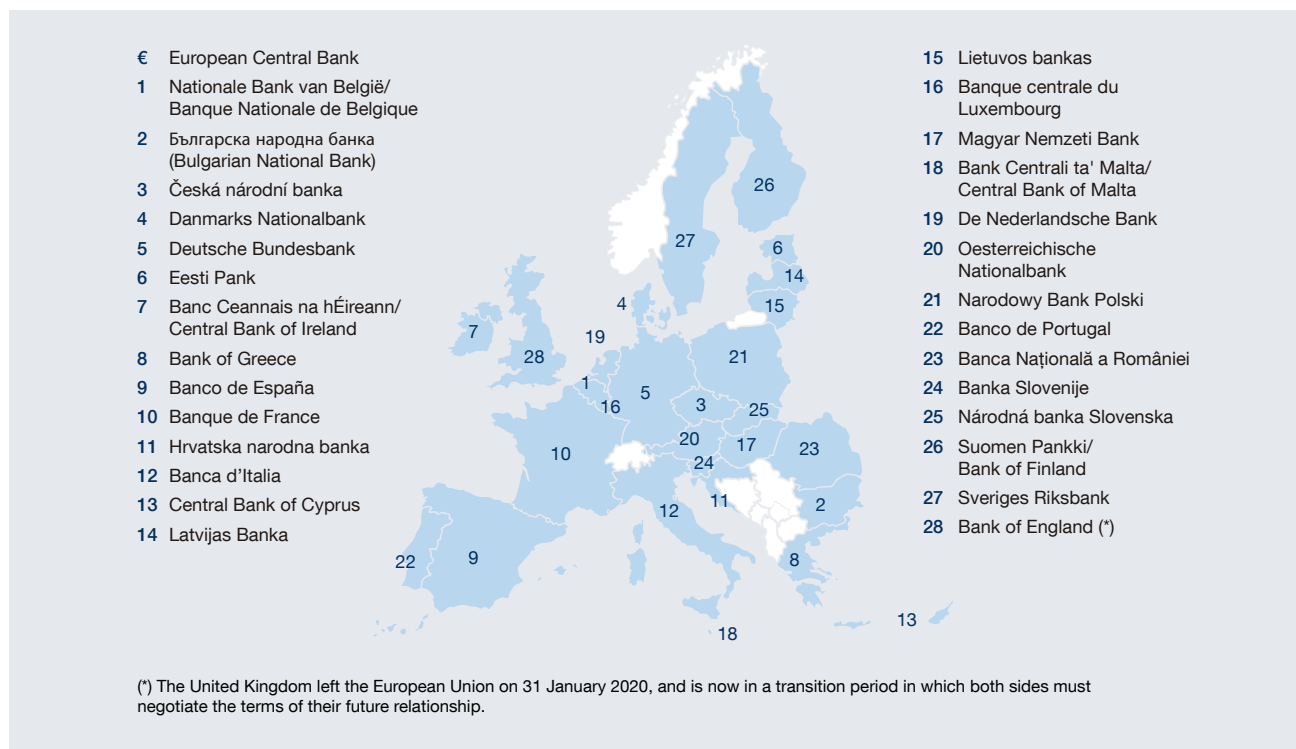
The Banco de España, also in its capacity as a national central bank, performs other functions directly assigned to it by the Law of Autonomy.

These functions include: i) holding and independently managing the foreign reserves which have not been transferred to the ECB; ii) putting coins into circulation; iii) providing State treasury services, for which the Banco de España holds accounts for the Treasury and the regional governments if they so request (this activity does not include overdrafts or providing credit facilities); and iv) acting as a financial agent for government debt, contributing with its technical means to facilitate issuance, redemption and management procedures.



Christine Lagarde, President of the European Central Bank since 1 November 2019, signing euro banknotes (due to enter into circulation in 2020) for the first time.

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



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



20 YEARS ON FROM THE ADOPTION OF THE EURO AS THE NATIONAL CURRENCY. AN ECONOMIC AND MONETARY UNION UNPRECEDENTED IN EUROPEAN HISTORY

The year 2019 marked the twentieth anniversary of one of the key dates on the path initially undertaken towards Economic and Monetary Union (EMU). On 1 January 1999, several EU Member States (Spain among them) adopted the euro as a common currency. Subsequently, other States adopted this measure, taking the current number of members up to 19 countries.

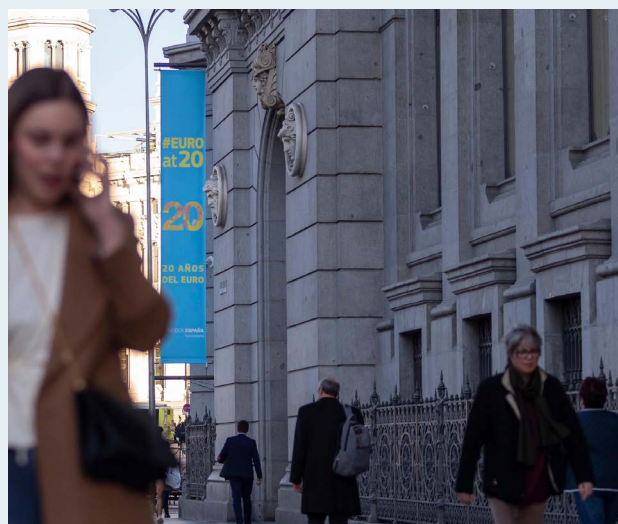
EMU provides a pan-European setting of economic and monetary stability that is conducive to sustained growth and job creation, and directly benefits its citizens. By eliminating the shocks caused by the exchange rate fluctuations of the former national currencies, economic uncertainty and transaction costs within the Union have been substantially reduced. This smooths cross-border investment and allows the economies of scale of a large single market to be harnessed. True, the process is ongoing and can be improved in several respects; but many of its advantages were palpable from the outset for the citizens of the countries that adopted the euro.

Since the introduction of euro banknotes and coins on 1 January 2002, European citizens have enjoyed unquestionable advantages. These include most notably: i) much easier travel and movement for personal reasons and for working or studying within the euro area; ii) goods and services prices are now readily comparable; and iii) the costs for companies and individuals of cross-border foreign currency transactions have been eliminated.

In terms of the overall world economy, it may be added that, thanks to EMU, its member countries may be considered as important players on the global stage. This

means trading and financial advantages may be had that benefit in one way or another the well-being of euro area citizens.

The euro's journey as the national currency of an extensive number of European countries has admittedly encountered difficulties (essentially at the height of the past financial crisis). But the end-result is no doubt positive and it has been pivotal to the development and growth of the European economy, and to the financial stability of the euro area. In tandem, it has significantly promoted the European Union itself.



Commemorative banner on the Cibeles façade of the Madrid central headquarters marking the twentieth anniversary of the adoption of the euro as the national currency.

1.2 Functions as a supervisory authority

The law confers a broad range of supervisory functions on the Banco de España, aimed at preserving the solvency and sound functioning of financial intermediaries, with the ultimate goal of safeguarding the stability of the financial system. It performs these functions in the following areas: i) microprudential supervision; ii) macroprudential policy; iii) supervision of market conduct and transparency; and iv) collaboration in the oversight of the prevention of money-laundering and terrorist financing.

Currently, the Banco de España performs its functions as a banking supervisor within the SSM framework. This mechanism represents an integrated system in

which the ECB leads the supervision of credit institutions of euro area countries or other EU countries that do not belong to the euro area but choose to participate in the SSM. The ECB fulfils this role in close cooperation with the national competent authorities (NCAs) of those countries, among which the Banco de España is included.

The decisions of the SSM are adopted by the Supervisory Board of the ECB, in which the Deputy Governor of the Banco de España participates, among others. These decisions are subsequently submitted to the ECB's Governing Council, of which the Governor of the Banco de España is a member, for final approval through the non-objection procedure.

Although all the institutions that are supervised by the SSM are subject to a common supervisory approach, the functioning of this mechanism is based on the distribution of tasks between the ECB and the NCAs, depending on the significance of the supervised institutions. Thus, the ECB directly supervises the institutions considered to be "significant", through the joint supervisory teams, comprising staff from the ECB and the NCAs and led by a coordinator at the ECB, assisted by one or more NCA sub-coordinators.

In the case of significant Spanish credit institutions, the work of the joint supervisory teams is coordinated by an ECB representative, and a national representative, from the Banco de España. Approximately 50% of the teams are usually comprised of Banco de España staff. In the case of Spanish institutions with a presence in other countries participating in the SSM, the joint supervisory teams also comprise staff from the respective NCAs, and a national representative from each. Lastly, the Banco de España also participates in joint supervisory teams responsible for the supervision of banking groups of other SSM countries with a presence in Spain.

In addition to purely inspection tasks, the joint supervisory teams prepare risk profiles for significant credit institutions on an ongoing basis and assess their solvency and liquidity, which may result in the submission of proposals for decisions to the decision-making bodies of the ECB.

Other credit institutions not deemed significant (referred to as "less significant institutions") are directly supervised by the NCAs and indirectly by the ECB.

Thus, the Banco de España directly supervises less significant institutions incorporated in Spain, following the guidelines issued by the decision-making bodies of the ECB, which has ultimate responsibility for the functioning of the SSM.

In the area of microprudential supervision, in addition to the tasks performed within the SSM framework, the Banco de España is entrusted with other, separate, supervisory tasks, relating to certain financial institutions that are not credit

institutions, namely: specialised lending institutions, payment institutions, account information service providers, electronic money institutions, currency-exchange bureaux, mutual guarantee and reguarantee companies, appraisal companies and banking foundations.

By law, the Banco de España also has certain supervisory functions in respect of the asset management company for assets arising from bank restructuring (Sareb).

The Banco de España independently supervises the branches of foreign credit institutions (non-EU).

Additionally, the Banco de España is tasked with the supervision of market conduct and compliance with legislation on transparency of information and customer protection in the marketing of products and services by the institutions on the Bank's official registers. It performs this task independently of the SSM, which is not competent in this area.

Finally, the Banco de España collaborates with the Commission for the Prevention of Money Laundering and Monetary Offences and its Executive Service (Sepblac, by its Spanish abbreviation), to supervise compliance with the legislation on the prevention of money laundering and terrorist financing by the institutions subject to supervision by the Banco de España.



Event held at the main head offices of the Banco de España, on the occasion of the 5th anniversary of the launch of the Single Supervisory Mechanism.

FIVE YEARS ON FROM THE LAUNCH OF THE SINGLE SUPERVISORY MECHANISM: TOWARDS AN EFFECTIVE EUROPEAN BANKING UNION

The Single Supervisory Mechanism (SSM) was launched on 4 November 2014.

The SSM is a banking supervision system in Europe comprising the ECB and the competent supervisory authorities of the EU countries participating in the euro area, i.e. the 19 countries – Spain among them – making up the Eurosystem.

Its main objectives are: i) to ensure the security and soundness of the European banking system; ii) to boost financial integration and stability in Europe; and iii) to ensure supervisory consistency.

The creation of the SSM was in response to a need born of the past financial crisis, which showed the speed and intensity with which problems in the financial sector can spread, especially in a monetary union, and how these problems may directly affect citizens throughout the euro area. The aim of European banking supervision, therefore, is to restore confidence in the banking sector and increase banks' resilience.

Under this framework, the ECB directly supervises the 117 "significant" credit institutions (12 of them Spanish) of the countries participating in the SSM, representing almost 82% of total bank assets in the euro area. Whether banks are "significant" depends on a series of criteria, such as the volume of consolidated assets, the percentage of these assets in relation to the GDP of the country in which the bank is established, whether the bank is one of the Member State's biggest and a further series of objectively pre-set criteria.

The Joint Supervisory Teams (JSTs) are entrusted with the regular supervision of significant credit institutions. Each significant bank has a JST assigned, comprising ECB experts and national supervisory staff.

Banks not considered significant are classified as "less significant" and remain under the supervision of the national authorities, in close corporation with the ECB. At any point the ECB may decide to assume direct supervision of any of these institutions in order to ensure the consistent application of high supervisory standards.

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, for which it produces a variety of reports and studies; ii) compiling and publishing statistics related to its functions, such as those included in the National Statistics Plan; and iii) promoting the sound functioning and stability of the financial system, and of national payment systems.

The Law of Autonomy attributes to the Banco de España the task of compiling and publishing economic and financial statistics related to its functions. It also compiles and provides the ECB with monetary, banking and financial statistics, and figures on interest rates and the balance of payments, which are needed to implement the single monetary and exchange rate policies.

The statistics produced by the Banco de España include, among many others, 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*.

25 YEARS OF THE BANCO DE ESPAÑA LAW OF AUTONOMY: THE INDEPENDENCE OF A CENTRAL BANK AT SOCIETY'S SERVICE

Many studies have demonstrated that central bank independence has contributed to setting in place a much more credible and effective monetary policy over time, promoting long-term economic development and limiting the adverse effects of inflation on society. These same conclusions are applicable to the supervisory and resolution realms and to all those functions whose aim is to safeguard financial stability. It may thus be said that central bank independence directly benefits society.

The independence of the Banco de España is legally guaranteed under the terms of its Law of Autonomy (in force for 25 years in 2019), the Treaty on the Functioning of the European Union, the Statute of the European System of Central Banks and the Regulation of the Single Supervisory Mechanism. This independence is fully recognised from several standpoints:

- As regards *institutional independence*, the Bank has its own legal personality.
- Its *functional independence* is based on its own decision-making capacity regarding the performance of its functions, without prejudice to governmental review of any of its decisions.
- It also has *financial independence*; its own budget enables it to draw on the economic funds needed for the performance of its functions.

- With regard to *organisational independence*, the Bank has the autonomy to establish its internal organisation, including its personnel policy, the selection of whom is based on the principles of equality, merit, ability and publicity.
- The *personal independence* of the senior officials of the Banco de España is guaranteed, inter alia, by: i) a selection procedure for the office of Governor that requires the backing of the executive and legislative powers; ii) the *duration of the mandate* of the Governor and of the Deputy Governor, set at six years (longer than the electoral cycle and non-renewable); iii) strictly specified reasons for dismissal of the Governor, the Deputy Governor and the elected Council Members; iv) the system of *incompatibilities* to which the Governor, the Deputy Governor and the Council Members are subject; and v) the *prohibition* to engage in any professional activity linked to credit institutions or securities markets within a specified period following the end of their term of office.

Independence is, therefore, a crucially important condition if the Banco de España is to attain its objectives. Transparency and accountability are the two vital factors that accompany independence, aimed at achieving effectiveness, efficiency and credibility of performance.

In addition, the Law of Autonomy tasks the Banco de España with promoting the sound functioning and stability of the financial system. To fulfil this function, the Banco de España analyses the risks and vulnerabilities of the Spanish financial system and monitors financial stability, publishing the half-yearly *Financial Stability Report*, among others.

Lastly, since 2014, the Banco de España has been the designated authority responsible for implementing the macroprudential policy instruments provided for in the legislation on the supervision of credit institutions, in order to address systemic risks which may affect the stability of the banking system. In this connection, the Banco de España has participated in the new macroprudential authority (AMCESFI) since its creation in March 2019. The goal of AMCESFI is to contribute to preserving the stability of the financial system as a whole.

The allocation of supervisory tasks between the ECB and the Banco de España, within the SSM framework, is likewise applied to the functions assigned to the supervisor under the legislation on the recovery and resolution of credit institutions.

Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms, conferred on the Banco de España functions relating to the preventive resolution of credit institutions, which it performs independently from its supervisory functions. To fulfil this task, the Banco de España must prepare preventive resolution plans, in keeping with 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.

In addition to the functions described above, the Banco de España performs other tasks, assigned to the institution by virtue of other regulations, in relation to its role of regulator and to matters which include, among many others, the management of the Central Credit Register, the resolution of complaints filed by users of bank services, keeping the official registers of the Banco de España, ensuring the quality and authenticity of banknotes and coins, and the management and administration of internal services and functions.

2 GOVERNING BODIES OF THE BANCO DE ESPAÑA

According to the Law of Autonomy, the governing bodies of the Banco de España are the Governor, the Deputy Governor, the Governing Council and the Executive Commission.

2.1 The Governor

The Governor is the head of the Banco de España. As such, he leads the institution on an exclusive basis and chairs the collegiate governing bodies of the Banco de España, that is, the Governing Council and the Executive Commission.

He acts as the legal representative of the Banco de España to all effects and purposes, and represents it 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 represents the Banco de España before the Spanish Parliament in the institutional sphere.

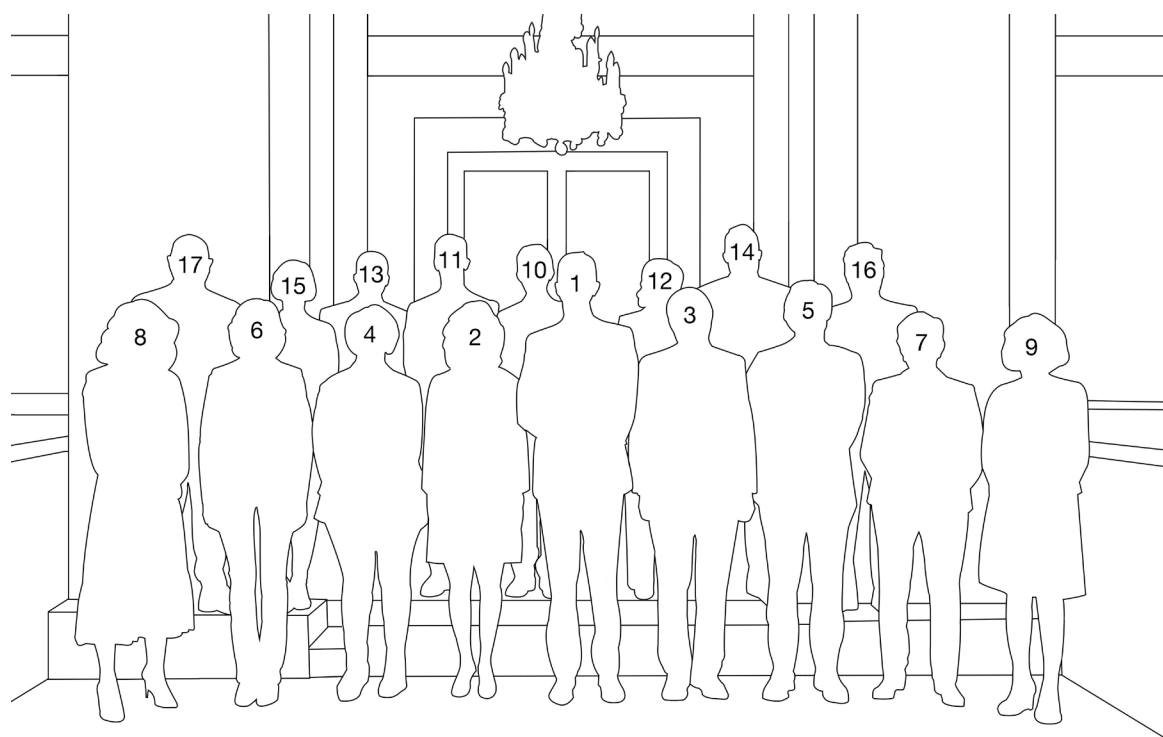
The Governor is appointed by the King, following a proposal by the President of the Spanish Government, from among Spanish nationals of recognised competence in monetary or banking matters, for a non-renewable six-year term, to guarantee the independence of the institution.

The current Governor of the Banco de España 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.

In addition to the positions mentioned above, in 2019 the Governor was appointed to the following: i) deputy chairman of the Spanish macroprudential authority (AMCESFI); ii) chairman of the Basel Committee on Banking Supervision (BCBS); iii) member of the Advisory Board of the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS); and iv) chairman of the Advisory Technical Committee and member of the Steering Committee of the European Systemic Risk Board (ESRB).

2.2 The Deputy 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.



Governing Council of the Banco de España, 20.12.2019.

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. Nùria Mas; 9. Paz Andrés; 10. Francisco-Javier Priego; 11. Juan Ayuso; 12. Concepción Jiménez; 13. Jesús Saurina; 14. Óscar Arce; 15. Mercedes Olano; 16. Alejandro Álvarez; 17. Mariano Serrano.

She 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 has been appointed under current legislation. In such capacity, the Deputy Governor holds the ex officio positions of board member of the Spanish National Securities Market Commission (CNMV, by its Spanish abbreviation); Chair of the Management Committee of the Deposit Guarantee Scheme for Credit Institutions; Vice-Chair of the Management Committee of the Fund for the Orderly Restructuring of the Banking Sector (FROB) and, since 2019, board member and Chair of the Technical Committee of AMCESFI.

This appointment is made by the Government, at the proposal of the Governor, and requires the candidate to have Spanish nationality and recognised competence in monetary or banking matters. As in the case of the Governor, the Deputy Governor is appointed for a non-renewable six-year term.

The current Deputy Governor is Margarita Delgado, whose appointment was made public by Royal Decree 1027/2018 of 3 August 2018. Her term of office commenced on 11 September 2018 and will end on 11 September 2024.

The Banco de España has four governing bodies: the Governor, the Deputy Governor, the Governing Council and the Executive Commission.

The Governing Council is composed of the Governor, the Deputy Governor, six elected Council Members and two ex officio members, representing two public institutions (the CNMV and the General Secretariat of the Treasury and International Financing). The meetings are also attended by the Directors General of the Bank and a staff representative.

The Executive Commission of the Banco de España is formed by the Governor, the Deputy Governor and two Council Members appointed by the Governing Council, and is also attended by the Directors General.

2.3 The Governing Council

a) Composition

The Governing Council of the Banco de España is composed of the Governor, the Deputy Governor, six Council Members appointed by the Government and two ex

oficio members: the General Secretary of the Treasury and International Financing and the Vice-Chair of the CNMV.

The elected Council Members of the Banco de España are appointed for a six-year term, renewable once. They are appointed by the Government at the proposal of the Minister for Economic Affairs and Digital Transformation, after consultation with the Governor. To be designated a Council Member of the Banco de España, candidates must have Spanish nationality and 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 absence. The General Secretary of the Banco de España acts as ex officio secretary thereto, attending the meetings in a non-voting capacity. The meetings of the Governing Council are also attended by the Directors General of the Bank as non-voting participants. Finally, a staff representative also attends the meeting in a non-voting capacity.

In 2019, the Governing Council was composed of:

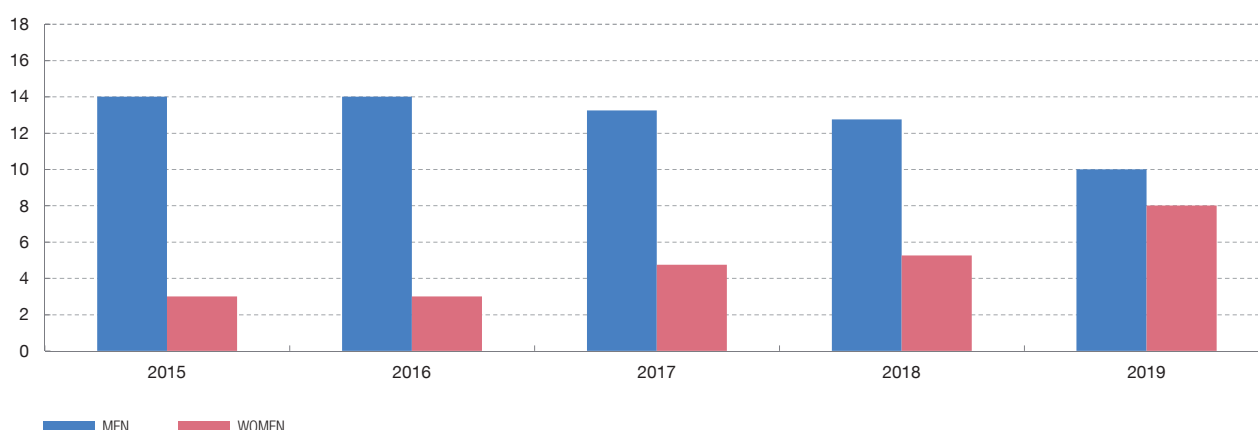
- Governor: Pablo Hernández de Cos.
- Deputy Governor: Margarita Delgado.
- Council Members: Fernando Eguidazu, Soledad Núñez, Carmen Alonso, Rafael Castejón¹, Núria Mas and Paz Andrés.
- General Secretary for Treasury and International Financing: Carlos San Basilio.
- Vice-Chair of the CNMV: Ana Martínez-Pina.
- Secretary: Francisco-Javier Priego, General Secretary of the Banco de España
- Non-voting participants: the Directors General of the Bank (in 2019: Manuel Labrado², Juan Ayuso, Concepción Jiménez, Jesús Saurina³, Óscar Arce, Mercedes Olano and Alejandro Álvarez). The meetings are also attended by a staff representative (Mariano Serrano).

¹ Rafael Castejón completed his term as a Council Member of the Banco de España in October 2019, and has not been replaced to date.

² Manuel Labrado stepped down from the post of Director General on 1 March 2019, at which date he was replaced by Alejandro Álvarez.

³ Jesús Saurina resigned from his post on 1 March 2020 following his appointment to the European Single Resolution Board, at which date he was replaced by Ángel Estrada.

Chart 1.1

GOVERNING COUNCIL: DISTRIBUTION BY GENDER (a)

SOURCE: Banco de España.

a This distribution includes the Governor, the Deputy Governor, Council Members, Directors General and the staff representative.

Chart 1.1 shows the changes in the composition of the Governing Council since 2015, based on the gender of its members. Chart 1.2 shows the distribution by gender of voting members in 2019.

b) Functions of the Governing Council

The sphere of competence of the Governing Council of the Banco de España is established in the Law of Autonomy, which confers on it, first of all, the approval of the general guidelines for Bank activity so that it may fulfil the functions entrusted to it. Additionally, the Governing Council discusses matters relating to monetary policy and supervises the Bank's contribution to the implementation of ESCB monetary policy. When exercising these competences, linked to functions arising from its membership of the ESCB, the Governing Council must comply with the guidelines and instructions of the ECB and observe the independence and obligation of professional secrecy of the Governor 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 the Bank's regulatory powers.

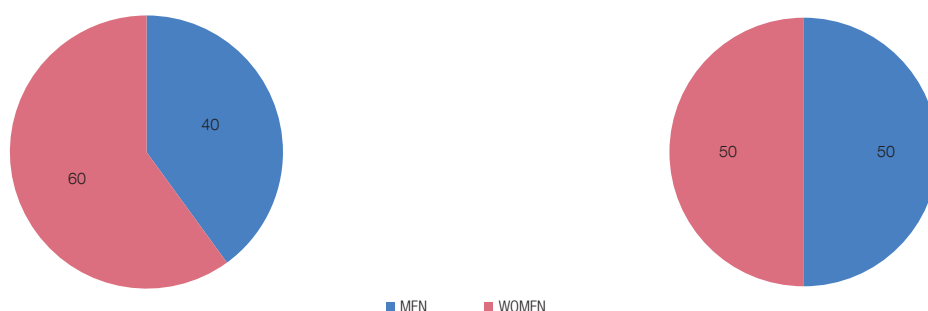
The Governing Council is also responsible for imposing sanctions approved within the framework of the disciplinary system applied to supervised institutions, and must report quarterly to the Ministry of Economic Affairs and Digital Transformation on any sanctioning proceedings in progress and on the resolutions adopted during the quarter.

Chart 1.2

DISTRIBUTION BY GENDER OF THE VOTING MEMBERS OF COLLEGIATE BODIES (%) (a)

1 VOTING MEMBERS OF THE GOVERNING COUNCIL (by gender)

2 VOTING MEMBERS OF THE EXECUTIVE COMMISSION (by gender)



SOURCE: Banco de España.

a This distribution includes the Governor, the Deputy Governor and Council Members.

Other functions assigned to the Governing Council include appointing, at the Governor's proposal, the two elected members of the Executive Commission and the three 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; authorising the annual accounts for issue and approving the budget proposals of the Banco de España as well as its Annual Report and all other reports to be submitted to Parliament, the Government or the Minister for Economic Affairs and Digital Transformation.

Lastly, the Governing Council is responsible for adopting any other resolutions that may be necessary for the performance of the tasks assigned to the Banco de España that do not fall within the exclusive competence of the Executive Commission.

The Governing Council generally adopts decisions by concurrence, although the regulations governing this body also provide for the possibility of ordinary, even secret, voting.

In 2019, the Governing Council of the Banco de España held a total 15 meetings, one of which took place at the Oviedo branch, in May.

2.4 The Executive Commission

a) Composition

The Executive Commission of the Banco de España is formed by the Governor, as Chair, the Deputy Governor and two elected Council Members appointed by the

Governing Council, following a proposal by the Governor, from the Council's elected members, for the period that remains in their ordinary term of office as elected Council Members.

Fernando Eguidazu and Soledad Núñez continued as elected Council Members in 2019.

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

Moreover, the IRBE provides for 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.

Chart 1.2 shows the distribution by gender of voting Executive Commission members in 2019.

b) Functions of the Executive Commission

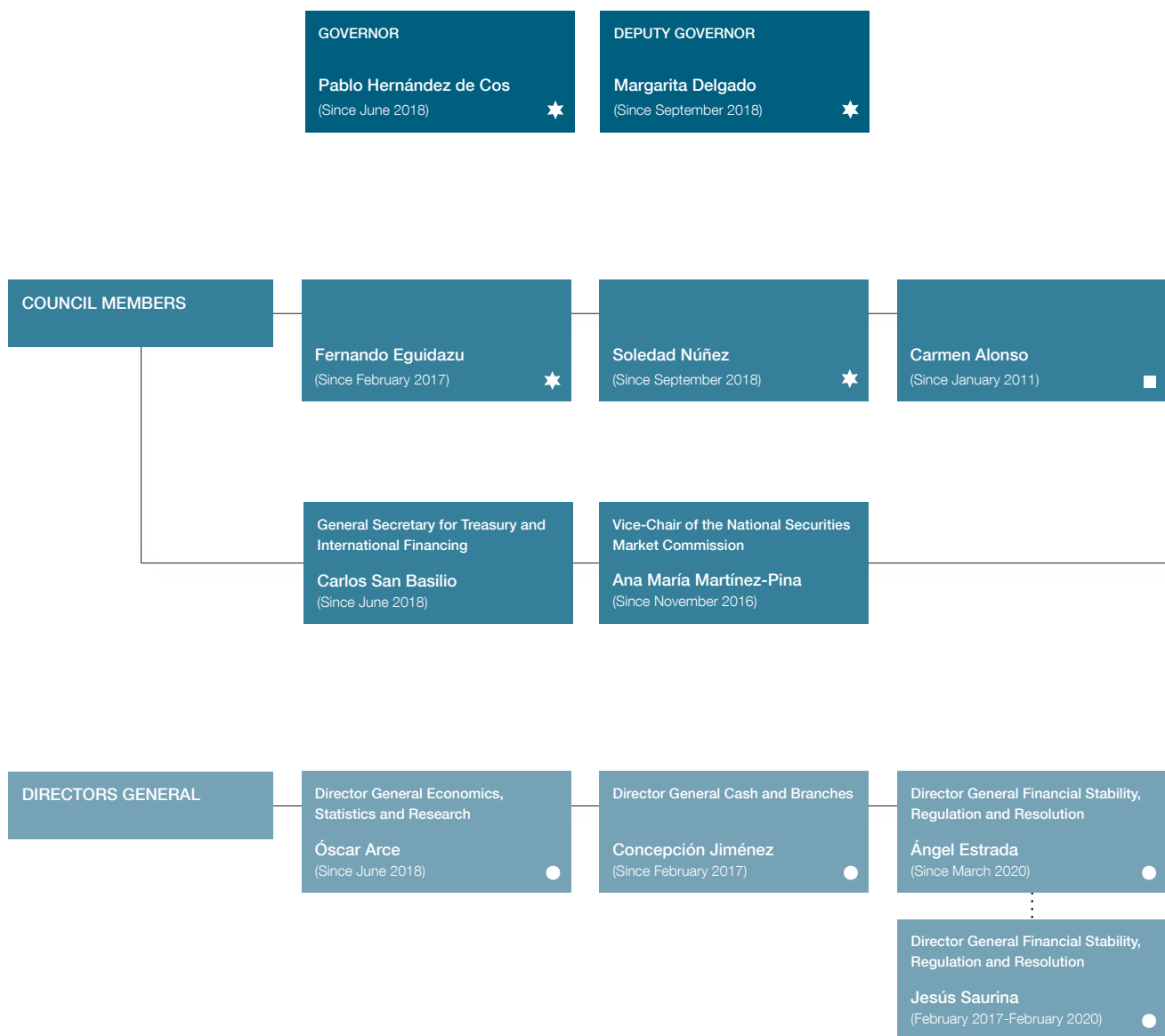
The Law of Autonomy also determines the sphere of competence of the Executive Commission, which exercises the powers conferred on it subject to the guidelines of the Governing Council. Specifically, the Executive Commission makes decisions regarding the management of the internal organisation and administration of the Banco de España in the private sphere. It also approves the primary internal rules, that is the internal circulars.

In addition, the Executive Commission contributes to the implementation of ESCB monetary policy; resolves administrative authorisations granted by the Bank in connection with credit institutions and other financial agents under its supervision; 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; and submits draft resolutions to be subsequently adopted by the Governing Council.

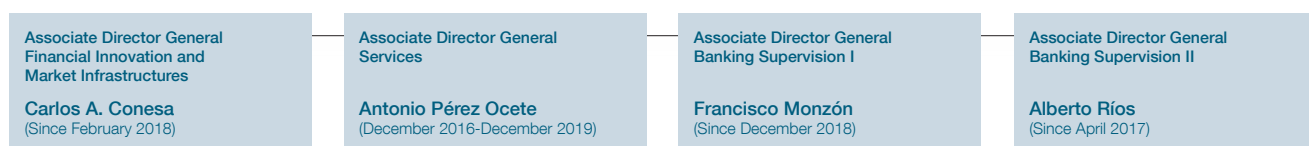
The Executive Commission has delegated several of its powers to other Banco de España bodies, as reflected in the corresponding resolution approving the regime governing the delegation of powers published in the Official State Gazette (*BOE*, by its Spanish abbreviation).

In 2019, the Executive Commission held a total of 53 meetings.

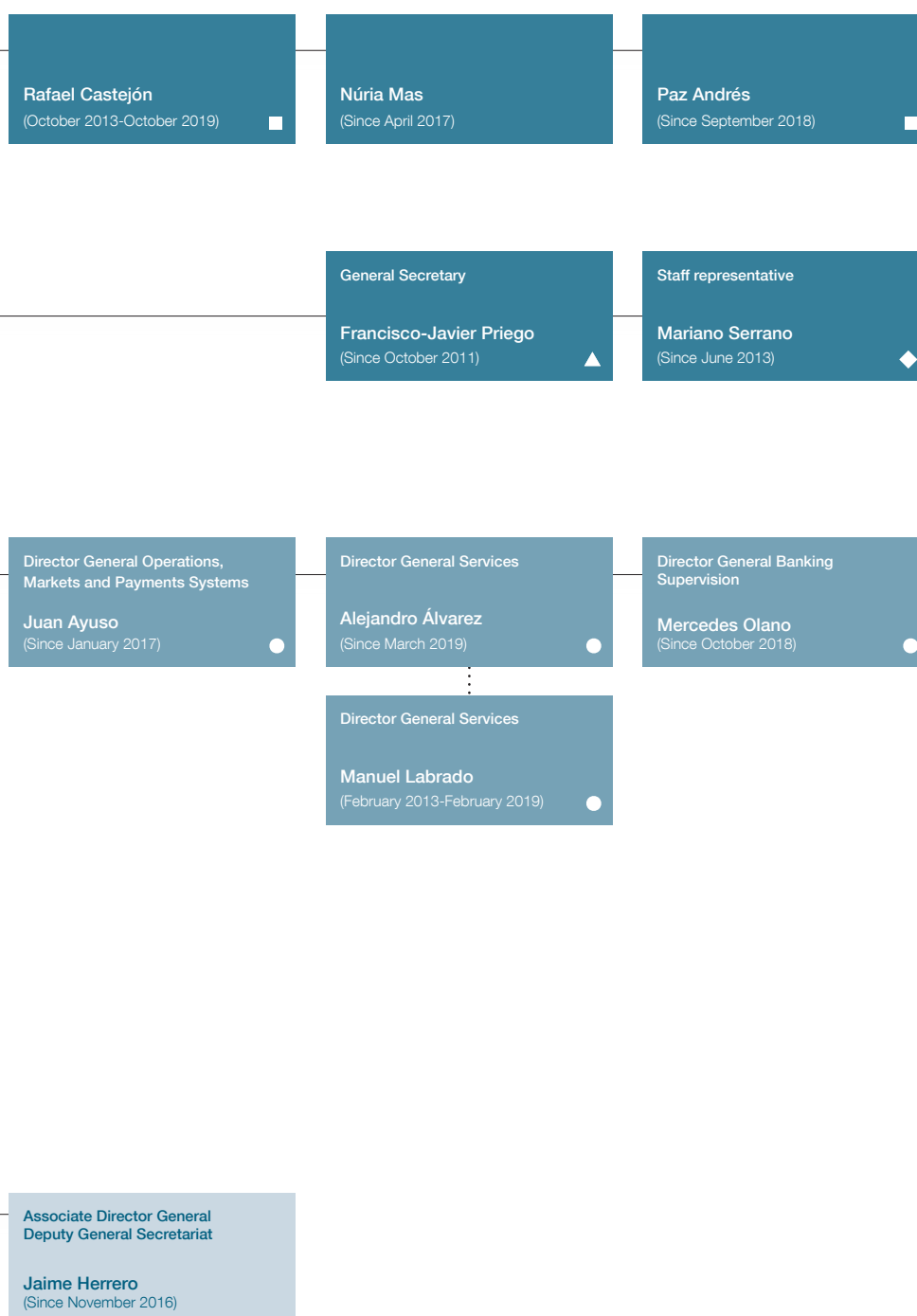
MEMBERS OF THE GOVERNING BODIES OF THE BANCO DE ESPAÑA. GOVERNING COUNCIL



ASSOCIATE DIRECTORS GENERAL



- ★ Members of the Executive Commission
- ▲ The General Secretary 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 Commission as non-voting members
- Members of the Audit Committee
- ◆ A staff representative attends the meetings of the Governing Council



2.5 Committees

In addition to the Governing Council and the Executive Commission, the Internal Rules of the Banco de España establish a second organisational level, comprising two collegiate bodies: the Audit Committee and the Steering Committee.

The Audit Committee is made up of three members of the Governing Council, appointed by the latter, from among the elected Council Members. Among other tasks, it is entrusted with reviewing the draft annual accounts of the Banco de España and supervising relations with external auditors and the functioning of audit and internal control services. It is also informed about any decisions adopted internally regarding risk management, and examines the accounts of the Banco de España's special-purpose entities prior to their approval.

In 2019, the members of the Audit Committee were Carmen Alonso, Rafael Castejón and Paz Andrés, who joined the committee in January 2019. Rafael Castejón's term on the Audit Committee concluded at the same time as his position as an elected member of the Governing Council, in October 2019, and he has not been replaced to date.

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 submitted to the Governing Council and the Executive Commission for approval, and compliance with the agreements reached with these bodies; and iii) coordinating the activities of the different Directorates General.

In addition to the governing bodies, the structure of the Banco de España includes other collegiate bodies provided for in its Internal Rules.

Specifically, the Audit Committee and the Steering Committee. The Bank also has a number of horizontal committees to better coordinate the exercise of its functions.

In addition to these two levels of organisation, there is a third level, provided for in the IRBE, which confers on the Executive Commission the power to set up internal committees to examine and resolve any matters considered appropriate. Accordingly, the Banco de España has a number of internal committees whose fundamental role is to provide advice and coordination to the Directorates General.

The main committees are the following⁴:

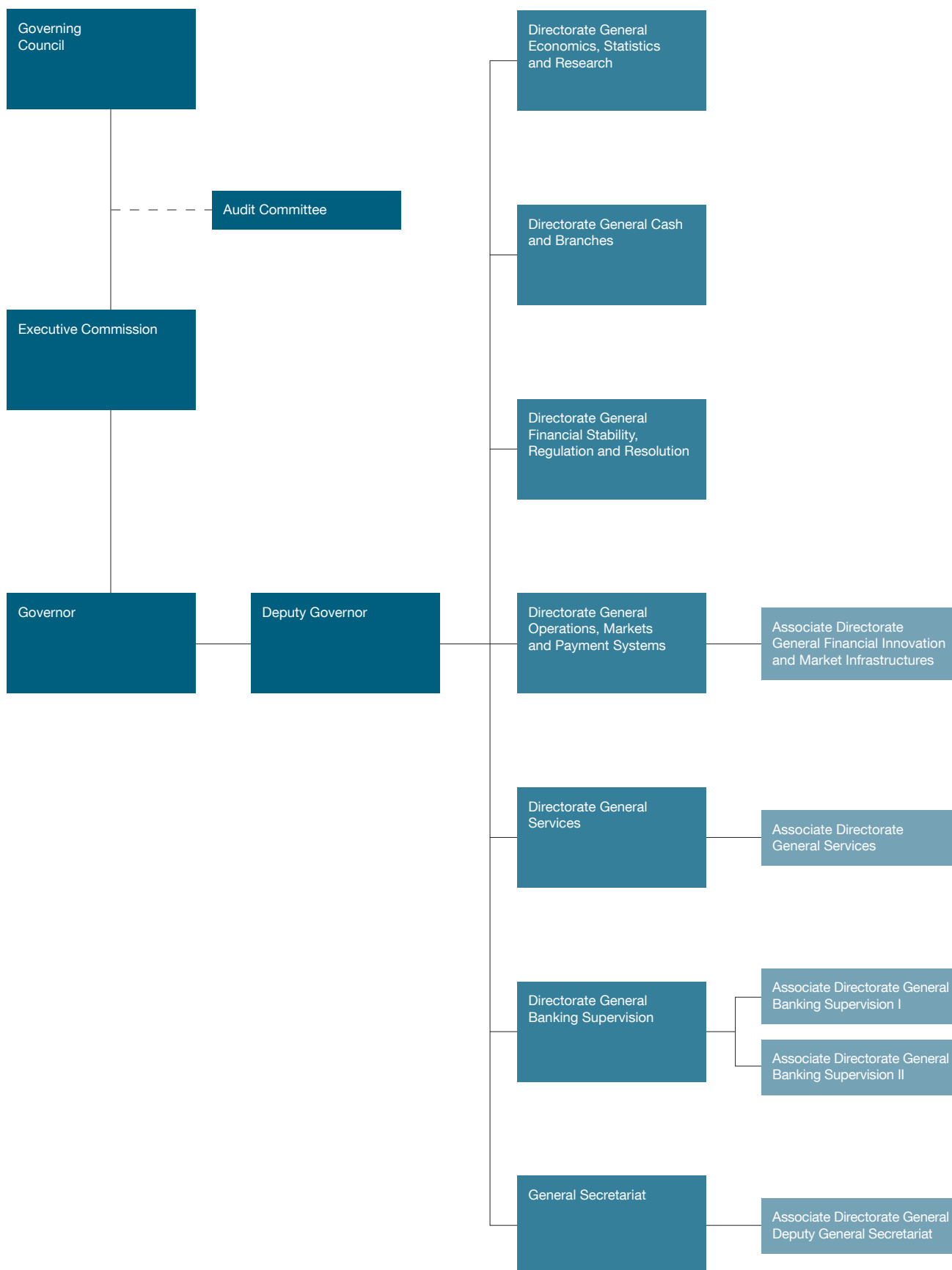
- *Risk Management Committee*: this committee is chaired by the Deputy Governor, and its main functions are: i) to propose to the Executive Commission the adoption of the necessary risk management measures for financial and operational risks, the risk measurement methodologies, including the internal credit assessment system methodology, and the appropriate level of provisioning for risks; and ii) to monitor changes in risks, their control environment, the limits reached and the operational risk mitigation measures.
- *Information Systems Committee*: this committee, chaired by the Deputy Governor, is tasked with approving and monitoring the annual information systems plan of the Banco de España.
- *International Cooperation Committee*: this committee, also chaired by the Deputy Governor, defines the strategic lines of action for international cooperation, adopts high-level decisions and carries out strategic coordination in this area.
- *Budget Committee*: this committee 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. It is chaired by the Director General Services.
- *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*: this committee is responsible for defining the characteristics for the classification, use and preservation of Banco de España documents, and for studying and delivering an opinion on its classification criteria, conservation periods, transfers, elimination and conservation of documents. It is chaired by the General Secretary.
- *Financial and Prudential Reporting Committee*: this committee was created in January 2019, and its main task is to coordinate the Banco de España's position and internal procedures regarding the financial and prudential

4 The Financial Stability Committee was set up in March 2020.

reporting requirements to which institutions are subject. It is chaired by the Director General Financial Stability, Regulation and Resolution.

- *Committee Receiving Reports on Suspected Money Laundering*: this committee 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. It is chaired by the Deputy General Secretary.
- *Leave of Absence Assessment Committee*: this committee's main task is to assess the leave of absence requests of Banco de España employees to work for supervised or financial sector institutions, and to decide on the mandatory cooling-off periods to be applied. It is chaired by the Deputy General Secretary.
- *Workplace Health and Safety Committee*: this committee's tasks are to propose the policies and basic criteria for workplace health and safety, and to coordinate and monitor preventive action and submit the annual prevention plans for approval. It is chaired by the Associate Director General Services.
- *Committee for the Assessment of BSF Financial Assistance*: this committee is responsible for assessing the requests for financial assistance from the Beneficent-Social Fund (BSF) and for ensuring application of the principles on which the granting of such assistance is based. It is chaired by the Deputy General Secretary.
- *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 providing advice in the analysis of the suitability of senior officers at supervised institutions in certain cases, where the individual being assessed has been sentenced for the commission of offences or misdemeanours, or is subject to a criminal investigation. In 2019, the members of this committee were Ignacio Sierra Gil de la Cuesta, Mercedes Vérez Sánchez and Antonio Salinas Casado.

ORGANISATION CHART OF THE BANCO DE ESPAÑA



3 STRUCTURE OF THE BANCO DE ESPAÑA

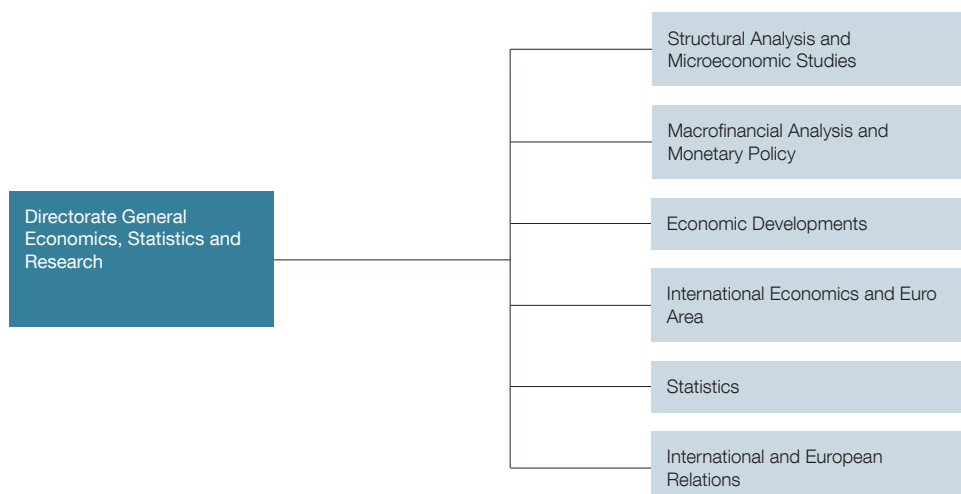
3.1 Organisation chart and structure

The Banco de España performs the functions with which it has been entrusted through its governing bodies, as described in section 2 above, and through its Directorates General and General Secretariat.

The structure of the Banco de España is based on six Directorates General and a General Secretariat:

- Directorate General Economics, Statistics and Research.
- Directorate General Cash and Branches.
- Directorate General Financial Stability, Regulation and Resolution.
- Directorate General Operations, Markets and Payment Systems.
- Directorate General Services.
- Directorate General Banking Supervision.
- General Secretariat.

The structure and main areas of operation of each Directorate General are detailed below.



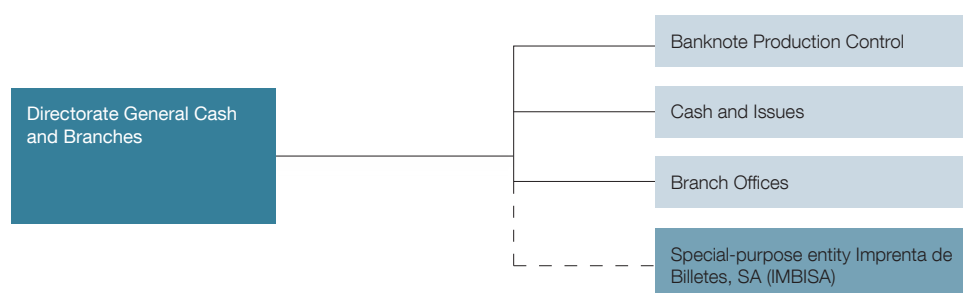
The Directorate General Economics, Statistics and Research is mainly responsible for conducting the necessary studies and research on economic and financial matters within the sphere of the Spanish, European and international economy.

It also compiles the statistics entrusted to the Banco de España and drafts the reports and publications within its remit, the foremost of which is the *Annual Report*. It takes the necessary action to disseminate analysis of the economic situation and of monetary policy.

In addition, it conducts the preparatory, advisory and monitoring work relating to the Banco de España's participation in European institutions, and develops and manages the international relations of the Banco de España outside the scope of the European institutions and with the main international organisations and multilateral institutions, coordinating international cooperation by the Bank with other NCBs, financial supervisors and other similar public agencies.

Lastly, it should be noted that it is responsible for the running of the Banco de España Library.

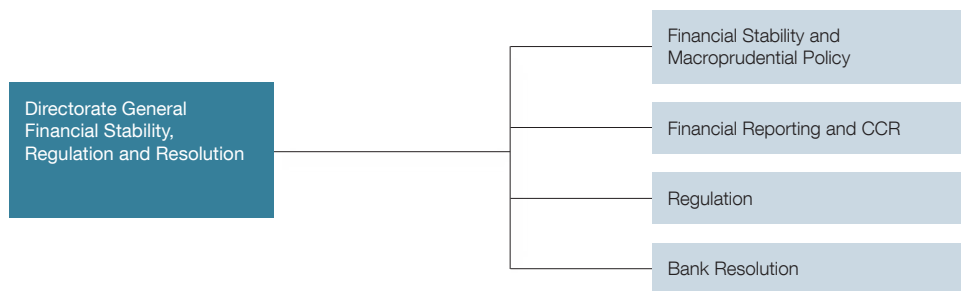
The Director General Economics, Statistics and Research is Óscar Arce.



The Directorate General Cash and Branches is responsible for, inter alia: i) controlling the process of euro banknote production corresponding to the Banco de España, entrusted to the special-purpose entity IMBISA; and ii) issuing these banknotes and putting coins into circulation, along with tasks relating to the withdrawal, exchange, safekeeping of both banknotes and coins, in coordination with the Eurosystem and the European Commission, respectively.

Additionally, it is entrusted with overseeing and monitoring those involved in the processing and handling of cash, and with detecting and analysing counterfeit banknotes and coins through the National Analysis Centres for banknotes and coins in coordination with the Eurosystem and the Investigation Brigade of the Banco de España. It is also responsible for managing the Bank's branch network and for carrying out certain operations for the general public, such as the exchange of pesetas for euros until 31 December 2020, and of unfit banknotes.

The Director General Cash and Branches is Concepción Jiménez.

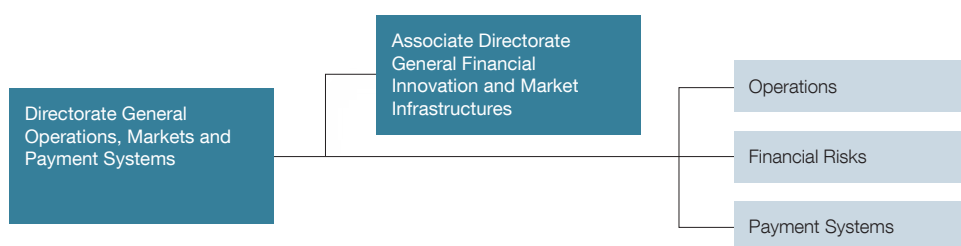


The Directorate General Financial Stability, Regulation and Resolution is responsible for analysing and monitoring financial stability, analysing and formulating macroprudential policy proposals, and preparing the *Financial Stability Report*, among others.

It is also entrusted with drafting reports and proposals relating to rules on the regulation and disciplining of institutions subject to supervision, contributing to defining regulatory policy on technical and economic aspects in the framework of the Financial Stability Board, the Basel Committee on Banking Supervision and the European Banking Authority.

Also worth noting are the tasks relating to: i) the preparation of draft rules on the information that must be periodically submitted to the Banco de España by institutions subject to its supervision or to that of the SSM; ii) its management of the Central Credit Register; and iii) preventive resolution.

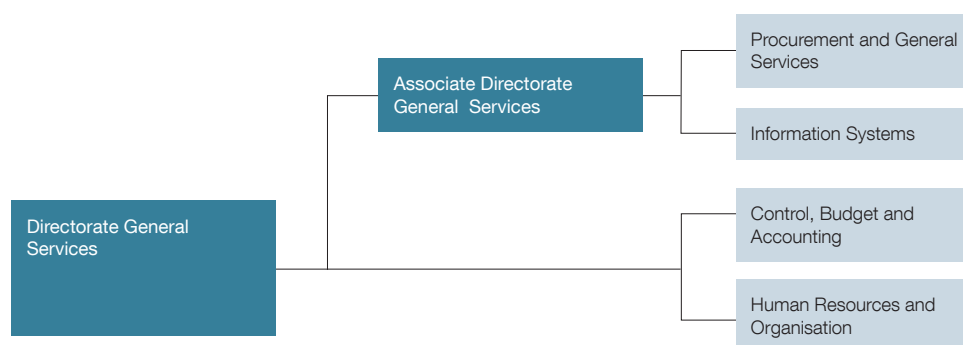
In 2019, the Director General was Jesús Saurina. Since 1 March 2020, this position has been occupied by Ángel Estrada.



The Directorate General Operations, Markets and Payment Systems is entrusted with carrying out 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 institution, and assesses and manages the financial risks of the Banco de España. Additionally, it renders payment services to the Treasury and other public-sector entities, and government debt-related services. Also worth noting are the tasks it performs to oversee the proper functioning of payment systems and instruments.

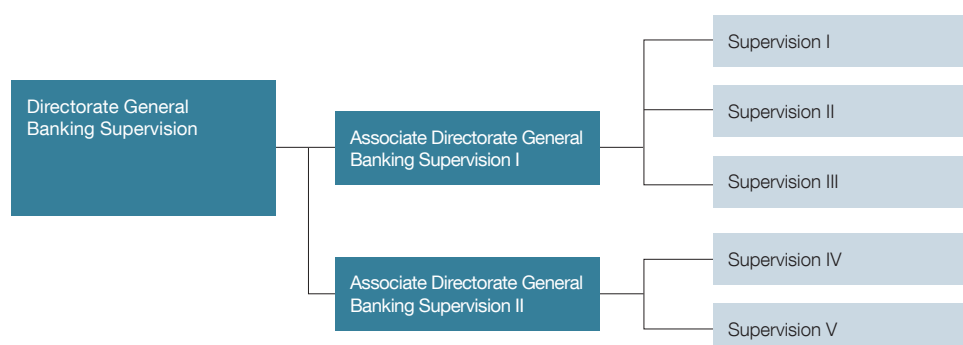
Lastly, this Directorate General has been tasked with supervising compliance with the regulations affecting payment institutions, account information service providers and electronic money institutions, and with the supervision of other payment service providers supervised by the Banco de España.

The Director General Operations, Markets and Payment Systems is Juan Ayuso, and the Associate Director General Financial Innovation and Market Infrastructure is Carlos A. Conesa.



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 Banco de España's accounts; v) acquisition, maintenance and administration of the institution's assets; vi) information systems; and vii) and organisation and management of internal security.

The Director General Services is Alejandro Álvarez. In 2019, the Associate Director General was Antonio Pérez Ocete.

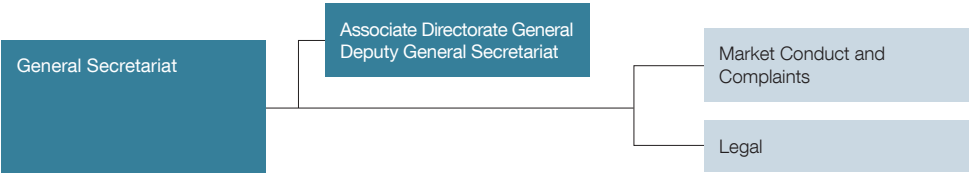


All the tasks assigned to the Banco de España as a supervisory authority within the framework of the SSM are concentrated in the Directorate General Banking Supervision, which is therefore responsible for supervising: i) the solvency of credit institutions and their compliance with the specific regulations governing them, indirectly in the case of “significant” credit institutions; and ii) directly in that of “less

significant” credit institutions and other financial institutions supervised by the Banco de España.

It is also tasked with preparing draft rules on accounting for credit institutions and other supervised institutions, and with resolving any queries in this connection.

The Director General Banking Supervision is Mercedes Olano and the Associate Directors General are Francisco Monzón and Alberto Ríos.

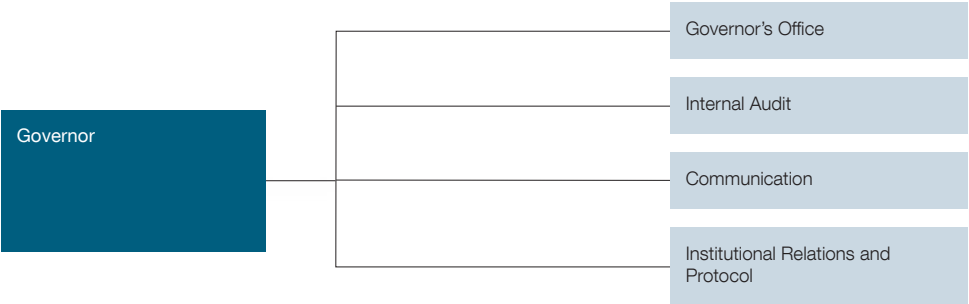


The General Secretariat’s function notably include: i) to provide the secretariat for the governing bodies of the Banco de España and to head the legal advice service for the governing bodies and the institution as a whole; ii) to conduct sanctioning proceedings; iii) to keep official registers and process authorisation procedures for new institutions; iv) tasks relating to supervision, supervisory and regulatory policy in respect of banking transparency and customer protection; and v) settlement of complaints in this area.

It also heads the areas of governance, transparency and access to public information, protection of personal data (a data protection officer has been assigned to the General Secretariat), E-Administration and Virtual Office, areas relating to documentation, such as the register, the archives and documentation management.

Since 2019, the Deputy General Secretariat is responsible for compliance with the requirements on the accessibility of Banco de España websites and applications for mobile devices.

The General Secretary is Francisco Javier Priego, and the Deputy General Secretary is Jaime Herrero.



In addition to the Directorates General and the General Secretariat, 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 areas of activity; ii) media relations and implementation of the Bank's communication policy and institutional image; and iii) functions relating to institutional activities and protocol (from 2020, the latter are carried out by the Governor's Office).

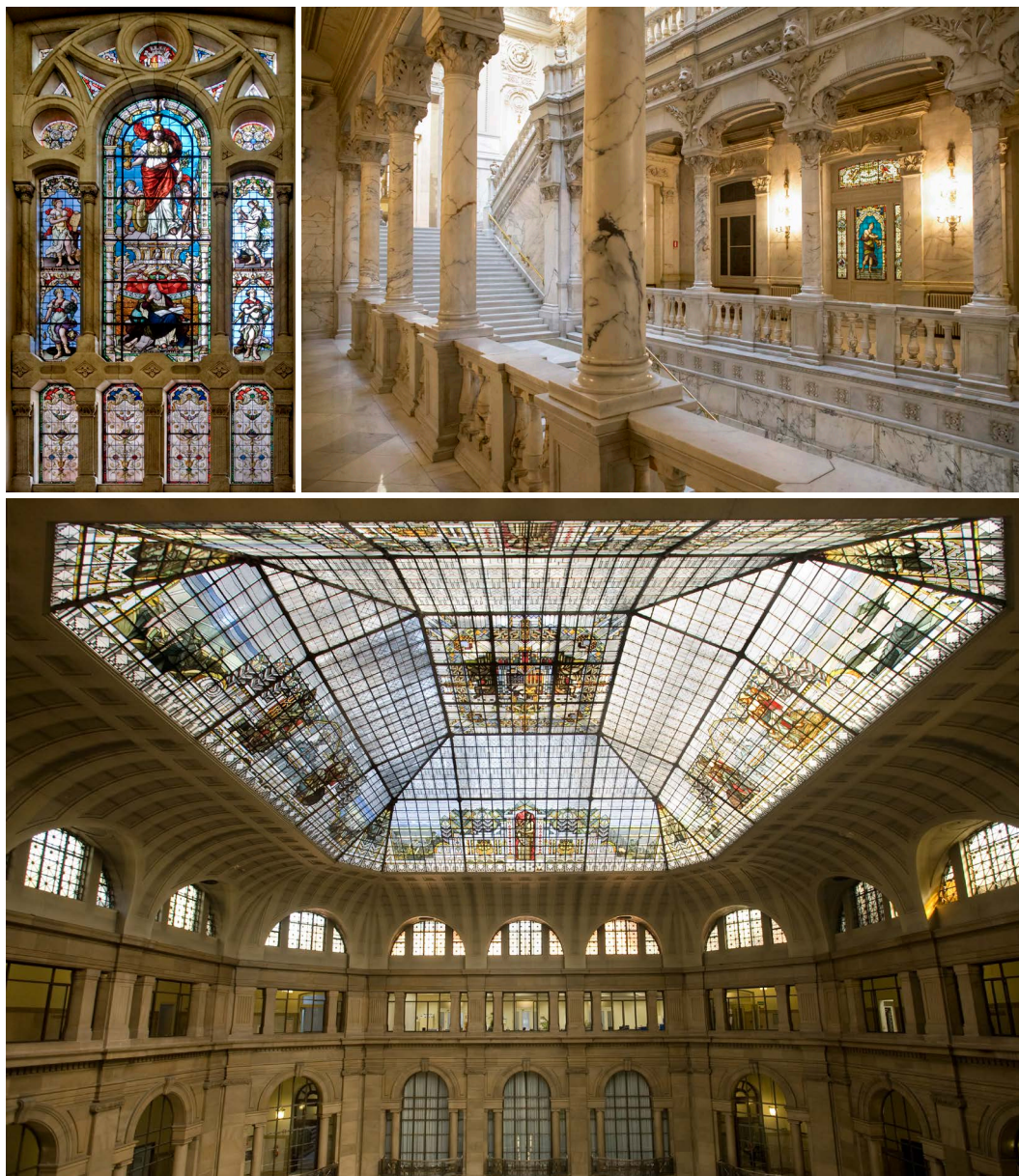
3.2 Banco de España head offices and branches

The Banco de España has two head offices in Madrid: i) the main head office in Calle de Alcalá 48, which houses the central services of the Bank; and ii) that located in Calle de Alcalá, 522. It also has 15 branches (located in A Coruña, Alicante, Badajoz, Barcelona, Bilbao, Las Palmas, Málaga, Murcia, Oviedo, Palma, Seville, Santa Cruz de Tenerife, Valencia, Valladolid and Zaragoza).

One of Madrid's most emblematic buildings is home to the Banco de España's main head office, representative of the work of Spanish architects of the 19th and early



Branch offices of the Banco de España.



Three of the areas included in the institutional tours. On the left, the stained-glass window commissioned from the firm Maumejean, dating back to 1860, with Mercury, the god of commerce, at the centre, above the figure of a banker. On the right, the grand staircase, constructed in Carrara marble by Adolfo Areizaga, a sculptor from Bilbao. Below, the stained-glass ceiling of the Banking Hall, by the firm Maumejean.

20th centuries. The building, which stands on the site of the former palace of the Marquis of Alcañices, has undergone three extensions.

Before its inauguration in 1891, this head office had occupied different locations in Madrid, namely, a palace owned by the Count of Altamira, the Monistrol Palace, a building in Calle Montera or the House of the Five Major Guilds of Madrid.

The main head office has interior spaces of great historic and artistic value, notably the grand staircase and the courtyard, formerly the general cashiers' section and now housing the library, which boasts a cast iron structure

commissioned from the Fábrica de Mieres. As described below, this building can be visited as part of the institutional tours organised by the Bank, aimed at groups from schools, universities and, exceptionally, non-profit cultural and membership organisations.

Functionally, these headquarters house the Bank's central services and is where the meetings of the governing bodies and senior management are held. The building in Calle de Alcalá 522 is reserved for various general services and operational functions. Lastly, the different branches located throughout Spain operate with credit institutions and provide specific services to the general public, such as the exchange of pesetas for euros, the withdrawal of counterfeit banknotes and coins or public debt subscriptions, among others.

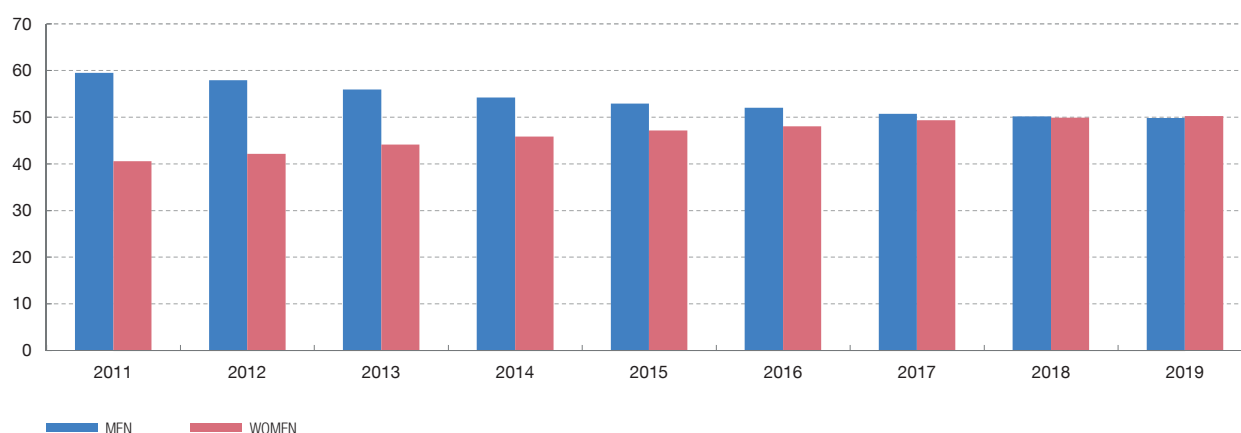
3.3 Human resources

As at 31 December 2019, the total number of Banco de España employees was 3,331. In line with the trend observed in previous years, the average age of employees was 44.75 years at the end of the year, and there was a greater gender balance, with 50.23% of women and 49.77% of men. As Chart 1.3 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 50.23% in 2019.

As regards the staff composition by professional groups, Charts 1.4 and 1.5 shows the current distribution and percentage corresponding to the following: i) individuals

Chart 1.3

STAFF COMPOSITION (%)



SOURCE: Banco de España.

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.

According to the latest ranking by Mazars and the Official Monetary and Financial Institutions Forum (OMFIF), the Banco de España leads the gender equality index of central banks worldwide, with a score of 91.67 out of 100, far ahead of other European banks.

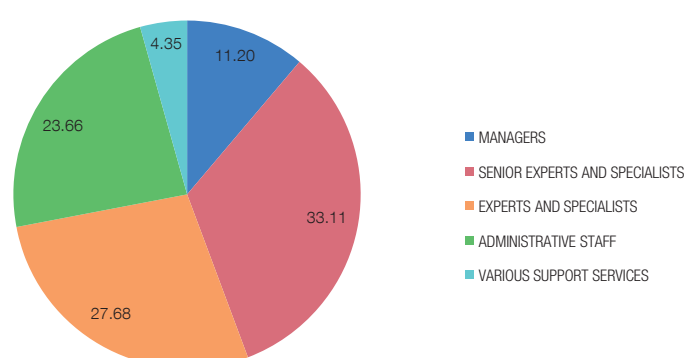
At the end of 2019, there were 442 employees at the Banco de España's 15 branch offices. There is a director in charge of each branch, who represents the Banco de España and is responsible for the infrastructure and administrative and support services. In general, two units report to this director: Cash-Operations, which carries out cash and bank operations, and Financial Control, which audits and accounts for all operations.

In addition, the following restructuring processes were carried out at the Bank in 2019:

- The Directorate General Financial Stability, Regulation and Resolution internally reorganised its Financial Stability Department in order to better assume its responsibilities to analyse and monitor financial stability and

Chart 1.4

STAFF COMPOSITION BY PROFESSIONAL GROUP (%)



SOURCE: Banco de España.

Chart 1.5

STAFF COMPOSITION BY GENDER (%)

SOURCE: Banco de España.

prepare macroprudential policy proposals, through the use of new macroprudential tools approved by Royal Decree-Law 22/2018 of 14 December 2018, and as a result of its participation in AMCESFI, along with other financial supervisors. This Directorate General also reorganised its Regulation Department to respond to complex international regulation issues and identify synergies in regulatory policy and prudential regulation functions.

- The Directorate General Banking Supervision also underwent reorganisation to continue to adapt its organisational and functional set-up to that of the SSM, to bring its supervisory activities into line with Royal Decree-Law 19/2018 of 23 November 2018, which transposes the new Payment Services Directive (PSD2) into Spanish law, and to improve the efficiency of technological risk assessment at supervised institutions, particularly at those which are less significant.

3.4 Special-purpose entities

In accordance with ECB regulations and as provided for by the Law of Autonomy, the Banco de España is supported by two special-purpose entities: i) the commercial-law company Imprenta de Billetes, SA (IMBISA); and ii) the Fundación Centro de Estudios Monetarios y Financieros (CEMFI).

a) Imprenta de Billetes, SA (IMBISA)

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

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

Since its establishment, IMBISA has been entrusted with the production of the quota of euro banknotes assigned annually to the Banco de España by the ECB, which places strict security requirements on banknote printing works.

In order to adapt to the new ECB regulations on printing processes and to address the technical and banknote production limitations of the current premises, when created, IMBISA undertook to build new production facilities that comply with all the security requirements and are equipped with the necessary technical means. The construction project for the new facilities, subject to public-sector procurement regulations, was launched in June 2016, and construction work was expected to commence in the first quarter of 2020.

b) Centro de Estudios Monetarios y Financieros (CEMFI)

The Centro de Estudios Monetarios y Financieros (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) to promote education and research in Economics, focusing particularly on monetary and financial issues. The foundation 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 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 ranks third among Spanish institutions in the RePEc classification normally used for Economics research, behind the Barcelona Graduate School of Economics and the Banco de España, but ahead of all other institutions, regardless of their size. In 2017, it obtained accreditation from the María de Maeztu Excellence Unit, granted by the State Research Agency to boost the quality of Spanish research through the recognition of research centres that stand out internationally.

The Banco de España has two special-purpose entities: i) IMBISA, whose sole corporate purpose is the production of euro banknotes and which acts as a specific resource and technical service of the Banco de España in the framework of banknote production for the ESCB, and ii) the Fundación Centro de Estudios Monetarios y Financieros (CEMFI), an internationally renowned Spanish centre engaging in education for high-level specialists in Economics and Finance, particularly post-graduate studies, and research on these areas.

The relationship between the Banco de España and CEMFI is a very close one. Apart from CEMFI's contribution to training current and future Banco de España

employees, its teachers offer advisory services to the Bank. In addition, a Banco de España-CEMFI research workshop is organised every six months, and there is a programme of visits for Banco de España employees to CEMFI and for CEMFI teachers to the Banco de España. In addition, CEMFI and the Banco de España jointly organise a two-yearly conference on financial stability, and other specialist meetings.

4 TRANSPARENCY AND ACCOUNTABILITY

This section outlines the main channels through which the Banco de España shows its commitment to the principles of transparency and accountability, which are fundamental for an independent public organisation.

4.1 Reports and other annual publications

The Banco de España periodically publishes documents providing information on the activities that fall within its remit⁵. This section describes some of the key publications disseminated by the Bank on an annual basis:



Annual Report

The *Annual Report* is the main instrument used by the Banco de España to contribute to disseminate its analysis of the performance of the Spanish economy. The report places particular emphasis on the international context, the euro area and economic policy.



Institutional Report

The *Institutional Report* provides 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 main activities carried out over the year.



Report on Banking Supervision in Spain

This publication includes a detailed description of the supervisory functions of the Banco de España and the supervisory actions undertaken during the year, the organisation of the supervision, the priorities and strategies adopted, the Banco de España circulars relating to supervision, the oversight of financial market infrastructures and payment instruments, and its participation in international fora on banking regulation and supervision.

⁵ All of the Banco de España's regular reports and publications can be found at <https://www.bde.es/bde/en/>, where they can be downloaded free of charge in electronic format. If a publication cannot be found on the website, it can be requested from publicaciones@bde.es.

In addition, the full list of Banco de España publications, which is regularly updated, can be found on its website at <http://www.bde.es/f/webbde/Secciones/Publicaciones/Relacionados/Fic/Catalogopublicaciones.pdf>.



Central Credit Register Report

This report presents the activities carried out by this area during the year and the most salient aspects affecting the credit risk information it receives and processes, and also covers other aspects which have an impact on its operations or are of interest to its users.



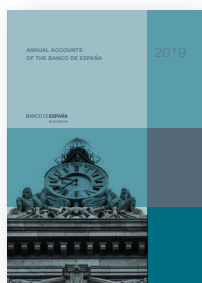
Annual Complaints Report

This report provides a statistical analysis of the proceedings processed by the Market Conduct and Complaints Department of the Banco de España, indicating, amongst other issues, the areas in which complaints were lodged, as well as the affected entities, the transparency regulations and the best practice criteria applied in the resolutions issued by this department during the corresponding year.



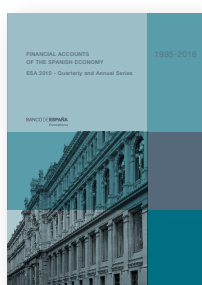
Central Balance Sheet Data Office. Annual results of non-financial corporations

This publication contains the last ten years' aggregate data of non-financial corporations and listed and unlisted corporate groups (balance sheets, income statements, employment and wages, ratios, etc.) and information compared with that of other European central balance sheet data offices.



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. The accounts have been prepared in accordance with the internal accounting rules and principles of the Banco de España. These rules and principles are based on the accounting framework established for national central banks of the ESCB.



Financial Accounts of the Spanish Economy

The *Financial Accounts of the Spanish Economy* form part of the Spanish System of National Accounts and are the statistical basis for the financial analyses of the economy, including those contained in the Banco de España's *Annual Report* and in its quarterly reports on the Spanish economy. This publication is divided into two chapters: the first summarises the non-financial national accounts prepared by the Spanish National Statistics Institute (INE, by its Spanish abbreviation), and the second focuses on the financial balance sheets and financial transactions accounts for the sectors and sub-sectors of the Spanish economy.

4.2 Other publications

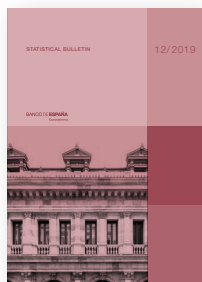
In addition to the publications described in section 4.1 above, the Banco de España publishes, with varying frequency, other documents, bulletins and reviews, which notably include the following:



Economic Bulletin

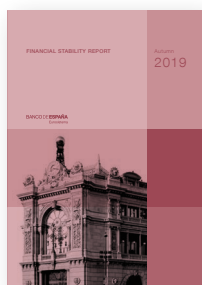
The *Economic Bulletin* is published quarterly and presents the key messages relating to the macroeconomic performance of the Spanish economy. This publication comprises the “Quarterly Report on the Spanish Economy”, and a list of links for electronic access to the Analytical Articles and Economic Notes published during the related quarter on the Bank’s website.

The Quarterly Report analyses recent developments in the Spanish economy, within the international and euro area context. The Analytical Articles present various subjects relating to the economy and finances of Spain, the euro area and the international environment. The Economic Notes focus on specific topics, linked both to the economic outlook and to methodological and statistical issues.



Statistical Bulletin

The *Statistical Bulletin*, which is issued every month in electronic format, contains the different economic statistics compiled by the Banco de España (on the credit system, other financial institutions, financial markets, general government and the balance of payments), a summary of general economic statistics, compiled by the INE and other public bodies, and a set of indicators for other countries.



Financial Stability Report

This is a half-yearly publication that analyses the specific 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 also presents the Banco de España’s macroprudential policy and measures.



Financial Stability Review

The *Financial Stability Review* is a half-yearly publication that aims to act as a platform for communication and dialogue regarding issues related to financial stability, with a particular focus on prudential regulation and supervision. It is an open publication, accommodating personal collaborations by financial sector researchers and professionals which are subject to an anonymous referee process.



Research Update

The *Research Update* provides a brief summary, every six months, of research activities at the Banco de España. It is targeted at the international research community, and is therefore published in English.

4.3 The Transparency Portal and requests for 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.

Specifically, the law stipulates that the Banco de España shall regularly publish a range of up-to-date information (commitment to inform citizens) and respond to the public's requests for information, thus providing a mechanism for ensuring transparency as a public institution.

a) The Transparency Portal

The Banco de España has addressed its commitment to inform citizens by creating a Transparency Portal on its website (<https://www.bde.es/bde/en/secciones/sobreelbanco/Transparencia/>), 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 calendars 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 related to the drafting of legal provisions. It includes circulars, documents subject to public consultation, reports, technical applications and guidelines prepared by the institution,

60 YEARS ON FROM THE 1959 STABILISATION PLAN. THE BANCO DE ESPAÑA AS ECONOMIC POLICY ADVISER

The year 2019 marked the 60th anniversary of the 1959 Stabilisation Plan. The Banco de España Barcelona branch staged a commemorative ceremony at which an extensive number of specialist historians and the Governor, Pablo Hernández de Cos, were present.

The Stabilisation Plan, in which the Banco de España and the then-director of its Research Department – Joan Sardà – were key players, entailed the implementation of a series of monetary, financial and external openness policy measures. These allowed Spain to emerge from autarky and international isolation, and to begin a process of liberalisation and opening-up of the economy,

unprecedentedly paving the way for an improvement in Spaniards' standard of living.

The contribution of the Banco de España, personified in the figure of Joan Sardà, to the success of the Stabilisation Plan is a significant example of its advisory role in economic policy decision-making. In this respect, it is worth pointing out that this advisory role of the Banco de España in these areas, expressly included in its 1994 Law of Autonomy (still in force), was reflected in earlier legislation, such as the 1980 Law on the Governing Bodies of the Banco de España and the 1962 Decree-Law on the nationalisation and reorganisation of the Bank.



October 1964 meeting of the Federation of North American Financial Analysts in the Salón de Actos conference room of the Banco de España in Madrid. Joan Sardà led the colloquium on the Spanish banking system (left). The Governor of the Banco de España, Pablo Hernández de Cos, visiting the exhibition following the opening of the commemorative ceremony marking the 60th anniversary of the 1959 Stabilisation Plan, on the Barcelona branch premises (right).

and documents issued by international organisations within the framework of collaboration with 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 management, conflicts of interest of public employees, fixed assets and official vehicles, and the institution's historical and art heritage.



The Governor of the Banco de España, Pablo Hernández de Cos, after receiving the 2019 "Tintero" award from the Spanish Association of Financial Journalists (APIE, by its Spanish abbreviation).

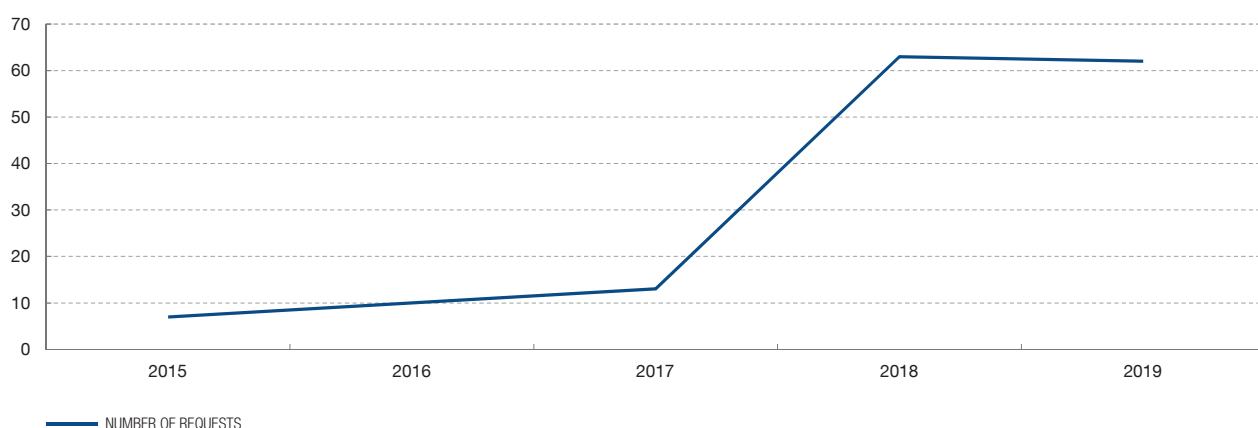
The Banco de España's Transparency Portal provides up-to-date information on the Bank's structure, on how it is organised and operates, along with a wealth of economic information about its annual accounts, budgets, procurement, agreements, etc. Moreover, it contains all the legal provisions currently being drafted, for consultation by the general public.

b) Citizens' right of access to public information

Citizens have access to the public information held by the Banco de España, that is, to content or documents, whatever their format (hard copy or digital), prepared or acquired by the Banco de España, with regard to the activities it pursues that are regulated by administrative law.

In 2019, citizens submitted 62 requests for access to public information held by the Banco de España, thus consolidating the notable increase in such requests recorded in the previous year. In line with data published in 2018, a large proportion of the requests for access to public information received by the Banco de España in 2019 referred to the different aspects of the resolution of Banco Popular Español, SA.

Chart 1.6

REQUESTS FOR ACCESS TO PUBLIC INFORMATION

SOURCE: Banco de España.

4.4 Relationship with the Spanish Parliament and calendars of the Governor and Deputy Governor

Pursuant to applicable regulations, the Banco de España must submit some of its regular reports and publications to the Spanish Parliament. In addition, as established in the Law of Autonomy, the Governor, as the representative of the Banco de España, regularly appears before the Spanish Parliament, where he also presents the *Annual Report*, a publication through which the Bank contributes to the dissemination of its economic analyses.

In 2019, the Governor appeared before Parliament on only one occasion, that is, on 28 January, before the Spanish Parliamentary Budget Committee and in relation to the draft State Budget for 2019. Given the changes in the schedule of parliamentary sessions in 2019, resulting from the general election process and the actual workings of Parliament and its committees, the *Annual Report* was not presented and other regular appearances did not take place.

Lastly, in order to broaden and strengthen the transparency of its public activities and public control of its actions, and to guarantee citizens' right of access to public information, the Banco de España has, since January 2019, published the calendars of the Governor and the Deputy Governor every month, on its website's Transparency Portal. These calendars provide information about institutional meetings, appearances, conferences, speeches and meetings with third parties (including the media), unless the dissemination of such information should be considered harmful to the public interest.

STRATEGIC PLAN

With the aim of contributing to the better fulfilment of its functions, in an increasingly changing economic, social and technological setting, in 2019 the Banco de España set about preparing a strategic plan to promote citizens' knowledge of the mission, vision and values of the

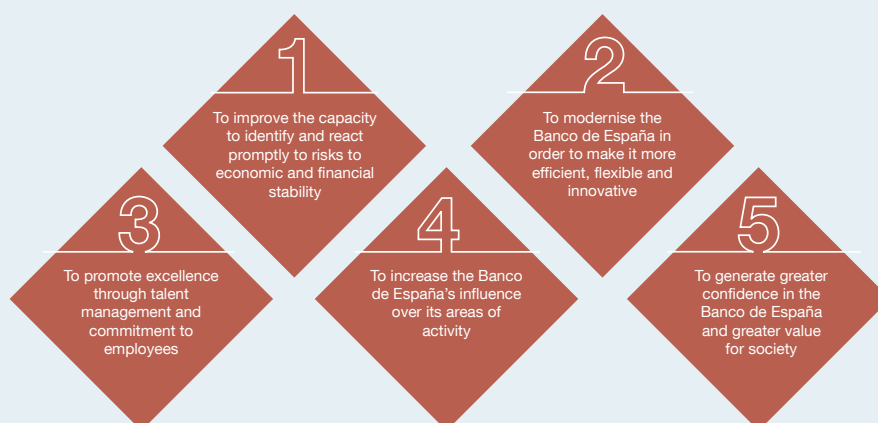
institution. To this end, on 9 January 2020 the Governing Council approved the Strategic Plan 2024. The plan defines five objectives to be attained and which will be pursued through various projects and initiatives, in which the members of the organisation will be involved.

MISSION

The mission of the Banco de España is to support stable economic growth. To this end, it pursues both price and financial system stability and, through its analysis, contributes towards other economic policy-making

VISION

An outstanding and dynamic central bank committed to society

VALUES**INDEPENDENCE****PUBLIC SERVICE****TRANSPARENCY****INTEGRITY****EXCELLENCE****STRATEGIC OBJECTIVES**



2

MAIN ACTIVITIES

SINGLE SUPERVISORY MECHANISM

The SSM supervises
117 significant institutions,
12 of which are Spanish

ECONOMIC ANALYSIS

48 Working Papers
16 Occasional Papers
63 articles in academic journals

OFFICIAL REGISTERS

393 institutions with an establishment
in Spain
1,336 institutions without an
establishment in Spain

REGULATION

The Banco de España approved
4 external circulars in 2019

END OF EXCHANGE OF PESETAS FOR EURO

The period for exchanging pesetas
for euro ends on **31 December 2020**

COMPLAINTS

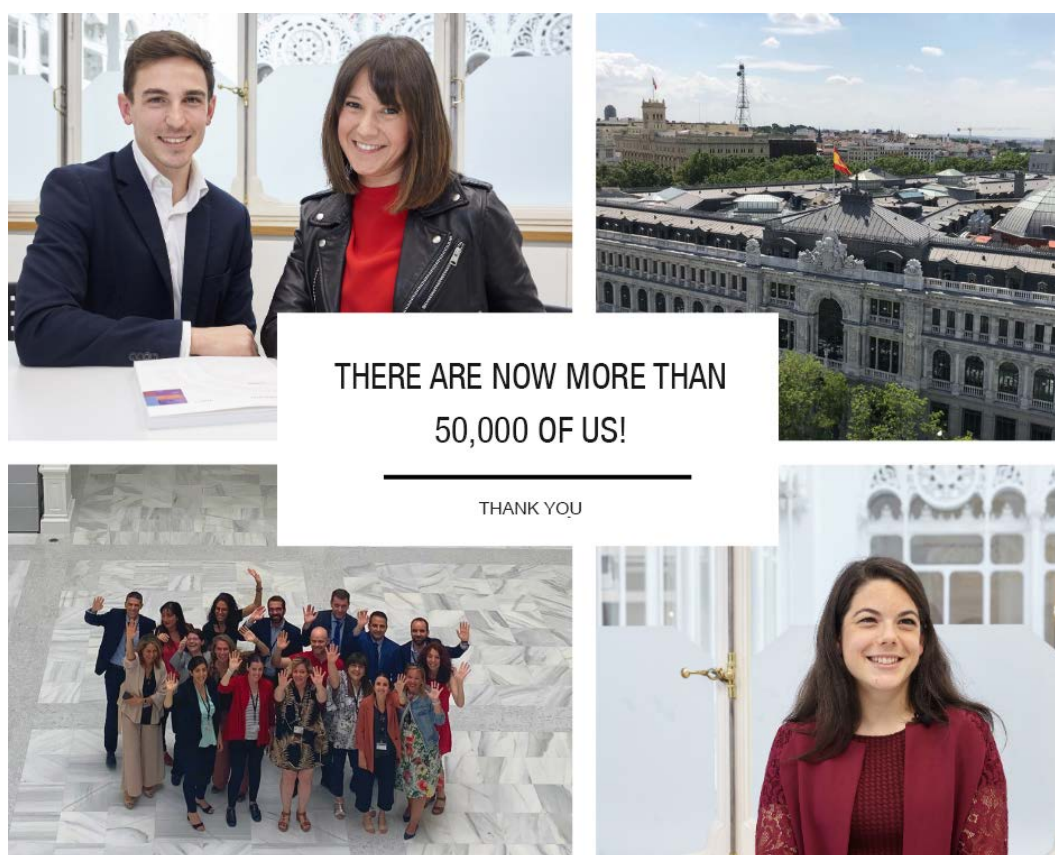
14,641 complaints were filed
by users of bank services

1 INTERNAL ORGANISATION AND ADMINISTRATION

1.1 Main activities of internal services

To improve its staff selection procedures, the Bank continues to prioritise the development and dissemination of the Banco de España brand as an employer. In this context, the activities carried out in 2019 are noteworthy. The Bank's presence and activity on LinkedIn were increased, through more frequent posts (72) that had a greater variety of content, including information of general interest, unrelated to job offers. As a result, the number of followers increased by 46% (to more than 54,000 followers). Also, the channels for disseminating job offers, like Twitter, were expanded.

More than 8,400 job applications were received in 2019 in the Bank's selection processes for permanent and temporary employees. A total of 190 permanent employees were recruited, of which 36 were administrative staff and employees for various support services, and 154 were managerial staff, mainly senior specialists and specialists.



The Banco de España's LinkedIn account had more than 54,000 followers at the end of 2019.

The Bank continued to act as a beacon in its collaboration with university internship programmes, hosting 135 interns during the academic year. Worth highlighting, in this respect, is the prize awarded by the Economics and Business and Documentation Sciences faculties of the Complutense University of Madrid, in recognition of the Banco de España's efforts to forge closer links between academic education and its practical application in the employment sphere and to foster talent and skills in the corporate sphere.

In the same vein, of making the Bank and its activities more accessible to the public, staff were given more protagonism as "brand ambassadors", with direct involvement in the development and publicising of the Bank's employer value proposition and in the Bank's relationship with universities and employment forums.

In 2019, 95.8% of employees participated in some kind of training activity, committing on average a total of 28 hours to such activities. The range of training activities was expanded by 51%, although the average duration of each activity was slightly reduced, to 3.5 hours. Thus, more training took place, in the form of more specialised courses designed to meet the specific training needs of staff members. In particular, skills training was increased, to foster the development of competencies such as leadership, time management, productivity and teamwork.

In 2019, the second edition of the management development programmes was held, with the aim of aligning the management style of middle managers and experts with the Banco de España's dictionary of competencies, and therefore with a management model based on empowering and collaborative leadership. 101 employees participated in these programmes.

Also, internal mobility continued to be promoted, with the publication of vacancies, which aroused considerable interest among employees.

Lastly in this area, employees' international mobility continued to be promoted and, at the end of 2019, 178 persons were working at other organisations.

Turning to other areas, teleworking, based on the use of new technologies, continued to be rolled out to an ever larger group of staff; its implementation has contributed to improving employees' work-life balance and boosting productivity and motivation, while enhancing management systems and organisational structures.

Although no collective bargaining agreement was reached in 2019, Banco de España employees' 2019 salaries were raised in line with the wage increase agreed for the civil service. In relation to the collective agreement under negotiation, the Bank proposed an important update, to modernise and increase the flexibility of the internal employment framework, so as to adapt it to the current requirements of the institution and its employees.

The Banco de España has for many years organised a programme of internships for university students during the academic year. In 2019, 135 internships were arranged as part of this programme.

At the same time, employees' international mobility continued to be promoted and, at the end of 2019, 178 persons were working at international organisations, 13 temporarily and 165 on unpaid leave. Also, another 18 Bank employees are working at other public sector entities and agencies, 7 of them temporarily and 11 on unpaid leave. Finally, 82 Bank employees are currently assigned to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

Turning to information systems, notable were the introduction of new working methods (Agile Methodology, Application Life Cycle, Software Development Quality Plan, etc.) and projects relating to the replacement of one of the Banco de España's data processing centres. Also, important technological and organisational measures were implemented to achieve the degree of cyber resilience needed to protect the Banco de España from growing cyber threats.

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. The launch of the European central credit register (AnaCredit), in collaboration with two other central banks, should be highlighted.

One of the main actions in the Cibeles building was the project to restore the vaulting of the main staircase. This consisted in ensuring the stability of the plastering and of the ornamental mouldings of the interior of the vaulting, in addition to its restoration, cleaning and painting. In June, work commenced on the construction of a new data processing centre, which, given the extent of the work, will affect at least three different financial years.

The two Madrid buildings and the branches have been included in the facade conservation plans. A review timetable has been drawn up, while the reviews carried out last year have led to new restoration projects, which are currently subject to a tendering process.

One of the projects completed in 2018 (the restoration and refurbishment of the library by the architect Matilde Peralta del Amo) was awarded a prize for interior design by Fostering Arts and Design (FAD). The FAD architecture and interior design prizes, promoted by the architect Oriol Bohigas, have been celebrating, year after year, the best architectural work since 1958.



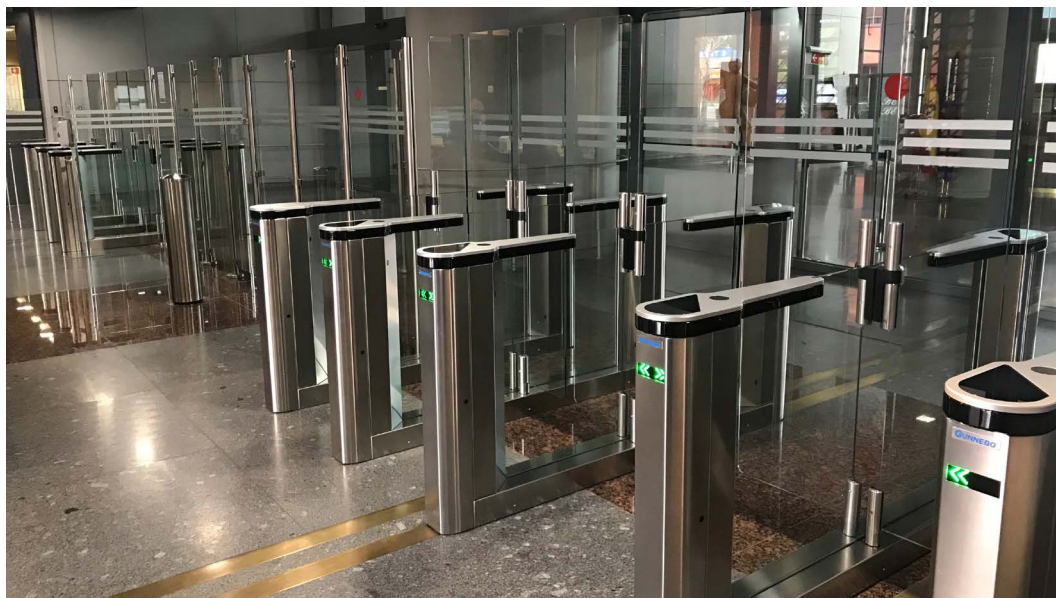
View of the vaulting of the main Paseo del Prado staircase, from the gallery.

Energy efficiency projects continue to be in the process of design and implementation, at both the Madrid buildings and at branches. Energy efficiency is considered in all spatial reforms and building work, while new LED lighting systems have been installed in Module C of the building at Calle de Alcalá 522, and energy efficiency projects have been developed for other spaces in various buildings.

Measures taken to enhance and restore our headquarters (the well-known Plaza de Cibeles building) in 2019 included restoration of the vaulting of the main staircase.

Also in 2019, the restoration and refurbishment of the Bank's library, completed in 2018, was awarded the interior design prize by the association Fostering Arts and Design (FAD).

Progress has also been made on accessibility solutions for persons with reduced mobility. Recent work on lifts has taken into consideration measures to facilitate their use by persons with reduced mobility, as also has the renovation of bathrooms and changing rooms, which incorporate accessibility solutions wherever possible.



Access control speed gates in the Banco de España's building at Calle de Alcalá 522.

Lastly, as in previous years, work has been carried out on the security facilities of our buildings, including those for cash transport and for access control, the recent completion of the speed gate system for access to the building at Calle de Alcalá 522 being a case in point.

1.2 Activity of branch offices

In 2019, the Banco de España continued the process (commenced in 2016) of renewing the banknote handling and sorting machines used at its 15 branch offices, with the installation of new sorters, briquetting systems and automatic weighing and packaging equipment. This project modernises and automates banknote management-related processes, increasing their security and efficiency.

In coordination with the central office departments, the inspection of the operational centres of the Banco de España ancillary banknote deposit system continued.

Also, the branch offices took part in the launch campaign for the new Europa series €100 and €200 banknotes.

Apart from their functions relating to cash distribution and processing, the branches continued to provide support to the different departments of the Bank by offering various decentralised services to the government and to the public. Notable among others are: the exchange of pesetas for euro, the exchange of damaged banknotes and coins, public debt subscription, responding to complaints, receiving requests for Central Credit Register reports and collaboration with the Central Balance Sheet Data Office. In the area of financial education and



Governing Council meeting held on 28 May 2019 at the branch offices of the Banco de España in Oviedo.

training, the branches hosted visits from 545 schools and more than 14,000 students during the year.

Meetings of the Governing Council and of the Executive Commission of the Banco de España were held on 28 May 2019 at the branch offices of the Bank in Oviedo, following the custom established in recent years of some meetings being held at branch offices.

At this meeting the Governing Council approved the *Annual Report* and met representatives of institutions, businesses and other important sectors of the Asturias region. Also, the Governor met the president of the regional government and gave a speech in the historic Oviedo University assembly hall, to numerous representatives of the region's academic world, in which he analysed the Spanish economy's current situation and outlook.

At the end of 2019, the Banco de España's branch offices employed 442 staff. There is a director in charge of each branch, who represents the Banco de España and is responsible for its facilities and administrative and support services. Two units report to the director: Cash-Operations, which carries out cash and bank operations, and Financial Control, which audits and accounts for such operations.

2.1 Economics and Research

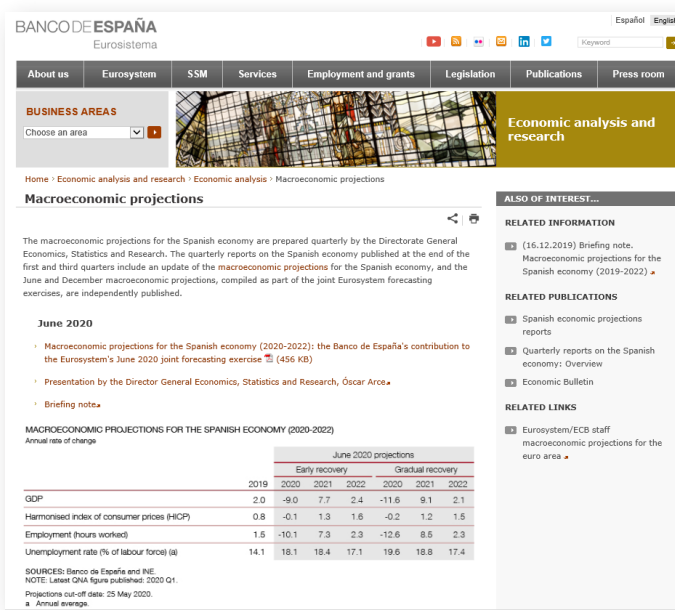
The activity of the Banco de España in 2019 in the area of economic research and analysis is reflected in various publications and projections:

- A total of 48 Working Papers and 16 Occasional Papers were published. As regards external publications, a total of 32 articles by Banco de España staff were published in anonymously refereed academic and professional journals, and another 31 articles were accepted and are pending publication. A further 28 articles were published in other journals and books, and another four are 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.

The Banco de España publishes its macroeconomic projections on a quarterly basis, providing its view of the economic outlook for the next three years.

It also publishes every six months the *Financial Stability Report*, which reviews the main risks to financial stability, analyses the resilience of banks and considers the potential macroprudential policy responses.

- The Banco de España publishes its macroeconomic projections for the Spanish economy on a quarterly basis, which provide its view of the economic outlook over a horizon of around three years. On the day of their release, these projections are presented to the media at a press conference and published on social media. 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 in the *Economic Bulletin*, in one of the special boxes included in the “Quarterly report on the Spanish economy”, a report that presents the most recent developments in the Spanish economy and its external environment.



The Banco de España publishes its macroeconomic projections for the Spanish economy on a quarterly basis, presenting them to the media and publishing them on its website and on social media.

- Apart from the “Quarterly report on the Spanish economy”, the *Economic Bulletin*, which has been published four times a year since 2017, also includes links to the publications in the Analytical Articles and Economic Notes series that have appeared during the quarter. 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 2019, a total of 38 Analytical Articles and 8 Economic Notes were published.
- Every six months (in the spring and autumn), the Banco de España publishes the *Financial Stability Report*, which reviews the main risks to financial stability, analyses the resilience of banks and considers the potential macroprudential policy responses, where necessary.
- The *Financial Stability Review* is also published half-yearly; in 2019 it included 17 articles by in-house and external researchers. One of the subjects gaining some renown in the Review relates to climate change issues and their interaction with the financial system.

Research activity in 2009 covered a broad range of areas, including the following: i) analysis of the Spanish economy; ii) analysis of the euro area economy; iii) international issues; iv) financial issues; v) monetary policy; vi) microeconomic issues; and vii) macroprudential policy and financial stability.



The director of the CEMFI, Rafael Repullo, with Lars Peter Hansen, of the University of Chicago, at the Second Conference on Financial Stability, held at the headquarters of the Banco de España.

As regards the focus of economic research and analysis during the year, a wide range of areas can be mentioned:

- In relation to analysis of the Spanish economy, notable were the characterisation of recent developments in the housing market, and in particular, in the rental market, house price developments across provinces and the divergence of such prices from long-term equilibrium levels, and the estimation of models of expected growth in real estate asset prices. Also, studies were carried out in 2019 of the effects of the rise in the minimum wage on the labour market, the relationship between private consumption and employment during the recovery, the impact of protectionist measures on the sales of Spanish exporting firms and the impact on Spanish economic growth of various Brexit scenarios. In addition, progress was made in the regional dimension of analysis of the Spanish economy, with the development of tools to estimate short-term regional GDP, the study of local government finances and the analysis of the differences in business cycles across European regions. Among the advances made in the area of macroeconomic modelling, tools were developed to detect turning points and to estimate recession probabilities, and various general equilibrium models of the Spanish economy were launched, which have been used to analyse issues such as monetary policy design and the effects of negative interest rates.
- In the case of the euro area, notable efforts were made to study the role of the external sector in the macroeconomic adjustment process in euro area

countries and inflation dynamics. In particular, in this latter area, the Banco de España, in collaboration with the ECB, led research into the inflation effects of euro exchange rate movements, promoted by the Eurosystem's Monetary Policy Committee. The governance reform currently under way in the Monetary Union also required special attention, particularly in relation to the need to complete the Banking Union and for progress towards Fiscal Union.

- In the international area, the analytical work focused on improving understanding of the effects of increased protectionism on the EU economies and world trade, and on the Brexit process. Thus, the Banco de España continues to lead, in collaboration with the Banca d'Italia, analysis of the economic and trade effects of Brexit, carried out by the Eurosystem's International Relations Committee. Other research projects, included, *inter alia*, the effects of the slowdown in China on world growth and, in particular, on the Latin American economies; the determinants of capital flows to emerging economies; the process under way at the US Federal Reserve to review the monetary policy framework; the relationship between growth, institutional quality and financial development in middle-income countries; and the international transmission of monetary policy shocks. The short-term forecasting models for the euro area and the emerging economies relevant to Spain were reviewed and two econometric models, one to validate the analysis of the vulnerabilities of these economies and the other to validate global interdependencies, are under development.
- With regard to research on financial issues, the following areas were analysed in 2019: the impact of the ECB's targeted longer-term refinancing operations (TLTROs) on euro area banks' lending policies; Spanish banks' internationalisation strategies and comparison with other areas; the effects on lending and financial stability of Spanish banking system consolidation; changes in the supply of credit by banks in the context of negative interest rates; the financing channels of Spanish banks through affiliated investment funds; the effects of macroprudential regulation on the capital ratios of euro area banks; and developments in financing and bank lending to the non-financial private sector in Spain.
- Research in the area of monetary policy focused on its medium and long-term design, the analysis of its impact on business investment and financing, the international transmission of monetary policy and its interaction with the global financial cycle, the identification of monetary policy shocks, the role of asset reinvestment and forward guidance when the asset purchase programmes have been completed and optimal public debt management by maturity.
- As regards microeconomic research, the main contributions can be grouped into seven major areas. In the area of household decisions, the theoretical

and empirical modelling of the response of household spending to changes in credit conditions should be noted. In relation to firms' decisions, the measurement and behaviour of mark-ups was analysed, as well as the effect of competition on price discrimination. Third, research continues on the measurement of the inequality of opportunities for men and women in central banks and in academia. Fourth, the aggregate consequences of demographic changes and robotisation on employment and output were modelled. Fifth, in relation to the labour market, the behaviour of certain important population groups, such as the young, the elderly and the self-employed was described, and the consequences of certain labour policy proposals, such as the increase in the national minimum wage and employment subsidies, were analysed using individual data. Sixth, with regard to housing-related policies, a compendium was prepared that describes the most relevant rental-market policies and their effects, with an international comparison, as well as the differences in the regulation of appraisal activity internationally. Finally, the micro-simulation tools for the analysis of personal income tax and VAT were updated and progress was made creating another tool for unemployment benefit and pensions.

- In the area of macroprudential policy and financial stability, research covered a range of areas. On one hand, the role played by the conditions of loans in the probability of mortgage defaults to activate the macroprudential tools that affect borrowers was analysed. Also, the early warning properties of certain systemic risk indicators providing information for calibration of the countercyclical capital buffer were reviewed. In addition, the factors determining bank productivity and the optimum level of capital banks should hold to absorb shocks was investigated. Finally, the relevance of market liquidity to financial stability was also analysed.

These are some examples of the economic analyses carried out in 2019:

- The Spanish Survey of Household Finances (EFF, by its Spanish abbreviation) 2017: methods, results and changes since 2014.
- Lending policy adjustments in the context of negative interest rates.
- The characterisation of recent housing market developments (in particular, in the rental market), and house price developments across provinces.
- The study of the effects of the minimum wage increase on the labour market.
- The analysis of the economic and commercial effects of Brexit.

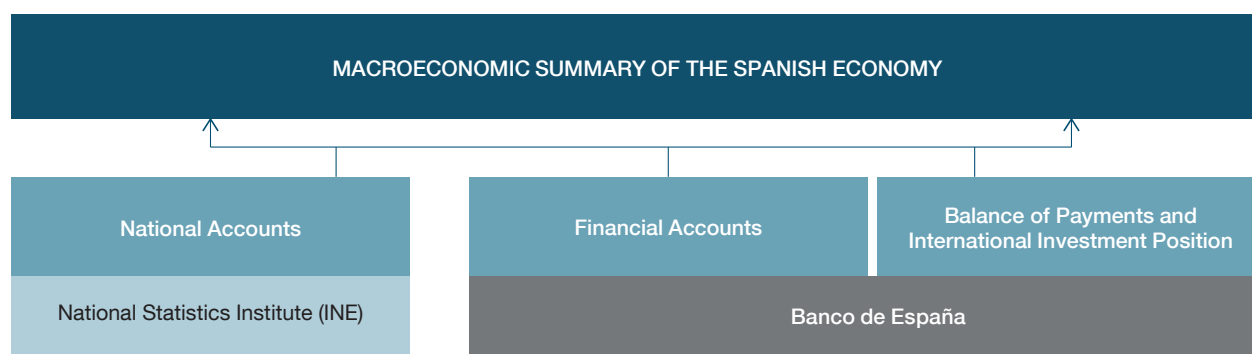
2.2 Statistics

Statistical activity during the year was along two specific avenues: the benchmark revision of the macroeconomic statistics and improved service for users.

- In 2019 the Banco de España undertook a benchmark revision of the official macroeconomic statistics under its responsibility (Financial Accounts, Public Debt, Balance of Payments, International Investment Position and External Debt), in compliance with European agreements on revisions of these statistics. These benchmark revisions may include new sources and changes in methodology, and are carried out every five years. The Banco de España and INE have worked closely and in coordination on this revision. As a result, for the first time ever, full consistency has been achieved between the Balance of Payments and National Accounts statistics. This has been a priority goal at the European level which, to date, has been achieved in only a few countries. In parallel, explanatory notes have been published, both in advance (to warn users) and simultaneously with the revision, including the main results and explaining the methodology in detail. The changes introduced have led to better-quality macroeconomic statistics that are better adapted to international standards and more consistent.
- There was a drive to improve the service offered to Banco de España statistics users in 2019. Between 2018 and 2019, the Bank undertook a series of actions to compile the opinions of users, whose needs have been considered in the implementation of these improvements. They are mainly three-pronged: access to microdata, the reorganisation of the information in the Statistics website section and the availability to users of interactive tools to view the data.

Figure 2.1

THE CONSISTENCY OF SPANISH MACROECONOMIC STATISTICS



SOURCE: Banco de España.



BELab, the data laboratory room, located in the Banco de España building on Calle de Alcalá 522, Madrid.

- Regarding microdata, the Banco de España launched its data laboratory, BELab. Its aim is to offer access to researchers to microdata (or itemised data), in line with a practice set in place in other central banks and institutions. For access to the data, a physically secure data room has been constructed, isolated from the rest of the Banco de España's IT work sites. Initially, accessible data will be those in the Central Balance Sheet Date Office¹, although the laboratory's stated mission is to extend the databases available to users and the means of access.

Also in relation to microdata, there was significant headway in 2019 in two surveys of the Spanish population: the Survey of Household Finances (EFF) and the Survey of Financial Competences (ECF, by its Spanish abbreviation). Concerning the EFF, the data editing process has concluded, as has the allocation of the main variables of the EFF 2017. The main results of this survey were published in late 2019, and the data from the EFF 2014 and 2017 waves were forwarded to the ECB as part of the Spanish contribution to the *Household Finance and Consumption Survey*. Further, revision and programming work has begun on the EFF 2020 questionnaire. As regards the ECF, all its microeconomic data have been made available to researchers.

- The Statistics website section has been revamped, with the aim of offering users more straightforward access to the information. The section is now organised on the basis of subjects, which are identified by an icon as well as by their name. The content under each subject has been standardised.

¹ https://www.bde.es/bde/en/areas/analisis-economi/otros/que-es-belab/Que_es_BELab___fase_piloto_.html.

(Updated information, March 2020)

By sub-sector

2019/Q3

| Sub-sector | Millions of euro | % of GDP mp |
|-----------------------------------|------------------|---------------|
| Central government | 1.070.283 | 86,7 % |
| Regional (autonomous) governments | 298.076 | 24,1 % |
| Local governments | 25.244 | 2,0 % |
| Social security funds | 52.445 | 4,2 % |
| Consolidation | -242.230 | -19,6 % |
| Total | 1.203.819 | 97,5 % |

→ Reg. (aut.) gvt. Breakdown

→ Local gvt. Breakdown

Changes over time

Select unit

Percentage of GDP mp

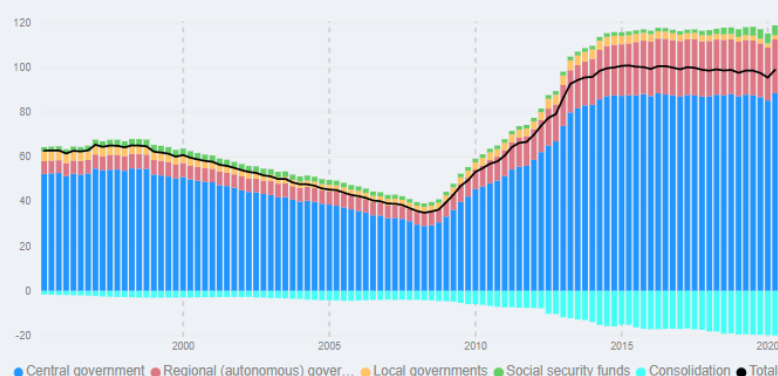
Millions of euro

Year-on-year growth rates

Select dates

1995

2020



The publication of interactive charts and maps relating to the Public Debt statistic has begun. Access can be had from the Statistics website section using the BExplora icon.

As a result, users will always find the information organised in the same way, irrespective of the subject selected. The renewal of the website has also seen graphical features incorporated for the most significant series, and it continues under way, with the integration of additional functionalities.

The publication of interactive tables has also begun, including the Public Debt statistic, under the BExplora brand name. These tools enhance user accessibility to data and the information they contain.

As regards the dissemination of the Banco de España's statistical activity, media relations have been stepped up by means of several briefing sessions, the aim of which is to explain methodological issues that make for easier interpretation of the statistics produced by the Bank and to present the tools available for consulting the information.

One of the main functions of the Banco de España is to provide useful data, indicators and statistics for economic analysis, thereby contributing to the decision-making of the Bank itself, of the ESCB and of other national and international agencies. This information is also of great relevance for researchers and the public at large.

In some cases, statistics are prepared based on the information the Bank itself draws from agents (such as credit institutions and non-financial corporations). In other instances the underlying information is from other institutions (such as INE and the CNMV). For most

statistics, compilation procedures follow internationally set methodologies or regulations specified by the Eurosystem for statistical production, on the definition of which the Bank actively collaborates. Indeed, the Banco de España participates in numerous international working groups that analyse which statistics need compiling, at what level of detail, how the concepts they incorporate are defined and which are the most appropriate information sources and methods in this connection. The outcome is ultimately reflected in standards set by the IMF and the OECD and, at the European level, the Parliament, the European Commission and the ECB. Nationally, there is

Statistics by subject



Financial accounts

Financial accounts of institutional sectors



Financial corporations

Monetary and non-monetary financial institutions



General Government

Debt and deficit according to the EDP and other public sector statistics.



Non-financial corporations

Central Balance Sheet Data Office's non-financial corporation statistics



External statistics

Balance of payments, international investment position and other external statistics



Surveys of households and individuals

Spanish Survey of Household Finances and Survey of Financial Competences



Financial markets

Securities, currency and derivatives financial markets



General economic statistics

General economic statistics and indicators



Interest rates

Legal, benchmark and market interest rates



Exchange rates

Rates of exchange and competitiveness indexes



Payment systems

Statistics on payment systems



Financial and prudential information from credit institutions

Balance sheet, profit and loss, and other information on a consolidated basis

close collaboration with other institutions (largely under the National Statistical Plan), which ensures the optimal distribution of tasks and consistency across statistical products.

Within the financial sector, the Bank's statistics offer detailed information on the activity of financial institutions and financial markets. They further track exchange rates and interest rates, both legal rates and benchmark rates (used, above all, in loan agreements), and the interest rates applied by financial institutions to their customers. The payment systems used and the financial and prudential information on credit institutions are also integrated into the extensive list of statistics produced and disseminated by the Banco de España.

Notable among the macroeconomic statistics prepared by the Bank are the financial accounts. These record all the financial transactions and financial positions between

the resident sectors of the domestic economy, and between the latter and the rest of the world. The Bank also compiles the Balance of Payments and the International Investment Position, which are statistics that relate to Spain's foreign transactions and to Spanish agents' balances with the rest of the world. In the general government area, the Public Debt according to the Excessive Deficit Protocol statistic is fundamental for monitoring fiscal sustainability. Further, the Banco de España compiles information on households: the Spanish Survey of Household Finances (EFF) includes information on households' saving and investment decisions, while the aim of the Survey of Financial Competences is to measure the adult population's knowledge and understanding of financial concepts. Finally, the Banco de España's statistics offer valuable information on non-financial corporations (individual firms and groups alike) through the databases managed by its Central Balance Sheet Data Office.

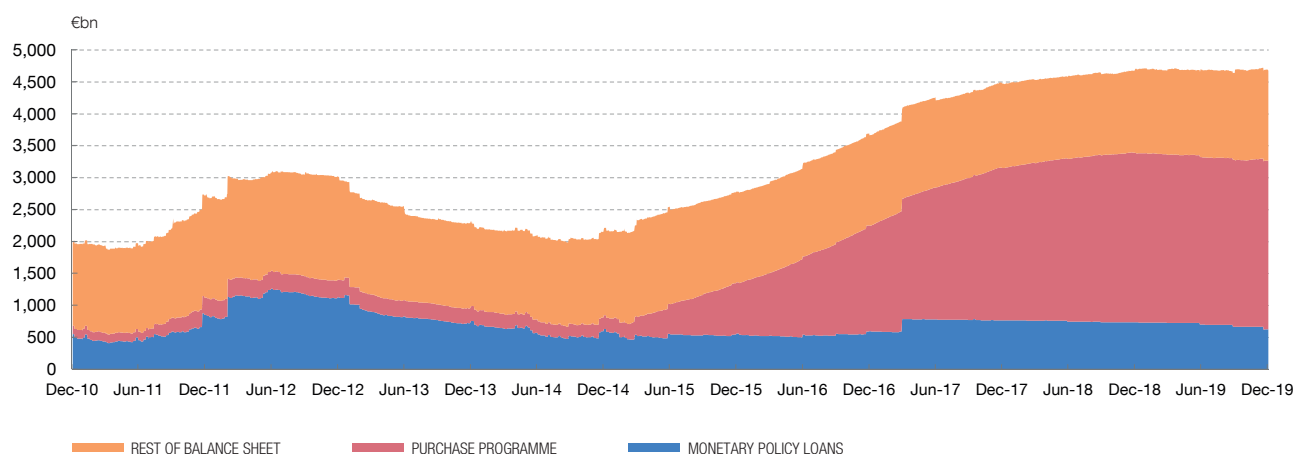
3.1 Monetary policy implementation

In 2019, there were several notable developments in relation to monetary policy implementation. A new targeted longer-term refinancing operation (TLTRO III) was launched, the deposit facility interest rate was reduced by 10 basis points (bp) to -0.50% , and a new reserve remuneration mechanism was introduced. Also, net purchases were restarted under the asset purchase programme.

- As regards liquidity providing operations, the major development was the launch of TLTRO III. This new series consists of seven quarterly three-year operations, with the potential volume of 30% of total eligible loans as at 28 February 2019 (deducting the amount of TLTRO II) and remuneration that can be as low as the average deposit facility interest rate during the life of the operation, depending on the growth of eligible loans. Since June 2018, and in parallel with the new TLTRO III operations, institutions may repay funds allocated under TLTRO II early, so that funds can be transferred from one series to another. In 2019, Spanish institutions repaid €63.9 billion early (the figure for the euro area as a whole was €208.7 billion), while €27.1 billion was allocated to Spanish institutions under TLTRO III (€101.1 billion in the Eurosystem as a whole). In net terms, outstanding amounts were reduced by €36.8 billion in Spain (€106.9 billion in the Eurosystem).
- As regards the setting of key ECB interest rates, it was decided in September 2019 to reduce the deposit facility rate by 10 bp to -0.50% , while keeping the rates applicable to main refinancing operations and to the marginal lending facility unchanged, at 0.00% and 0.25%, respectively.
- At the same time it was decided to implement, from 30 October 2019, a new two-tier system for remunerating excess reserves held in current accounts. One of these tiers receives an improved treatment, since it is no longer remunerated at the deposit facility rate, which currently stands at -0.50% . The Governing Council of the ECB decided that this tier, equal to six times the minimum reserve requirements, should be remunerated at 0%. Both variables (the multiplier and the remuneration) may be changed in future, should the Governing Council consider it appropriate.
- In relation to the asset purchase programmes, in December 2018, the Governing Council of the ECB took the decision to end the net purchase

Chart 2.1

THE EUROSISTEM'S BALANCE SHEET



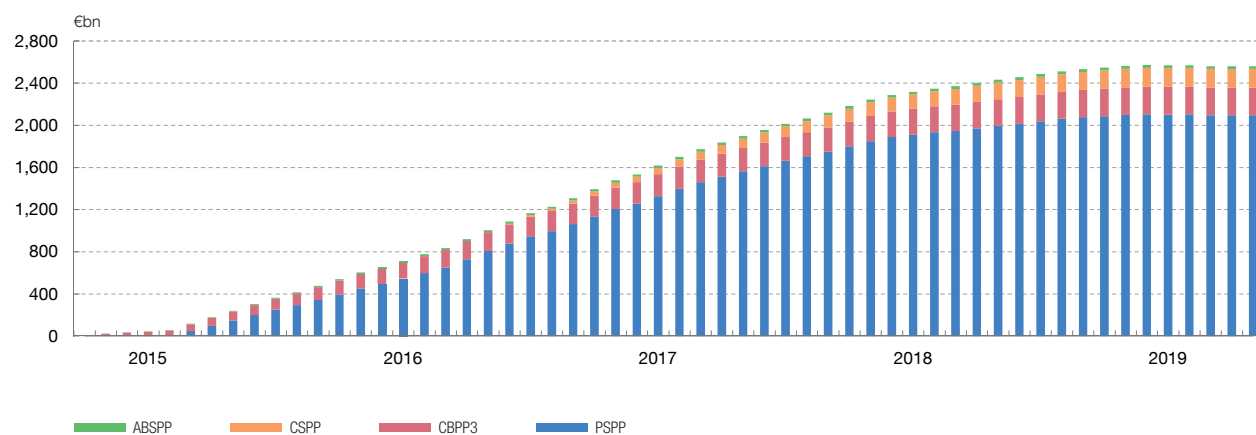
SOURCE: Banco de España.

phase. Between January and October 2019, the Eurosystem reinvested all principal payments on maturing assets in monetary policy portfolios. The intention was to maintain the volume of the assets at the December 2018 levels (see Chart 2.2).

In September 2019, the Governing Council of the ECB decided to restart net purchases as from November 2019, at a rate of €20 billion per month. This phase will continue for as long as necessary to reinforce the

Chart 2.2

CUMULATIVE NET PURCHASES, BY PROGRAMME, AS AT 31.12.2019



SOURCE: European Central Bank.

accommodative impact of the ECB's policy rates, and is expected to end shortly before the ECB starts to raise its key interest rates. It is also intended 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.

Within the monetary policy portfolios, the public sector (PSPP) portfolio continues to be the largest in terms of cumulative volume. As regards the private-sector programmes, the corporate sector purchase programme (CSPP) gained weight relative to 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 repo market tensions at quarter and year ends.

Although they correspond to 2020, it should be noted in any case that the ECB has adopted various monetary policy measures, given the exceptional situation arising from the COVID-19 pandemic, which can be consulted on its website (<https://www.ecb.europa.eu/ecb/html/index.en.html>).

The most notable developments in relation to monetary policy implementation in 2019 were the launch of a new targeted longer-term refinancing operation (TLTRO III), the 10 basis point reduction in the deposit facility interest rate and the introduction of a new reserve remuneration mechanism. Also, net purchases were restarted under the asset purchase programme.

3.2 Asset management

As regards the management of own portfolios, the process of diversification of foreign currency-denominated portfolios and across issuers with high credit ratings was continued in 2019. Notably, the principles of sustainability and responsibility were incorporated as basic principles in the Banco de España's investment policy. Other tasks for third parties continued to be undertaken, 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.

The consequences and transformations wrought by what is known as “climate change” on the development of our societies are among the key factors that should be analysed from any area of economic activity, given their influence on the very sustainability of the social structures and systems currently in place in the 21st century.

In this connection, the contribution the financial sector may make in this global fight against climate change assumes great importance. Admittedly, the sector’s participation has been fairly limited to date, insofar as it was not considered as a direct pollutant and its contribution to these environmental sustainability criteria was understood as something outside its competences.

But this has changed for the sector itself and for the public authorities with competences in the financial field. The turning point was the so-called “Paris Agreement” in 2015, part of the United Nations Convention against climate change, which encompasses, among other issues, the recognition of a direct interest in climate risks on the part of banking regulators and supervisors.

This is so, firstly, because the 2015 Paris Agreement stressed for the first time the importance of the financial system as a point of reference for channelling the resources needed to convert the economy towards a sustainable model. Secondly, in 2018, and as a result of the first report of the Network for Greening the Financial System (NGFS), which draws together central banks and

supervisors from various countries, it was pointed out that climate-related risks were a source of financial risk, and that these monetary and supervisory authorities had to strengthen the system’s solvency in the face of such risks.

This means that the transition process will entail two types of risks to the financial system, which will consequently require different treatment: i) the physical risks caused by the direct effects of climate change on the planet and, therefore, on its economy; and ii) transition risks, referring to the effect that the aforementioned contingencies will have on specific bank borrowers.

The foregoing may also take shape through another specific element of the banking system, namely its contribution to the transition of the economy. This is so given that, if banks incorporate climate risks in terms of cost and capital into their structure and conduct, they indirectly become change “facilitators”, by lowering the cost of the funding of those firms and activities that most contribute to the sustainable transformation of the economy, while discouraging the most polluting activities.

Accordingly, supervisors expect all banks, in the short and medium term, to clearly and resolutely incorporate the environmental dimension into their strategic approach, and also into the analysis and monitoring of risks. This is on the understanding that their contribution to environmental sustainability will be one of the sustaining factors of economic activity.



The Deputy Governor of the Banco de España, Margarita Delgado, at the opening of the conference “Climate Change. Challenges for the Financial System”, organised on the occasion of the Madrid Climate Summit.

The Banco de España incorporated the principles of sustainability and responsibility as basic principles in its investment policy. Also, it continued to exercise strict control over financial risks when managing its portfolios.

In 2019, strict control continued to be exercised over financial risks and the monitoring and measurement of the new risks assumed in monetary policy and own portfolios were incorporated into the process. Financial risks, and credit risk in particular, have declined as a consequence of the improved credit quality of Spanish sovereign debt, reflected in the rating agencies' rating upgrades. The financial hedges to cover the risks assumed have also been increased.

3.3 Payment systems and market infrastructures

In 2019, the Banco de España undertook various actions in relation to the supervision of payment services and of the entities that specialise in their provision: payment institutions, electronic money institutions and account information service providers. Certain processes required to monitor the obligations deriving from Royal Decree-Law 19/2018 on payment services were developed, such as for reporting serious operational and security incidents and fraud data. Also, an ad hoc informal procedure was designed to verify compliance by ASPSPs (account servicing payment service providers) with the conditions established in the legislation for the application programming interfaces (APIs) implemented to give the providers of new payment initiation and account information services (third party providers, TPPs) access to payment accounts; and the process was launched to assess the migration plans of payment service providers for adapting e-commerce card-based payment transactions to the new security requirements (strong customer authentication), under the supervisory flexibility announced by the European Banking Authority (EBA) in its Opinion of 21 June 2019, supplemented by its Opinion of 16 October 2019.

In relation to financial market infrastructures, the Banco de España, under the Eurosystem's Oversight Policy Framework, oversees payment systems and instruments in Spain. In 2019, it carried out oversight tasks in relation to the Spanish retail payment system (the National Electronic Clearing System, SNCE, by its Spanish abbreviation), operated by Iberpay, and the national payment card scheme (Sistema de Tarjetas y Medios de Pago, SA). Also, as a member of the Eurosystem and under the leadership of the ECB as primary overseer, the Banco de España participates in the cooperative oversight of pan-European payment systems (TARGET2, EURO1, STEP2 and RT1), and of payment instruments of the Single Euro Payments Area (SEPA) and of the VISA Europe card scheme. Turning to securities, the Banco de España, within its responsibilities, and acting on behalf of the

Eurosystem (as the central bank of issue and the central bank whose post-trade infrastructures clear and settle the cash leg of its transactions), has undertaken various actions in relation to Iberclear and BME Clearing.

As the operator, the Banco de España manages the Spanish component of the large-value euro payments system TARGET2 (TARGET2-BE). In 2019, TARGET2-BE settled 6,282,368 transactions, with a total value of €16 billion. With respect to 2018, these figures represented an increase of 3.42% in the number of transactions and of 2.17% in their total value.

The Banco de España, as a member of the Eurosystem and under the ECB's leadership, participates in the cooperative oversight of pan-European payment systems (in particular TARGET2, EURO1, STEP2 and RT1), SEPA instruments and the VISA Europe card scheme.

The Banco de España also plays a leading role in the provision of services to the ESCB in relation to financial market infrastructures and the development of platforms shared with other central banks in the market operations area. These activities are performed in conjunction with the central banks of Germany, France and Italy, and contribute notably to the harmonisation and integration of European financial markets. Notable, in this respect, was the work to develop a unified system for managing the collateral in the monetary policy operations of Eurosystem central banks (ECMS), due to be launched in November 2022. Turning to European securities market services, the Banco de España worked on adapting the Eurosystem's TARGET2-Securities (T2S) settlement platform to include a mechanism to calculate penalties for failed settlement instructions. With respect to market operations, the Central Bank of Cyprus selected the common technical platform of the Banco de España and the Banque de France to process market operations (MAPS). This platform offers services including portfolio trading and management, risks, settlement, accounting and reports. Other Eurosystem central banks are evaluating MAPS as an integral solution for their market operations.

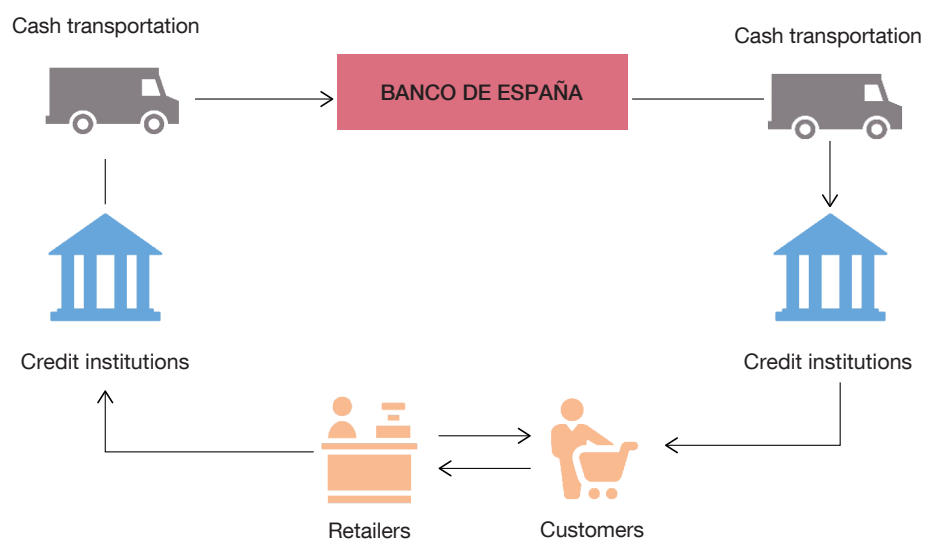
4.1 Banknote and coin management

As a member of the ESCB, the Banco de España, together with the ECB and the other euro area NCBs, is responsible for issuing euro banknotes. It also puts euro coins into circulation, on behalf of the Spanish State, and manages the cash cycle, ensuring that demand for banknotes and coins is met throughout Spain. Lastly, the Banco de España is responsible for safeguarding the integrity of banknotes and coins, by means of controls on the processing and recirculation of cash and the fight against counterfeiting.

Figure 2.2 depicts the cash cycle in Spain.

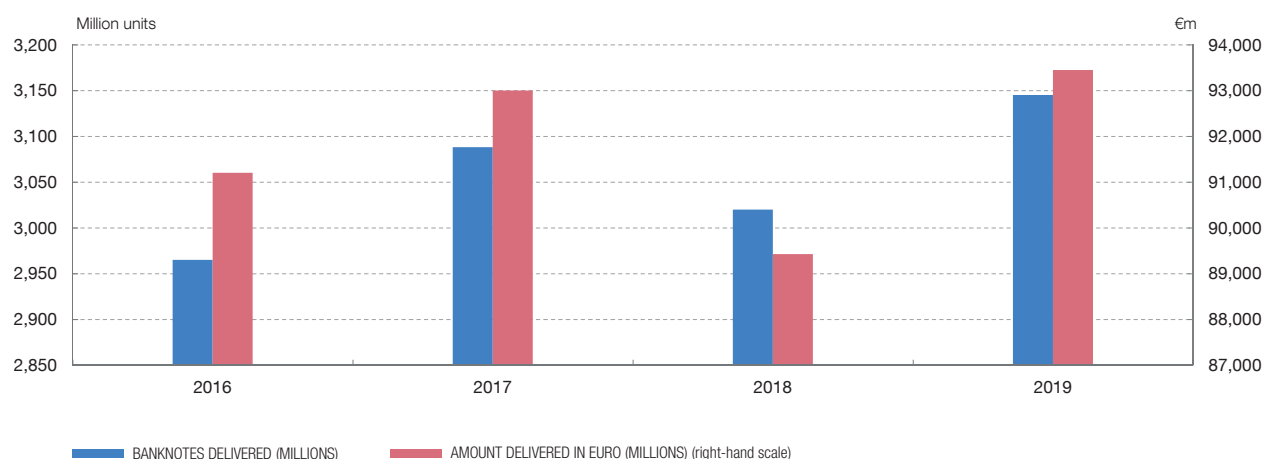
On 28 May 2019 the new Europa series €100 and €200 banknotes were put into circulation, thus completing the series. New and enhanced security features have been added to the new banknotes, incorporating the latest technological advances, to make counterfeiting more difficult. Various events were organised to raise awareness of the new banknotes and their security features, both for professional cash handlers and the general public.

Figure 2.2
CASH CYCLE



SOURCE: Banco de España.

Chart 2.3

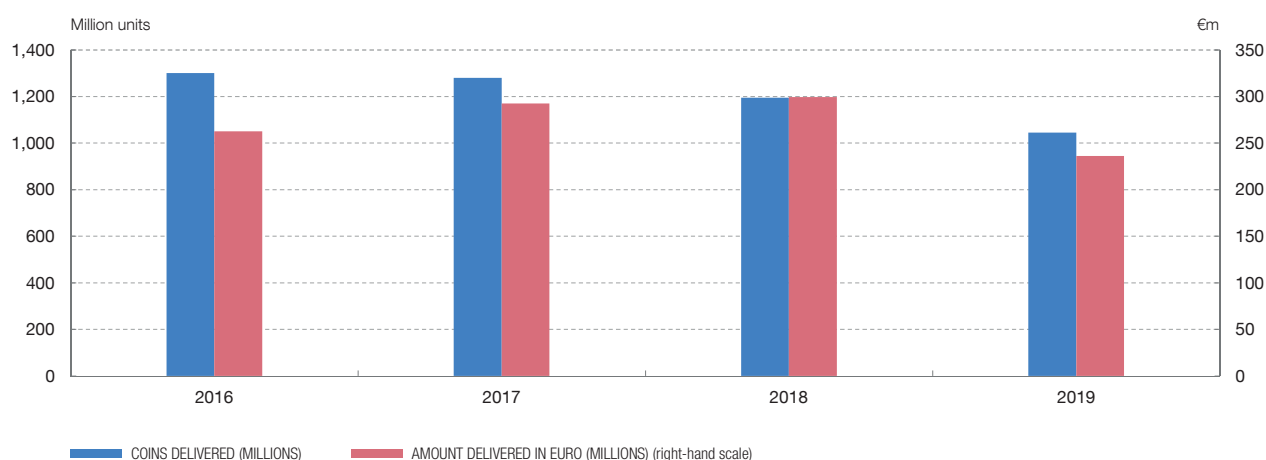
BANKNOTES PUT INTO CIRCULATION BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

In 2019 credit institutions demanded a total of 3,145 million banknotes, amounting to €93,446 million. These banknotes are subsequently distributed by the credit institutions, over the counter and through cash dispensers, ultimately reaching the general public to be used to meet their payment needs.

Also in the year, credit institutions demanded 1,044 million coins, amounting to €237 million. In order to optimise the coin cycle, various initiatives were launched,

Chart 2.4

COINS DELIVERED BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

seeking to mobilise coin stocks and encourage the return of coins to the Banco de España.

To protect the integrity of the banknotes in circulation, in 2019 the Banco de España, using automated systems, examined the authenticity and fitness of approximately 3,467 million banknotes from deposits made by credit institutions. It also made 235 inspection visits to professional cash handlers, to verify compliance with the procedures established by the ECB for checking the authenticity of euro banknotes and their fitness for recirculation.

In addition, to ensure the authenticity and optimal fitness of the coins in circulation, in 2019 the Banco de España made inspection visits to 30% of coin processing centres, checking the correct functioning of the coin processing machines which handled around 1.2 billion coins overall.

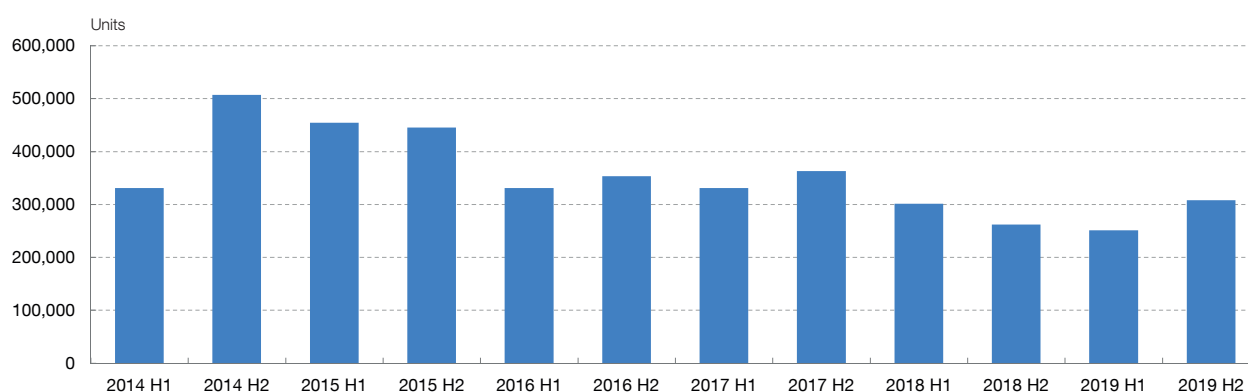
4.2 Fight against banknote counterfeiting

Safeguarding the authenticity of the banknotes in circulation is one of the cornerstones for ensuring banknote integrity and, therefore, the trust of the general public. To this end, the Banco de España works unrelentingly to combat counterfeiting, in coordination with the police and the judicial authorities, at both the national and the European level. In this setting, in the second half of 2019 a total of 308,000 counterfeit banknotes were withdrawn from circulation in the euro area countries; this is 22.7% more than in the first half of the year and 17.6% more than in the second half of 2018. The bulk of the counterfeits (approximately 70% of the total) were €20 and €50 banknotes, which are the denominations most used in commercial transactions.

Chart 2.5

COUNTERFEITS WITHDRAWN FROM CIRCULATION IN THE EUROSISTEM

Half-yearly data



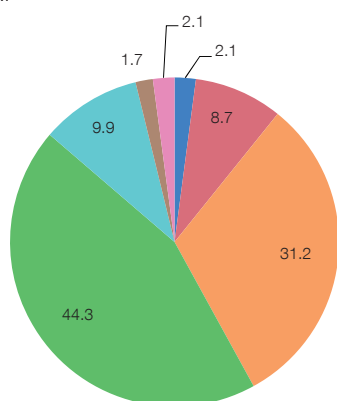
SOURCE: ECB.

Chart 2.6

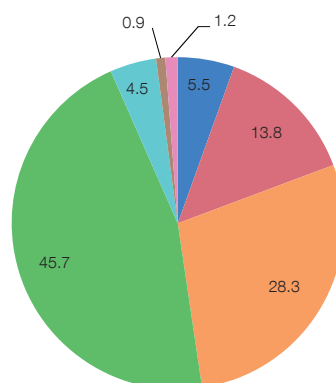
COUNTERFEITS BY DENOMINATION

2019 data (%)

1 EUROSISTEMA



2 SPAIN



■ €5 ■ €10 ■ €20 ■ €50 ■ €100 ■ €200 ■ €500

SOURCES: ECB and Banco de España.

In the case of Spain, 68,623 counterfeit banknotes were withdrawn from circulation in 2019; this is 12% of the total number of counterfeit banknotes withdrawn from circulation in the euro area in the year.

Bearing in mind that there are 24 billion genuine euro banknotes in circulation in the euro area, the likelihood of receiving a counterfeit banknote is very low.

5.1 Prudential supervision

Since November 2014, euro area financial institutions are supervised by the SSM, which comprises the ECB and the different national supervisory authorities (NSAs). In this setting, the ECB is responsible for decision-making, and for direct supervision of the main credit institutions (“significant institutions”), in close collaboration with the respective NSAs. All other credit institutions (“less significant institutions”) are directly supervised by the NSAs, according to a common policy laid down by the ECB.

At 31 December 2019, the SSM supervised 117 groups of significant institutions and 2,369 less significant institutions. There are 12 Spanish groups of significant institutions², which account for 91.3% of the total assets of the Spanish banking system, and 59 Spanish groups of less significant institutions that account for 4.6%. The remainder are subsidiaries and branches of significant euro area groups (3.6% of total assets) and branches of less significant institutions, branches of institutions from EU countries not participating in the SSM and branches in non-EU countries (which total 0.4%).

The Banco de España makes an essential contribution to the supervision of Spain’s significant institutions, carrying out ongoing supervision through the joint supervisory teams (JSTs) and on-site inspections and reviews of significant institutions’ models. The Banco de España participates in the JSTs of the 12 groups of Spanish significant credit institutions – contributing not only its experience but also a large portion of the inspectors making up the supervisory teams – and in the JSTs of foreign significant banking groups that have a strong presence in Spain through subsidiaries and/or branches. In addition, in 2019, a total of 31 on-site exercises (inspections and model reviews) were carried out at Spanish significant institutions. Of these, 22 were led by Banco de España staff, four by ECB staff and five by staff from other SSM member countries, with the participation in all cases of Banco de España staff. The Banco de España also contributed to cross-border exercises, leading three and taking part in another four inspections of institutions of other SSM member countries.

The ECB’s Supervisory Board, on which the Banco de España is represented, adopted 2,356 supervisory decisions in 2019. Of this total, 247 decisions were specifically addressed to Spanish institutions (243 to significant institutions and four to less significant institutions), while a further 226 decisions, on more general matters

² Santander, BBVA, Caixabank, Bankia, Sabadell, Unicaja, Bankinter, Kutxabank, Ibercaja, Abanca, Liberbank and Banco de Crédito Social Cooperativo.

Figure 2.3

MAIN TYPES OF INSTITUTIONS SUPERVISED BY THE BANCO DE ESPAÑA

| | | |
|---|---|--|
| CREDIT INSTITUTIONS | Any individual or legal entity, whether Spanish or foreign, wishing to pursue the activities of a credit institution in Spain (especially, taking deposits and other repayable funds from the public) must first obtain the necessary authorisation and be entered in the Banco de España's official registers of credit institutions. Credit institutions include commercial banks, savings banks, credit cooperatives and the ICO. | |
| | Commercial banks | Public limited companies with an initial share capital of not less than €18 million whose business consists of taking deposits and other repayable funds from the public and granting credits for their own account. |
| | Savings banks | Institutions organised as foundations and with a social purpose, whose financial business is essentially geared to taking repayable funds and providing banking and investment services to retail customers and small and medium-sized enterprises (SMEs). |
| | Credit cooperatives | Companies whose corporate purpose consists of serving the financial needs both of their members and of third parties by pursuing the business of credit institutions. |
| | Branches of foreign credit institutions | Having no legal personality, they are part of a foreign credit institution and directly pursue all or any of the operations inherent to the business of that institution. |
| SPECIALISED LENDING INSTITUTIONS | Enterprises which, while not classed as credit institutions, professionally pursue one or more banking business activities, such as granting loans or credits or providing guarantees. They are subject to a minimum share capital requirement of €5 million. They may also provide payment services or issue electronic money, subject to prior authorisation by the Banco de España and entry in the Banco de España's Special Register, in which case they will be considered hybrid payment institutions. | |
| ELECTRONIC MONEY INSTITUTIONS | Legal entities authorised by the Banco de España to issue electronic money. They must have minimum initial capital of €350,000 and sufficient own funds. They may also provide payment services, whether or not linked to electronic money. | |
| PAYMENT INSTITUTIONS | Legal entities authorised by the Banco de España to provide and execute payment services in Spain (e.g. payment transactions, issuance of payment instruments, money remittances, payment initiation, financial information, etc.), with minimum initial capital and own funds requirements according to the payment services provided. | |
| MUTUAL GUARANTEE SCHEMES | Schemes established by small and medium-sized enterprises (SMEs) to facilitate their access to credit and related services and generally enhance their financial conditions. They may provide personal guarantees to their members but they may not extend credit of any kind to them. | |
| REGUARANTEE SCHEMES | Schemes whose purpose consists of reguaranteeing guarantees furnished by mutual guarantee schemes, to provide sufficient guarantee and cover for the risks assumed by the latter and help reduce the cost of furnishing personal guarantees to members. | |
| CURRENCY-EXCHANGE BUREAUX AUTHORISED TO PURCHASE AND SELL FOREIGN CURRENCY | Individuals or legal entities, other than credit institutions, that purchase foreign banknotes and travellers' cheques. Public limited companies that purchase and sell foreign banknotes and travellers' cheques. | |
| APPRAISAL COMPANIES | Public limited companies that provide appraisal services. They are subject to prior authorisation, independence and secrecy requirements and to a minimum capital requirement of €300,506. | |

SOURCE: Banco de España.

or SSM policy or organisational issues, also affected them. The resolutions adopted notably included the corresponding capital decisions resulting from the supervisory review and evaluation process (SREP), which establishes the level of capital required of each institution in 2020.

Another key element of the operation of the SSM are the working groups and expert networks that analyse and develop technical and supervisory policy proposals, seeking to enhance the functioning of the SSM. In 2019 the Banco de España participated in the vast majority of these groups, involving some 100 staff members. The considerable effort required to contribute to the work of these groups is essential to ensure a fully harmonised and quality supervision process.

As regards the less significant institutions, which are supervised by the Banco de España, in 2019 a total of 698 ongoing supervision exercises were carried out, including regular monitoring exercises, external audit reviews and reviews of ICAAP and ILAAP reports.

At end-2019 the Banco de España adopted the corresponding capital decisions for the less significant institutions, applying the SREP methodology approved by the ECB's Supervisory Board in January 2019, which envisages a similar arrangement to that for the significant institutions.

The ECB directly supervises 12 Spanish banking groups, which account for 92% of the Spanish banking system.

The Banco de España led 22 of the 31 on-site exercises relating to Spanish significant institutions conducted in 2019, as well as three cross-border exercises. Also, 698 ongoing supervision exercises were carried out relating to less significant institutions.

In 2019, the ECB's Supervisory Board, of which the Banco de España's Deputy Governor is a member, adopted 2,345 supervisory decisions, 243 of which affected Spanish significant institutions, as well as 225 more general decisions.

As neither branches in Spain of institutions headquartered in non-SSM EU Member States, nor branches of less significant institutions of SSM countries, are subject to prudential or liquidity requirements at the branch level, the Banco de España conducts regular monitoring of their progress, holds meetings with management, and regularly exchanges information with the home country authorities, on the terms established in Commission Implementing Regulation (EU) No 620/2014.

Table 2.1

CREDIT INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN (a)

| | 2019 |
|--|------|
| Banks | 52 |
| Savings banks | 2 |
| Credit cooperatives | 61 |
| ICO | 1 |
| Branches of EU credit institutions | 78 |
| Branches of non-EU credit institutions | 3 |

SOURCE: Banco de España.

a Also recorded in the registers are six parent companies of credit institutions.

Table 2.1 lists the different credit institutions operating in Spain “with an establishment” that make up the Spanish banking system in 2019. It does not include institutions that operate in Spain “without an establishment”.

Within the recovery framework, the JSTs and supervisory teams of the less significant institutions have completed the review cycle of the 2018 recovery plans. In the case of the significant institutions, particular importance was attached to overall recovery capacity (ORC), which provides an overview of the extent to which each institution could restore its financial position following a significant deterioration of its financial situation. After assessing the recovery plans of both significant and less significant institutions, letters were sent to the institutions indicating the aspects to be improved in the subsequent plans and, in cases where more serious shortcomings were detected, either requesting that specific action plans to remedy the deficiencies be submitted within a reasonable period, or requiring that a new plan be submitted in the legally established period.

Beyond the scope of the SSM, the Banco de España also has exclusive supervisory powers over institutions other than credit institutions that provide financial services or perform functions related to the financial sector. In 2019 these institutions were the focus of 310 off-site monitoring exercises and three on-site inspections.

Table 2.2 lists the institutions other than credit institutions operating with an establishment in Spain that are recorded in the registers of the Banco de España in 2019, grouped by type and area of activity. The institutions other than credit institutions that operate in Spain without an establishment are shown in Table 2.3.

In 2019, two anti-money-laundering inspections were concluded. Also, participation continued in various international working groups in this field, in collaboration with other Banco de España departments and directorate generals.

Table 2.2

INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN OTHER THAN CREDIT INSTITUTIONS

| | 2019 |
|---|------|
| Institutions operating with an establishment other than credit institutions | 190 |
| Specialised lending institutions (SLIs) | 27 |
| SLI payment institutions | 9 |
| Mutual guarantee companies | 18 |
| Reguarantee companies | 1 |
| Appraisal companies | 32 |
| Currency-exchange bureaux (a) | 16 |
| Payment institutions | 42 |
| Branches of EU payment institutions | 12 |
| Agent networks of EU payment institutions | 2 |
| Electronic money institutions | 7 |
| Branches of EU electronic money institutions | 8 |
| Agent networks of EU electronic money institutions | 1 |
| Account information service providers | 1 |
| Banking foundations | 13 |
| Sareb | 1 |

SOURCE: Banco de España.

a Does not include establishments authorised only to purchase foreign currency with payment in euro (2,819 registered at 31 December 2019).

As a result of the different prudential supervision tasks carried out, the Banco de España issued 110 recommendation and requirement letters to less significant credit institutions (60 on capital decisions, 37 on recovery plans, 11 on inspections and 2 on monitoring) and five letters to other institutions (3 on inspections and 2 on monitoring).

Table 2.3

INSTITUTIONS OPERATING WITHOUT AN ESTABLISHMENT IN SPAIN RECORDED IN THE REGISTERS OF THE BANCO DE ESPAÑA

| | 2019 |
|--|------|
| Credit institutions operating without an establishment | |
| EU credit institutions | 608 |
| Non-EU credit institutions | 3 |
| Institutions other than credit institutions operating without an establishment | |
| Electronic money institutions | 242 |
| Payment institutions | 454 |
| Account information service providers | 16 |
| Financial institutions subsidiaries of EU credit institutions | 13 |

SOURCE: Banco de España.

BANKING SUPERVISION: WHAT DOES IT INVOLVE?

The Banco de España has supervisory competences over the solvency and conduct of credit institutions and other financial auxiliaries. It exercises them either independently or as part of the Single Supervisory Mechanism (SSM), in place in the euro area since 2014, and it also cooperates with other national supervisors.

Put simply, the following types of supervisory functions may be distinguished:

- The microprudential supervision of credit institutions, aimed at monitoring the solvency of these institutions. The objective is to minimise the likelihood and the effects of individual crises, given their significance for deposits, loans and payments inherent in the financial sector.
- The microprudential supervision of other institutions, other than credit institutions, that provide services or pursue activities relating to the financial sector, essentially in the area of loans and payments.
- The functions conferred on the supervisor in respect of the regulations on the recovery and resolution of credit situations, via mechanisms and instruments specifically applicable in this sector of economic activity.
- Macroprudential supervision, aimed at safeguarding the stability of the financial system and, in particular, the banking system. This is pursued under an analysis and overall assessment of these systems, irrespective of the focus applied to each institution from a microprudential perspective.
- The supervision and monitoring of market conduct and of the fulfilment of the regulations on reporting transparency and customer safeguards by the institutions listed on the Banco de España's official registers of institutions.
- Other supervisory functions, including those referring to the supervision, in collaboration with other bodies with competences in this area, of the prevention of money-laundering and terrorism financing by the institutions supervised by the Banco de España.

Regarding the suitability assessment of senior officers of supervised institutions, in 2019 the Banco de España processed a total of 497 files: 179 relating to credit institutions, 127 to payment institutions, 95 to specialised lending institutions, 52 to mutual guarantee companies, 22 to electronic money institutions, 14 to appraisal companies and 8 to currency-exchange bureaux.

Institutions' recovery plans were reviewed, attaching particular importance to overall recovery capacity.

In 2019 institutions supervised by the Banco de España other than credit institutions were the focus of 310 monitoring exercises and three on-site inspections.

Also, a total of 497 suitability assessment procedures for senior officers of supervised institutions were processed.

Lastly, Table 2.3 lists the credit institutions and the institutions other than credit institutions that operate in Spain without an establishment.

5.2 Supervision of market conduct

During 2019, the Banco de España bolstered its commitment to society by paying special attention to institutions' conduct and by bearing in mind the growing demand for consumer protection, as shown by the recent changes to banking regulations, which include most notably the new regulation on real estate credit.

For this purpose, supervisory activity in the realm of conduct has sought, in addition to identifying and correcting institutions' inappropriate conduct, to encourage the implementation of a conduct of culture and appropriate governance which, with the commitment of the institutions' governing bodies, pervades the whole organisation and especially all channels and points of sale. Accordingly, in March 2019 Banco de España employees visited a total of 189 branches of 12 institutions distributed throughout Spain in order to verify compliance with various transparency obligations.

The supervision of consumer credit and of the impact of digitalisation on banking activity continued to gain importance in supervisory activity during 2019. In this area, the Banco de España paid particular attention to the activity of revolving credit, car finance and credit relating to the supply of goods or to the provision of services. The Bank has instituted a cross-cutting action aimed at ensuring correct application of transparency and consumer protection legislation, and banking best practices when granting loans in the form of overdrafts on sight deposits.

In the realm of mortgage lending, the Bank has worked to ensure transparency both in the marketing and over the life of these loans, placing special attention on the protection of those borrowers facing severe financial difficulties. Additionally, during 2019 the Banco de España has continued to check that floor clauses have been applied properly, as agreed.

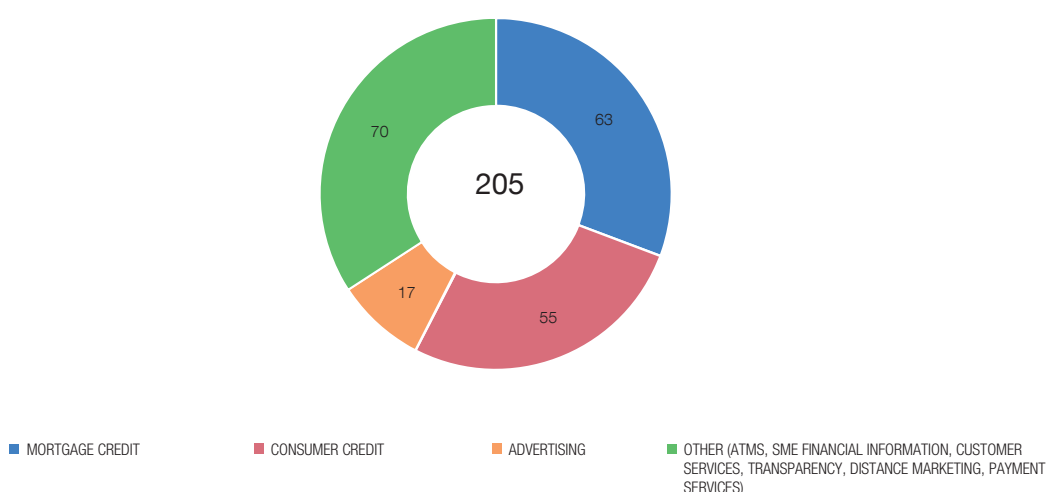
Furthermore, supervisory activities in other areas continued to be important, i.e. the transparency of payment services, advertising or the activity of bureaux exchanging foreign banknotes and traveller's cheques.

Chart 2.7 summarises the supervisory actions carried out in 2019, by area and type.

As a result of these activities, the initiation of six sanctioning proceedings was proposed, 58 requirements letters were sent, containing 222 specific requirements for institutions, and 31 letters of recommendations were prepared.

Work to verify the internal rules applicable to customer services and customer ombudsman departments resulted in the verification of 12 new sets of rules submitted by 12 institutions, and amendments, both minor and far-reaching, to the contents of a further 57 sets of internal rules.

Chart 2.7

SUPERVISORY ACTIONS RELATING TO CONDUCT IN 2019 BY TYPE (a)

SOURCE: Banco de España.

a A total of 65 of these supervisory actions were initiated before the start of 2019.

Finally, the activity undertaken regarding the monitoring and control of advertising is worth noting. There were 441 requests for the withdrawal or rectification of press and internet advertisements and all of them were handled by the institutions concerned.

5.3 Sanctioning activity

In 2019, the Banco de España agreed to initiate six sanctioning proceedings, five against banks and one against a credit cooperative, in relation to institutions' compliance with transparency and customer protection legislation. One of these proceedings was initiated regarding information on and the application of the Code of Good Practice, whereas the other five proceedings were initiated following the inspection of the respective mortgage portfolios and the detection of infringements such as: i) failing to properly deliver pre-contractual and contractual information; ii) calculating the APR incorrectly by not including the arrangement and related costs; iii) insufficient monitoring of agents; or iv) the improper charging of fees. Also, in this area, five proceedings, all of them brought against banks, were resolved with penalties being imposed. Three of them had been initiated in 2018 and two in 2019.

In the prudential supervision area, at the ECB's instruction a proceeding was brought in 2019 against 41 officers and managers of an SI pursuant to the SSM legislation, which allocates sanctioning powers to the ECB and the national authorities and establishes cases where the former, as direct supervisor of the institution in

question, directs the latter to conduct the corresponding proceeding. This proceeding, which refers to infringements relating to prudential consolidation and capital requirements, was suspended at year-end so as not to prejudice the criminal proceedings that were under way for similar events. A less significant credit institution was sanctioned in the same area of prudential supervision, as were eight of its directors (one of whom was disqualified from holding office) owing to corporate governance, remuneration policy and internal control infringements.

Sanctioning activities involving supervised institutions other than credit institutions continued in 2019, including most notably the proceeding brought against a mutual guarantee company and 32 managers and directors for failing to comply with a prior requirement concerning internal control. This proceeding, which was initiated in 2018, was concluded with penalties being imposed on the institution and 17 of its managers and directors. Similarly, in 2019 a currency-exchange bureau and its sole director were also sanctioned for breaches of its sectoral legislation (in particular, recording of transactions, performance of unauthorised transactions and book-keeping). Another institution and its sole director were sanctioned for pursuing activities reserved to payment institutions. Finally, in this same area in 2019 proceedings were instituted against: i) a payment institution, its sole director and two de-facto directors (mainly regarding own funds, book-keeping and effective administration and management in Spain); ii) an institution which performed without authorisation activities reserved to credit institutions and its director (with the temporary suspension of the aforementioned activity); iii) another institution that did not provide information to the supervisory team; and iv) an appraisal company and five of its directors and managers (regarding, inter alia, valuation methodologies and the structure and content of appraisal reports and certificates).

6 COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

In 2019, 14,641 complaints were made by users of bank services.

Chart 2.8 shows changes in the number of complaints received in the last seven years and the vigorous fluctuations in the annual figures which are generally linked to the marketing practices for mortgage loans and, specifically, to the expectations generated by several national and international court decisions.

Following the sharp increase in the volume of complaints in 2013, mainly referring to clauses that limit changes in interest rates in mortgage loans (“floor clauses”, amounting to 18,387 complaints), there was a gradual decline over the following three years.

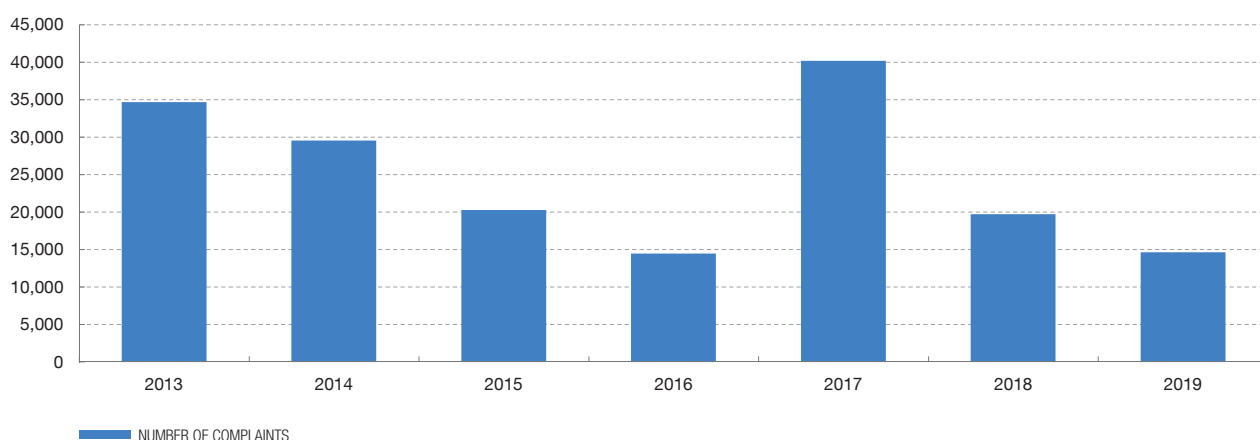
However, this decline came to an abrupt halt in 2017, owing to the complaints received in connection with the payment of mortgage arrangement fees (which numbered 23,040, surpassing the total complaints received in 2018).

In 2019, the number of complaints filed decreased from 19,695 in 2018 to 14,641 – continuing the downward trend which began in the previous year – and reached levels similar to those in 2016. This fall is mainly as a result of the continuous decline in complaints relating to mortgage arrangement fees (which stood at 23,040 in 2017, then dropped to 6,091 in 2018 and decreased to around 1,300 in 2019).

Chart 2.8

COMPLAINTS FILED IN THE LAST SEVEN YEARS

2019 data, provisional as at 31.12.2019



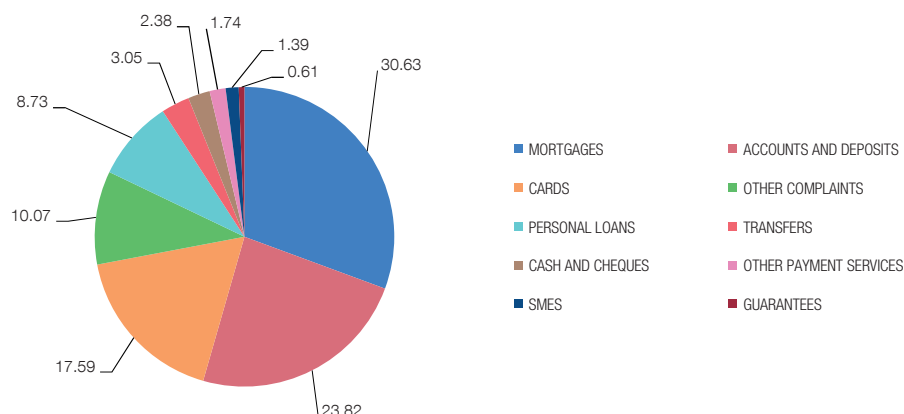
SOURCE: Banco de España.

Chart 2.9

TYPES OF COMPLAINTS

Provisional data as at 31.12.2019

% of complaints filed



SOURCE: Banco de España.

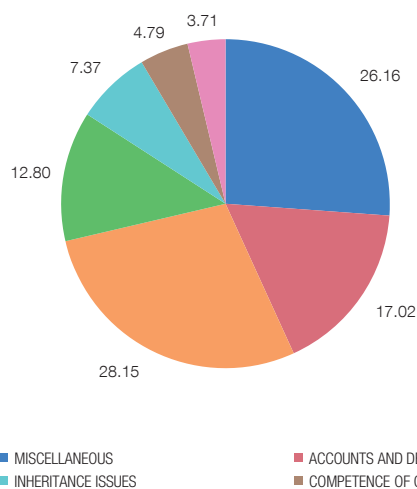
It seems that the downward trend will be maintained in 2020, although it is difficult to make projections in a setting in which new events cannot be ruled out. These events could perhaps be linked once again to legal decisions potentially having a substantial impact on the filing of complaints to the Banco de España and a particular

Chart 2.10

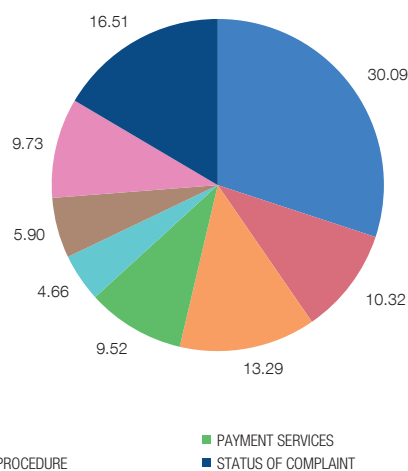
ENQUIRIES RECEIVED FROM BANK CUSTOMERS

2019 data, provisional as at 31.12.2019 (%)

1 WRITTEN ENQUIRIES



2 TELEPHONE ENQUIRIES



SOURCE: Banco de España.

effect not only in the area of mortgage loans (mortgage loan reference index clause) but also in that of revolving credit cards (interest included in the corresponding agreements).

A total of 26,743 telephone enquiries were received in 2019 (compared with 28,341 in 2018) and written enquiries surged to 3,719 (from 1,672 in the previous year) which seems to be related to the improved content and positioning on the internet of the Bank Customer Portal (96.2% of the written enquiries in 2019 were submitted electronically mainly via the above-mentioned portal).

In 2019 most enquiries and, similarly, most complaints were about loans (chiefly mortgage loans) and matters relating to accounts and deposits.

Work to verify the internal rules applicable to customer services and customer ombudsman departments continued in 2019, with the verification of six new sets of rules submitted by institutions, and amendments, both minor and far-reaching, to the contents of a further 57 sets of internal rules.

In relation to the monitoring and control of advertising there were 441 requests for the withdrawal or rectification of press and internet advertisements, all of which were handled by the institutions concerned.

7.1 Macroprudential policy

The Banco de España's efforts in the area of macroprudential analysis in 2019 focused on refining certain indicators used to take decisions on the counter cyclical capital buffer (CCyB), studying the effect of the terms and conditions of mortgage loans on the related probability of default and developing models of the impact of macroprudential tools on GDP. Specifically, it adapted the BCBS' credit-to-GDP gap to the financial cycle in Spain, consolidated the use of granular databases of the real estate sector and estimated growth-at-risk type models, among other analytical tasks, so as to include all the information regularly used to provide advice on macroprudential instruments and, in particular, on the CCyB, which held at 0% in 2019.

Also, the Banco de España conducted the corresponding annual review of Spanish global systemically important institutions (G-SIIs) and domestic systemically important institutions, and confirmed the list of institutions and their associated capital buffers announced the previous year. The transition period for fully implementing this buffer ended on 1 January 2019 and five systemically important institutions in Spain complied with this requirement in its entirety.

In parallel the Banco de España began the process of drafting the circular that will ultimately allow macroprudential measures be applied to the additional instruments conferred in Royal Decree-Law 22/2018. The legislative process to make the new instruments operational (sectoral CCyB, sectoral concentration limits and setting out the terms and conditions for loan origination) will foreseeably end this year.

As in previous years, the stress tests applied to Spanish deposit institutions in 2019 were based on a severe but plausible adverse scenario, which includes the hypothetical materialisation of macro-financial risks. In particular, the scenario used assumes that the following risks identified in the *Financial Stability Report* will materialise: a global economic downturn, an adjustment to financial asset valuations and a worsening of the profitability of banks. On this occasion, the main methodological improvements to the Banco de España's "Forward-looking exercise on Spanish banks" (FLESB) used in this testing focus on modelling institutions' statements of income, as well as the valuation of sovereign bond holdings. Lastly, the commencement of the activities of the new macroprudential authority (AMCESFI) in the national institutional realm should be noted. This authority, which through its board (whose Deputy Chair is the Governor of the Banco de España) and its technical committee (whose Chair is the Deputy

THE IMPORTANCE OF FINANCIAL STABILITY

Law 13/1994 on the Autonomy of the Banco de España attributes to the central bank, among other functions, that of promoting the sound functioning and stability of the financial system. The essential aim of this function is to ensure the soundness and efficiency of the financial system as a whole and, thereby, to provide for the flow of funds between agents, from savers to those demanding funding.

Further, Law 10/2014 on the regulation, supervision and solvency of credit institutions stipulates that the Banco de España is the designated authority for applying macroprudential instruments with which to address systemic risks that may affect the stability of all or parts of the banking system.

The Banco de España performs various tasks that are relevant to maintaining financial stability. On one hand, under the European Single Supervisory Mechanism, it exercises supervision on a micro scale, i.e. focused on the analysis of each institution and centred on controlling the individual solvency of banks. On the other, it exercises oversight on a macro scale, adopting an overall view of the entire sector aimed at ensuring the stability of the banking system as a whole through the pertinent macroprudential policy measures, with the ultimate aim of having the financial system contribute effectively to the growth and economic well-being of the country.

In addition to the foregoing, in the area of financial stability the Banco de España regularly monitors and analyses the risks and vulnerabilities that might affect the Spanish financial system, and in particular the banking sector. The results of this work are set out in

the *Financial Stability Report*. It also participates in various international and EU bodies and fora, and in the new macroprudential authority (AMCESFI), along with other national authorities with responsibility in the macroprudential area.

AMCESFI is a collegiate body attached to the Ministry of Economic Affairs and Digital Transformation. It was created in 2019 and its members are high-level representatives from this ministry and from the three authorities with sectoral responsibilities for the regulation and prudential supervision of the Spanish financial system: the Banco de España, the CNMV (National Securities Market Commission) and the DGSFP (Directorate General of Insurance and Pension Funds).

AMCESFI is structured around a Board (decision-making level) and a Technical Financial Stability Committee (CTEF, by its Spanish abbreviation) (advisory level). The Board is chaired by the third vice-president of the Government and Minister of Economic Affairs and Digital Transformation, and the vice-chair is the Governor of the Banco de España, and includes the Deputy Governor of the Banco de España among its members. Operating below the Board is the CTEF, which is chaired by the Deputy Governor of the Banco de España, and whose vice-chair is the General Secretary of the Treasury and International Financing.

AMCESFI is entrusted with regularly monitoring and analysing systemic risk factors. Its powers include issuing alerts and recommendations on any matter that may affect financial stability, and delivering opinions on proposed macroprudential measures that have been previously notified to AMCESFI by the sectoral authorities.

Governor of the Banco de España), brings together high-level representatives of sectoral supervisory authorities (Banco de España, National Securities Market Commission and the Directorate General of Insurance and Pension Funds) and of the Ministry of Economic Affairs and Digital Transformation to discuss systemic risks to the stability of the financial system and other developments of significance and common interest. Following its initial meetings in 2019, AMCESFI did not consider it necessary to issue opinions, warnings or recommendations. AMCESFI is scheduled to submit its first annual report to the Spanish Parliament halfway through 2020.

7.2 Preventive resolution

In 2019, resolution plans were drafted for a total of 40 institutions³, in close collaboration with the Single Resolution Board (SRB) and with other national resolution and supervisory authorities in the euro area, in accordance with the distribution of responsibilities established under the Single Resolution Mechanism Regulation (SRMR). Within this collaboration framework, 50 workshops were organised during the year for members of the respective Internal Resolution Teams (IRTs) to discuss the most important aspects of resolution planning and to improve the resolvability of the banks. In addition, it should be noted that in 2019, the SRB and the EU resolution authorities outside the euro area signed joint decisions relating to the resolution plans of the three significant Spanish institutions currently requiring resolution colleges.

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 from the competent supervisory authority. Further, the Banco de España updated the list of less significant institutions which may apply simplified obligations in accordance with European Commission Delegated Regulation (EU) 2019/348.

To promote the effective implementation of resolution legislation, 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 at the SRM and the EBA. Aspects worth mentioning due to their particular significance are: i) the adaptation of the criteria for determining the minimum requirement for own funds and eligible liabilities to absorb losses to the changes arising from Directive 2019/879 and from Regulation 2019/876; ii) the analysis and development of resolution strategies other than bail-in, prioritising tasks relating to the separation of assets and liabilities; iii) support for the SRB in updating the resolution planning manual and the document on expectations for banks; iv) the development and in-depth drafting of resolution plans for less significant institutions; and v) the preparation of valuation guidelines and procedures for implementing the resolution strategy agreed.

7.3 Financial reporting and reporting to the Central Credit Register

In 2019 a significant step was taken in simplifying the regulatory information requested from supervised institutions relating to information that specialised lending institutions (SLIs) must report to the Banco de España as from June 2020.

³ Comprising four significant institutions, one cross-border less significant institution and 35 less significant institutions.

As a result of the drafting and subsequent publication on 26 November 2019 of Banco de España Circular 4/2019 to specialised lending institutions, the scope of the information requested from these institutions had to be revised. This revision, which took into account the requirements of credit institutions, as well as business type, the scale and level of complexity of the SLIs' activities, resulted in a simplified regime whereby, after the entry into force of the circular, reporting requirements were reduced by approximately 30% in comparison with those requested from SLIs until that point and by 70% in relation to those required from credit institutions.

The work on the shadow production of the euro short-term rate (€STR), which began to be published daily by the ECB as from 2 October, was extended until September 2019. In the area of reporting, the Banco de España's contribution to the production of the €STR consists of receiving, processing and checking atypical data with institutions and sending to the ECB daily information provided by five Spanish credit institutions (of the 50 institutions which contribute to compiling the index) on individual transactions in the European money market at very short term on an arm's length basis.

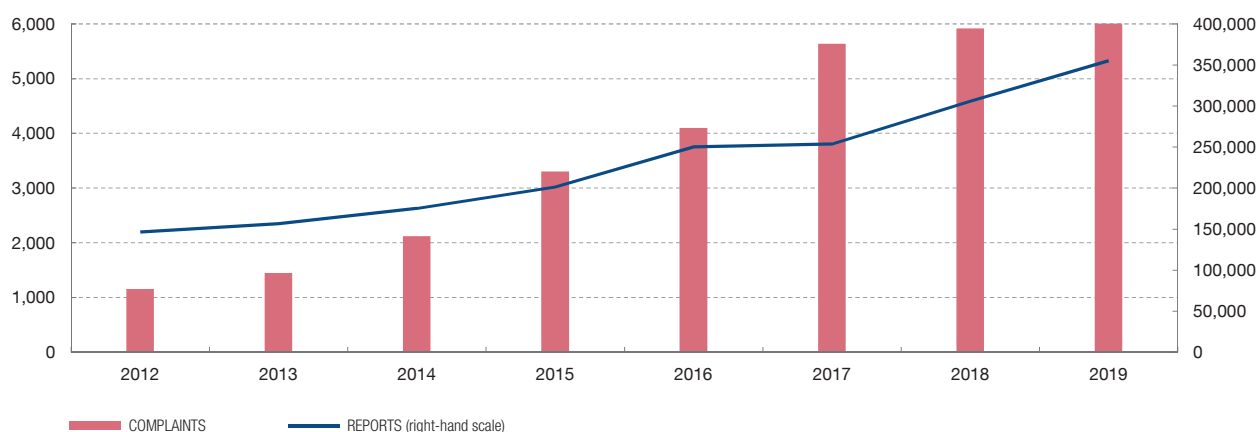
As part of the commitment to transparency, in 2019 credit institutions' supervisory statistics began to be published. These statistics provide aggregate financial and prudential information, and information on asset quality, distinguishing between significant and less significant institutions.

2019 was a key year in the European AnaCredit project since, after the first data was sent, the usefulness of the project was acknowledged and the quality of the data compiled by the NCBs for dispatch to the ECB was assessed. The Banco de España continued to participate very actively in the progress of the project and in the design of the quality controls. The data will be made available shortly to users of the ESCB and in the near future this may give rise to aggregate statistics of general interest on loans extended to legal persons by institutions in the Eurosystem.

AnaCredit is a Eurosystem initiative whose purpose is to set up a harmonised centralised database comprising detailed information on individual bank loans in the euro area. This information is defined in Regulation (EU) 2016/867 of the ECB of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13). In particular, AnaCredit uses equivalent information to that of national central credit registers. In November 2018, the Banco de España began to send the initial data to the ECB.

In addition, during 2019, the Banco de España prepared an amendment to Banco de España Circular 1/2013 of 24 May 2013 on the Central Credit Register

Chart 2.11

BORROWERS: REQUESTS FOR REPORTS AND COMPLAINTS

SOURCE: Banco de España.

(CCR). The main purpose of this amendment was to adapt the CCR to the changes introduced by Law 5/2019 regulating real estate credit agreements so that real estate credit lenders may provide information to the CCR and have access to CCR information, and that real estate credit intermediaries may also have access to CCR information.

The services provided by the CCR continued to expand in 2019 with a fresh increase in requests for credit reports by borrowers of the reporting institutions (natural or legal persons). Significantly, requesting credit reports from the CCR is the most frequently used procedure of the Banco de España's virtual office. Similarly, in 2019, there was an increase in the number of complaints made by borrowers.

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

8.1 The Eurosystem and other European Union institutions

In 2019, the Banco de España continued to participate actively in the actions of the Eurosystem. The Governor attended the regular meetings of the ECB's Governing Council and General Council, at which decisions on monetary policy and the functioning of the Eurosystem are adopted. In addition, the Deputy Governor participated in the meetings of the Supervisory Board of the SSM, which discusses, plans and executes the supervisory tasks of the ECB, and proposes draft decisions for the approval of the Governing Council on matters of prudential supervision of credit institutions through the non-objection procedure.

The ECB's decision-making bodies are supported by the work of the ESCB's committees (such as the Monetary Policy, Market Operations, Payment Systems, Financial Stability, Legal, Statistics, Banknote and Risk Management Committees, among others) in taking decisions. The Banco de España continued to be actively involved in these committees and in their working groups. Monetary policy decisions and their implementation are worth noting among the research areas of key significance for the Eurosystem, which were approved by the Governing Council over the year. Additionally, at its meeting on 23 January 2020, the Governing Council decided to launch a review of the ECB's monetary policy strategy.

With respect to other EU institutions, the Banco de España also 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). At these fora, initiatives to strengthen the governance of the euro area were addressed, among other matters. In this connection, mention should be made of the review of the Treaty establishing the European Stability Mechanism (ESM), in order to implement the common backstop of the Single Resolution Fund (SRF), to reform its precautionary instruments, and to shore up its role in crisis prevention and in adjustment programs, in addition to introducing the single limb model for collective action clauses (CACs) in the euro area. In addition, the characteristics of a new budgetary instrument for convergence and competitiveness (BICC) for the euro area were outlined. This instrument will have to be approved in the context of the multiannual financial framework during 2020. In the area of the banking union, work continued to create a European deposit insurance scheme (EDIS), against a backdrop of progress in risk reduction, while the European Commission created a new High-Level Forum, with the purpose of determining specific proposals in an attempt to boost the creation of an authentic single capital market in the EU (CMU).

8.2 European Banking Authority

The year 2019 was one of change for the EBA, with the selection of its new Chairman, the Spaniard José Manuel Campa; its relocation to Paris, as a result of Brexit, and the review of the European supervisory framework. The EBA continued to work intensely to achieve its goals and deliver its mandate. Spain continued to participate actively in the work in 2019, which included most notably that described below.

The year 2019 was one of change for the EBA, with the appointment of the Spaniard José Manuel Campa as Chairman.

Noteworthy among its particularly significant work in 2019, are the EBA's response to the Commission's call for advice on the implementation in Europe of the Basel III reforms as well as the work arising from the Commission's action plan to tackle NPLs.

As for prudential regulations, the EBA's response to the Commission's call for advice on the implementation in Europe of the Basel III reforms of December 2017 is particularly significant. In addition, the EBA worked actively in line with several mandates to contribute to the revival of the securitisation market.

Furthermore, the EBA continued the work arising from the Commission's action plan to tackle non-performing loans (NPLs), focusing on drawing up guidelines on loan origination and monitoring, and internal governance, as well as on the analysis of the efficiency of Member State-level loan enforcement procedures in terms of recovery rates and times to recovery.

As for its other work, the EBA paid particular attention to the following: i) sustainable finance and the incorporation of environmental, social and governance (ESG) factors in legislation – a key part of its future tasks – which it already commenced in 2019 with the publication of its action plan on sustainable finance; ii) in the market conduct and consumer protection area, it continued to focus its endeavours on achieving greater supervisory convergence in the implementation and application of rules; and iii) in payment services, it made significant efforts to achieve appropriate implementation of the Commission Delegated Regulation on strong customer authentication and secure communication, having published two opinions on authentication requirements.

Finally, the agreement reached in March by the European Council and Parliament on the review of the European supervisory framework was published in December 2019. As a result of this reform, the governance, powers and tasks of the three European



Headquarters of the European Banking Authority.

Supervisory Authorities were changed. Changes in the area of the prevention of money laundering and terrorist financing were of greater significance for the EBA.

8.3 European Systemic Risk Board

The most significant development for the Banco de España in the area of the European Systemic Risk Board (ESRB) was the election of the Governor, Pablo Hernández de Cos, as Chairman of the Advisory Technical Committee. In addition, Javier Suárez, lecturer at CEMFI, was appointed Vice-Chair of its Advisory Scientific Committee. There was also a new Chair of the ESRB, with the commencement of Christine Lagarde's mandate as President of the ECB on 1 November 2019 to replace Mario Draghi.

During 2019, the ESRB continued its intense activity in risk oversight and policy analysis. In particular, it published several methodological reports to identify and mitigate risks linked to the residential and commercial real estate sectors. In this setting, it published several warnings and recommendations on the risks posed by this sector for financial stability in several EU countries. The ESRB published an initial report on the conceptual framework of the macroprudential policy stance, in which it stated the need to introduce possible macroprudential measures in the future. Also worth noting are the reports on macroprudential approaches to non-performing loans, central counterparty interoperability and the cyclical behaviour of loan loss provisions in the framework of the new accounting rules (IFRS 9).

In 2019, the ESRB issued two recommendations on voluntary reciprocity for macroprudential measures adopted in Sweden and Estonia pursuant to Article 458 of Regulation (EU) No 575/2013; 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.

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

The Banco de España is a member of the Financial Stability Board (FSB), whose Steering Committee includes the Governor. 2019 marked the tenth anniversary of the FSB's creation. Having centred on developing and coordinating the post-crisis reforms, the FSB is now focusing on their implementation, assessing their effects and identifying emerging risks.

During 2019, the FSB continued to assess the effects of the reforms, it completed its analysis of the effects of the reforms on SME financing and launched the evaluation of the reforms to end too-big-to-fail banks. The FSB also focused on identifying and overseeing emerging risks and vulnerabilities, where it analysed, among other subjects, the possible implications of fintechs on the market structure in financial services, the risks arising from the growth of leveraged loans and collateralised loan obligations (CLO) markets and progress in climate-related financial disclosures by companies. Finally, the FSB continued to monitor bank financial intermediation and the implementation of the reforms agreed by the G-20 and published a report on potential market fragmentation.

The Banco de España also forms part of the Basel Committee on Banking Supervision (BCBS). In 2019 the term of the previous Chair (Stefan Ingves, Governor of the Bank of Sweden) ended and the Group of Central Bank Governors and Heads of Supervision (GHOS) appointed Pablo Hernández de Cos, Governor of the Banco de España, as the new Chair of the BCBS. Under the Committee's Charter, the Chair is appointed for an initial term of three years that can be renewed once. This appointment came at a time when, following completion of the Basel III post-crisis reforms, the Committee will focus on assessing the impact of those reforms and their effective implementation, on addressing emerging vulnerabilities in the global banking system and on promoting rigorous supervision.

In 2019 the Governor of the Banco de España, Pablo Hernández de Cos, was appointed as the new Chair of the Basel Committee on Banking Supervision, the organisation responsible for laying down the prudential regulations of banks and, in particular, of their solvency.

The work performed by the Committee in 2019 included, most notably, the review of the credit valuation adjustments (CVA) framework, which will end next year, and revisions to leverage ratio disclosure requirements. In addition, the Committee continued with its programme to evaluate and monitor post-crisis reforms as well as with the analysis of emerging issues, such as the possible impact of fintechs on banks and bank supervisors or the risks arising from exposures to crypto-assets. In connection with proportionality, the Committee published the results of a survey on its application in practice and a statement supporting application of the proportionality principle in a manner consistent with its core principles for banking supervision. Among other developments concerning macroprudential-related areas, the Committee published *Guiding principles for the operationalisation of a sectoral countercyclical capital buffer*.

The Banco de España continued to participate actively in different work and initiatives driven by the Basel Committee and participates in discussions and in significant technical analyses.

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.

Furthermore, the Banco de España participates in two BIS committees which analyse global economic developments and international financial markets: the Global Economy Meeting, attended by the Governor bimonthly, and the Committee on the Global Financial System, attended quarterly by the Deputy Governor.

8.5 The International Monetary Fund and the G-20

The Banco de España organises, in coordination with the General Secretariat of the Treasury and the Ministry of Economic Affairs and Digital Transformation, the IMF team's two annual visits to Spain to prepare the annual report on the Spanish economy known as the "Article IV" report. During the visits, the IMF team holds a number of discussion meetings with senior management, in addition to other technical meetings with the Bank's economists and inspectors, and seminars which are open to participants from other institutions. The economic outlook and the risks to that outlook are discussed and economic policies are assessed at these meetings. The foregoing is finally reflected in the publication of the corresponding report. Additionally, every five years, the Bank also participates in the preparatory visits of the Financial System Assessment Programme (FSAP). This programme is projected to take place again in 2022.

The Banco de España's senior management also participates actively in the IMF's spring and annual meetings. Its three main reports (*World Economic Outlook*, *Global Financial Stability Report* and *Fiscal Monitor*) are presented and discussed at these meetings. The Bank has a representative seconded to the seat on the IMF's Executive Board. This representative reports to the Bank and adopts positions on all matters of interest relating to, inter alia, the IMF's funding policies, loans, governance or oversight of economies and financial systems.

The Banco de España is, furthermore, a fiscal agency and depository of the IMF. In this capacity it coordinates the payment of quotas, advises the Treasury on Spain's participation in the multilateral debt framework and its bilateral borrowing agreements with the IMF and is the loan account holder of the Poverty Reduction and Growth Trust (PRGT) administered by the Fund.

As for the G-20, where Spain has the status of a permanent guest, the Banco de España collaborates with the Ministry of Economic Affairs and Digital Transformation by participating, together with the representatives of the General Secretariat of the Treasury, in several working groups of the so-called "finance circuit": the Framework Working Group which covers macroeconomic matters; the IFA Working Group which focuses on international financial architecture-related matters, the Infrastructure Working Group which handles infrastructure matters, and the Global Partnership for Financial Inclusion, which deals with financial inclusion.

9 INTERNATIONAL COOPERATION

In addition to its close ties with the ECB and the IMF, the Banco de España also has partnerships and develops alternative cooperation channels with other institutions. Noteworthy in this area are the cooperation agreements signed in April 2019 with the Banco de la República (Colombia's central bank) and in October 2019 with the Executive Secretariat of the Central American Monetary Council (SECMCA, by its Spanish abbreviation), which brings together the central banks of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. The signing of these agreements, together with the development of agreements already in force with the central banks of Brazil, Chile, Cuba, Mexico and Peru and with the Center for Latin American Monetary Studies (CEMLA), contributed to bolstering the presence and leadership of the Banco de España in Latin America in the area of international cooperation. Moreover, the Banco de España continued its cooperation with the Association of Supervisors of Banks of the Americas (ASBA), the Latin American Reserve Fund (LARF) and the Ibero-American Institute of Securities Markets (IIMV, by its Spanish abbreviation).

As for the Maghreb countries, the Banco de España pursued numerous technical cooperation activities with Bank Al-Maghrib (the central bank of Morocco) and began



Second meeting of "Fostering Women's Leadership in Central Banking", held in Marrakech.

to assist the Central Bank of Tunisia. The second meeting of “Fostering Women’s Leadership in Central Banking”, which was held in Marrakech in April 2019, was organised with Bank Al-Maghrib. The purpose of this meeting is to raise awareness of the importance of women in management posts, as a key to retaining talent and creating teams which are capable of facing the challenges which must be addressed in central banking. The Secretary General of the Central Bank of Uruguay participated in this meeting which represented the first step in the strategy of extending this initiative to three continents (Africa, Europe and America) with the backing of the Banco de España and Bank Al-Maghrib.

In 2019 more than 300 individuals benefited from the regular cooperation activities. Although participants came from a broader range of countries, most continued to be from Latin America. As for their format, the Banco de España promoted technical meetings and encounters with experts which addressed current central banking issues but it also organised seminars and courses, which are an international benchmark on account of the quality of their speakers and their markedly practical content.

A total of 18 seminars, fora, courses and encounters with experts were organised, six took place at locations outside Spain (Latin America and Morocco). Noteworthy is the first Atlantic-Mediterranean Communication Forum held in Madrid which brought together high-level communication experts from three continents: Africa, Europe and America. Similarly, the 16th International Central Banking Seminar was well attended with participants from a broad range of countries. The main current issues in various areas of central banking were reviewed at the seminar and it included a monographic session on green finance. The 12th International Course on Cash Management was held which unites central bank experts – essentially from Latin America – at the Banco de España every two years to discuss cash issuance, distribution and manufacturing matters and the Annual Seminar on Securities Payment and Settlement Systems also took place. Other activities have also been organised jointly with CEMLA, such as the Seminar on Financial Risk Management, the Seminar on Good Governance and Transparency and the Seminar on Document and File Management, the 14th Meeting of the Central Bank Researchers’ Network and the Meeting of Central Bank Librarians. Following on from the Meeting of Central Bank Librarians, the 6th Central Bank and International Financial Institutions Workshop was hosted at the Banco de España’s head offices and brought together more than 50 experts in this field.

Other cooperation activities included 46 visits to the Banco de España and 43 missions abroad, and a high level of cooperation was also maintained through dealing with the enquiries received.

Additionally, as a member of the Task Force on International Cooperation, under the auspices of the ESCB’s International Relations Committee (IRC), the Banco de



Seminar on Accounting and Valuation of Central Bank Financial Instruments, organised as part of the cooperation agreement between the Banco de España and CEMLA (left). Seminar on Financial Risk Management, held at the head offices of the Banco de España (right).

España participated, together with the ECB and another 19 NCBs in the ESCB, in the Regional Programme of Strengthening Central Bank Competences and Banking Supervisors of the Western Balkans, which was financed by the European Commission. Finally, as a member of the above-mentioned Task Force, the Banco de España was part of a working group responsible for preparing a document on the principles applicable to evaluating cooperation activities in line with the best practices in the realm of international cooperation.

The Banco de España organises and participates in numerous international cooperation activities with other countries' monetary and supervisory authorities. International seminars are arranged, technical cooperation agreements are implemented and fora, courses and meetings are organised in this area.

Traditionally, the Bank's relationship with Latin American central banks and supervisors has accounted for a large share of its cooperation activities, although in recent years it has enlarged its scope of action to other regions, such as the Mediterranean and eastern Europe.

10 REGULATORY CHANGES

The following Banco de España circulars were approved in 2019, in the exercise of the regulatory powers conferred by its Internal Rules:

- Banco de España Circular 1/2019 of 30 January 2019 amending Circular 8/2015 of 18 December 2015, to institutions and branches belonging to the Deposit Guarantee Scheme for Credit Institutions (DGSCI), on information for determining the basis of calculation of contributions to the DGSCI.
- Banco de España Circular 2/2019 of 29 March 2019 on the requisites of the Fee Information Document and Statement of Fees and on comparison websites for payment accounts, amending Circular 5/2012 of 27 June 2012 to credit institutions and payment service providers on the transparency of banking services and responsible lending.
- Banco de España Circular 3/2019 of 22 October 2019 exercising the power conferred by Regulation (EU) 575/2013 for defining the materiality threshold for credit obligations past due.
- Banco de España Circular 4/2019 of 26 November 2019 to specialised lending institutions on public and confidential financial reporting standards and formats.

During 2019, the Bank performed a general review process of the powers delegated by the Executive Commission to the Directorates General and to the General Secretariat. This process was essentially due to the need to adapt to the latest regulatory changes – among others, Law 5/2019 of 15 March 2019 regulating real estate credit agreements or Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent financial measures and implementing regulations – and due to the will to streamline procedures and facilitate compliance with the deadlines set in Law 19/2013 of 9 December 2013 on transparency, access to public information and good governance.

Additionally, the new powers conferred on the Banco de España by Law 5/2019 of 15 March 2019 regulating real estate credit agreements, are worth noting. Particularly significant among these powers are the management – as well as the supervision – of the Real Estate Credit Intermediaries and Real Estate Lenders Register, the processing and resolution of the proceedings arising from the application of the law (including sanctioning proceedings) and acting as the sole information point for Banco de España and regional government registers.

The Bank is entrusted with the management of the Central Sanctions Register in the area of real estate credit; the cooperation with and support for other competent supervisory authorities of other EU Member States; the promotion of measures to incentivise consumer education in this field; the drafting and updating of a *Mortgage Loan Access Guide* and a *Reverse Mortgage Access Guide*; and the supervision of these operators' compliance with conduct obligations laid down in the same law.

Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent financial measures conferred new competences on the Banco de España relating to the authorisation of payment institutions and other financial agents in the area of the provision of payment services.

These competences were set out in greater detail in Royal Decree 736/2019 of 20 December 2019 on the legal regime governing payment services and payment institutions which specifies, in particular, certain matters relating to the legal regime of payment institutions (e.g. creation, authorisation, modification of articles of association, etc.), to the communications that these institutions must send to the Banco de España or to the registers in which they must be entered, among others.

Various laws and the related implementing regulations granted the Banco de España new competences in the financial realm. These include most notably Law 5/2019 regulating real estate credit agreements which confers several functions on the Bank in this area of operation and Royal Decree 736/2019 on the legal regime governing payment services and payment institutions which contains new competences.



3

HOW THE BANCO DE ESPAÑA INTERACTS WITH THE PUBLIC

HOW THE BANCO DE ESPAÑA INTERACTS WITH THE PUBLIC

VIRTUAL OFFICE

82 procedures available to the public online
12 procedures more than in 2018

BANK CUSTOMER PORTAL

3,871,000 visits to the portal in 2019
78% more than in 2018

COMPETITIONS FOR SCHOOLS

Financial literacy competition
(part of the Financial Education Plan)
Generation €uro competition

BANKNOTES AND COINS TRAINING SESSIONS

19,000 specialist agents
500 members of the education community

INSTITUTIONAL VISITS

In the academic year 2018-19 the Banco de España received **17,700 visitors**

HISTORICAL ARCHIVES

Publication of the ***Historical Banking Archives of Spain***, the first guide with a map of the banking system over the centuries

1 BANCO DE ESPAÑA WEBSITES AND INTERNET PORTALS. VIRTUAL OFFICE

Through its website and internet portals, the Banco de España offers a wide range of data and documents, which constitute an outstanding source of economic and financial information. The website is the main communication channel, as shown by the 22 million page views in 2019 and the volume of content: around 7,700 html pages and more than 47,000 files.

Given the importance of the website for its target public, in 2019 the Banco de España embarked on a period of reflection and analysis, seeking to create a more dynamic, versatile and effective communication channel. The first phase of redesigning the website is currently in progress and will affect both the architecture and content – to adapt them to the needs of the different user groups – and also the appearance and language, aiming to modernise the format. Considering the scale and scope of the project, this redesign will extend over the next few years.

1.1 Website

The key website developments in the year include the improvements made in the field of digital accessibility. Since 2003, the Banco de España has taken numerous steps to enhance the accessibility of the website and its mobile applications, all of which are now highly accessible. Nevertheless, new regulatory demands in this field



The Banco de España's web pages and mobile applications are highly accessible.

and periodic reviews of accessibility levels have required that new steps be launched involving a large number of areas of the Bank.

In particular, the Banco de España has undertaken, in accordance with Royal Decree 1112/2018 of 7 September 2018 on the accessibility of public sector websites and mobile applications, to make its web pages, published documents and mobile applications accessible to the public. In May 2019, the Banco de España's Governance and Transparency Division, which is part of the General Secretariat, was entrusted with ensuring that the Bank's websites and mobile applications comply with the accessibility requirements.

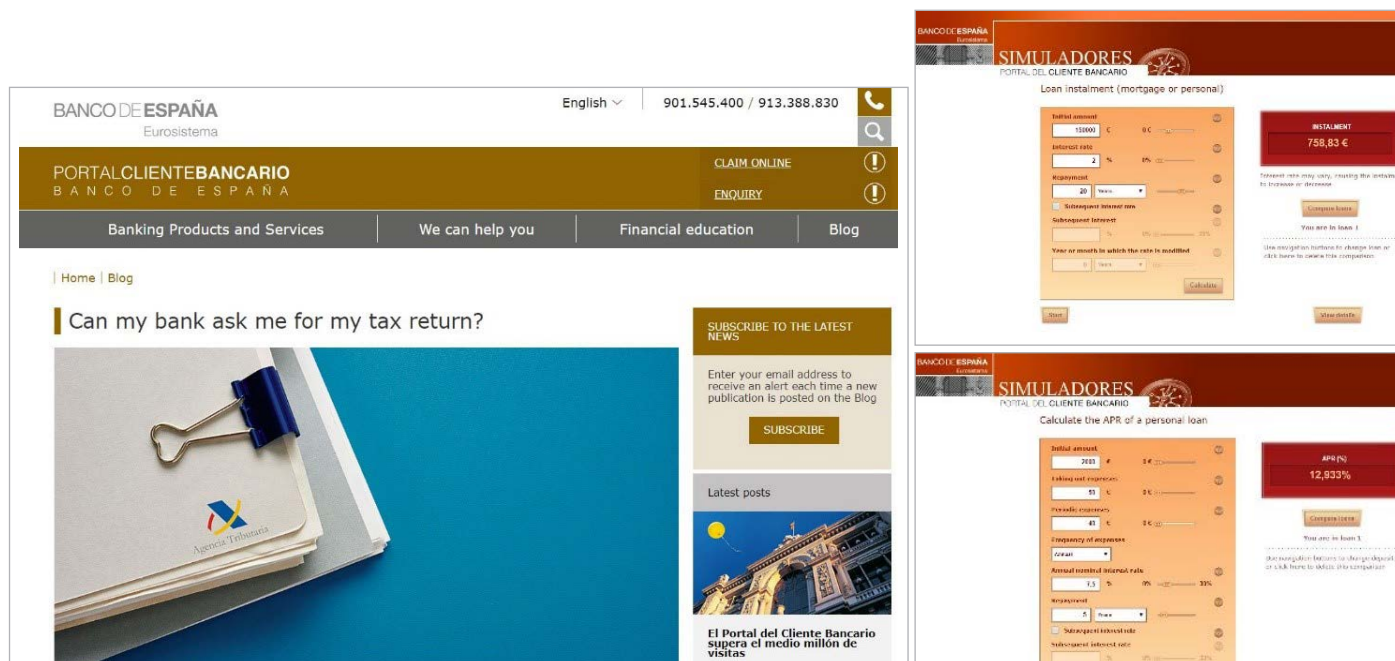
1.2 Banco de España internet portals

Of the Banco de España's internet portals, the *Bank Customer Portal* is one of the most useful for the general public, in view of the information it provides. The portal targets, in particular, a specific type of financial system user, namely individuals and small businesses. It offers information on the main banking products, services and practices, and provides tools and resources for the most common banking procedures.

The portal is split into three sections. The first provides information on the characteristics of the most common banking products and services and on the fees and interest rates charged by banks. The second section seeks to assist the public, helping banking customers with any enquiries or complaints and placing at their disposal useful tools such as calculators and financial simulators. The third section is dedicated to financial education and also includes a blog that covers particularly topical issues, with various resources in multimedia format.

The portal was recently redesigned, incorporating the latest technology. A further aim was to bring the banking world closer to the general public, making the published content more user friendly. In response, the number of visits to the portal has risen significantly, by more than 1,700,000 compared with the previous year, up to a total of 3,871,820 in 2019.

The most popular pages were those containing the simulators (mortgage loans, personal loans, repayments calculator, rate of return, APR...) and the official mortgage market interest rate and legal interest rate tables. The portal also includes a blog, and the most popular blog posts published in the year were those relating to day-to-day banking operations (What happens when the account holder passes away? Do you have a cheque that's been issued abroad and would like to cash it? How to submit a complaint against your bank? What is the "description" of a transfer for? Can my bank ask me for my tax return?). The aims for 2020 include enhancing the status of the blog by transforming it into a separate section, improving the



One of the Bank Customer Portal's most popular blog posts (left). The most popular pages of the Portal were the simulators and the interest rate tables (right).

Financial Education section, making new simulators available and continuing along the growth path observed in 2019, to consolidate the Bank Customer Portal and transform it into a benchmark for all banking service users.

1.3 Virtual Office

The Banco de España's Virtual Office is available to all users wishing to conduct business with the Bank online. Since the Virtual Office was launched, the range of business that may be conducted online has broadened significantly (requests for reports, filing of declarations, complaints, enquiries...). At the same time, the services provided have improved substantially. The Virtual Office offers the general public, businesses and administrations a secure digital environment in which to conduct their business swiftly, effectively and efficiently.

In 2019 a total of 12 new procedures were added to the Virtual Office, giving a current total of 82, a significant gain in the number of procedures available to the general public. This complements the increased use of the website noticeboard, which has proactively made available, in advance, the information needed for correct implementation of procedures at the Banco de España or optimal adaptation to such procedures by the public.

The number of visits to the Virtual Office rose by 16% in 2019, up to a total of 1,217,699.

Figure 3.1

MOST VIEWED PROCEDURES AND MOST DOWNLOADED FILES

| | | |
|------------------------|---|--|
| MOST VIEWED PROCEDURES | Requests for credit reports from the Central Credit Register | 1,001,331 page views (39% of the total) |
| | Reporting by residents in Spain on cross-border economic transactions and balance of external financial assets and liabilities (ETE form) | 216,110 page views (8% of the total) |
| | Submitting claims, complaints and enquiries | 106,129 page views (4% of the total) |
| | Exchanging pesetas for euro | 69,538 page views (3% of the total) |
| | Changing euro banknotes and coins for smaller denominations | 36,918 page views (1% of the total) |
| MOST DOWNLOADED FILES | Requests for credit reports from the Central Credit Register | 151,334 downloads |
| | Credit reports: explanation of content and codes used | 45,308 downloads |
| | Annual summary statement form | 32,966 downloads |
| | Form for reporting agents, legal entities (including public sector) and individuals with transactions and/or balances | 18,141 downloads |
| | List of electronic register procedures and services | 12,995 downloads |

SOURCE: Banco de España.

Also available on the website are the electronic versions of the Bank's publications.

The Banco de España encourages the use of electronic media in its relationship with the general public, to enable it to provide detailed and complete information and to reach the largest possible number of persons.

From this standpoint, the website offers a wide range of data and documents on institutional matters and on a multitude of economic and financial topics. It also includes various specific portals on these topics.

The sections of the Virtual Office that receive most visits include in particular: Procedures, which contains an alphabetical list of all processes and services offered, with 51% of visits; Public, with 29%; and Government, with 11%. During 2019 a total of 334,116 files were downloaded from the website. In addition, 2,414 queries were dealt with via e-mail, on general doubts relating to the website.

1.4 General Register and information for the public

The Electronic Register is the channel for electronic receipt of requests, communications and other documents relating to procedures available in the Virtual Office that require registration. It is operational 24 hours a day, all year round.

As Table 3.1 shows, in 2019 the total number of documents presented through the Banco de España's registers declined, essentially because there were fewer documents for the Market Conduct and Complaints Department. However, excluding those documents, the total recorded in the Electronic Register was significantly higher than in previous years, owing to the increase in the number of procedures available in the Virtual Office that may be dealt with online.

In recent years the volume of outgoing documentation from the Electronic Register has been very high (see Table 3.2). This is a consequence of the integration between the General Register and certain Market Conduct and Complaints Department applications. The decline in these figures in 2019 is connected with the decline in the entries for that Department.

The Banco de España also has a general information desk available to the public, both at its head office and in the branch offices, granting access to any general information they may need on procedures, processes and services provided by the Banco de España.

Over the course of 2019, the Banco de España's general information desk dealt with 3,955 queries, a similar number to previous years.

In recent years the use of the Electronic Register and the number of queries settled by telephone or online have both increased, prompting greater immediacy and ease in the Banco de España's relations with third parties.

Following the implementation of certified digitisation in the Central General Register and in the branch offices, in 2019 a total of 148,964 documents (927,191 pages) were

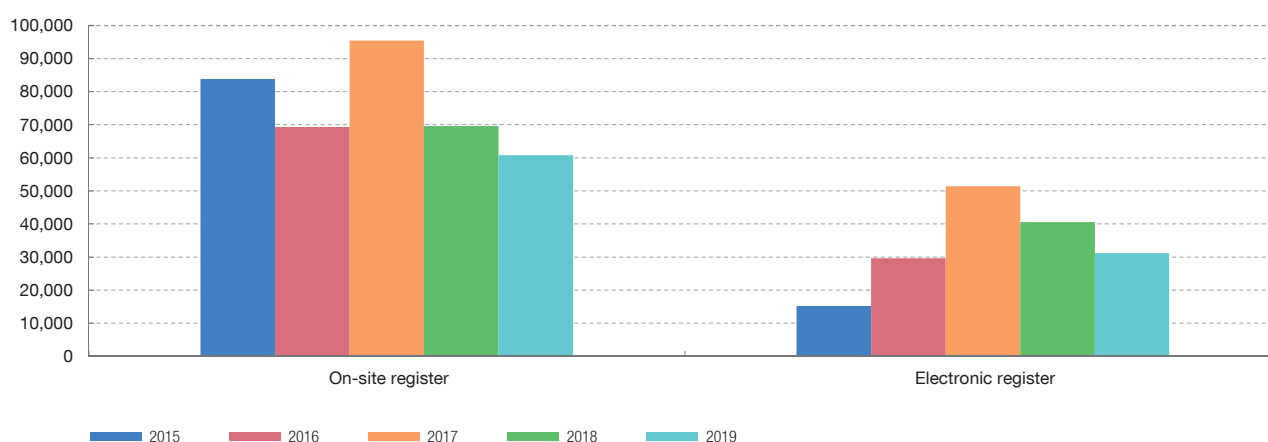
Table 3.1

REGISTERS, INCOMING

| | 2015 | 2016 | 2017 | 2018 | 2019 | Year-on-year change (2018-19) (%) |
|---------------------|---------------|---------------|----------------|----------------|---------------|--------------------------------------|
| On-site register | 83,843 | 69,232 | 95,427 | 69,539 | 60,786 | -13 |
| Electronic register | 15,175 | 29,539 | 51,342 | 40,505 | 31,170 | -23 |
| TOTAL | 99,018 | 98,771 | 146,769 | 110,044 | 91,956 | -16 |

SOURCE: Banco de España.

Chart 3.1

REGISTERS, INCOMING

SOURCE: Banco de España.

digitised. In this regard, in the framework of implementation of the Electronic Administration Model and in accordance with Law 39/2015, the Banco de España continues to extend the process of certified digitisation to documents entering the General Register and to administrative units that need to digitise their documents. These measures, carried out in compliance with the regulations, speed up procedures and make possible one-stop handling of all electronic documents with all the legal guarantees.

In addition, this optimisation of work processes makes it possible to identify, list and include in the corporate document manager the documentation that is most frequently used in the different administrative units, to create an electronic file, thus eliminating paper document handling and advancing towards the paperless office. Nevertheless, as the custodian of its documentary heritage, the Banco de España continues to guarantee the life cycle of documents to ensure that they will be accessible in the future.

Table 3.2

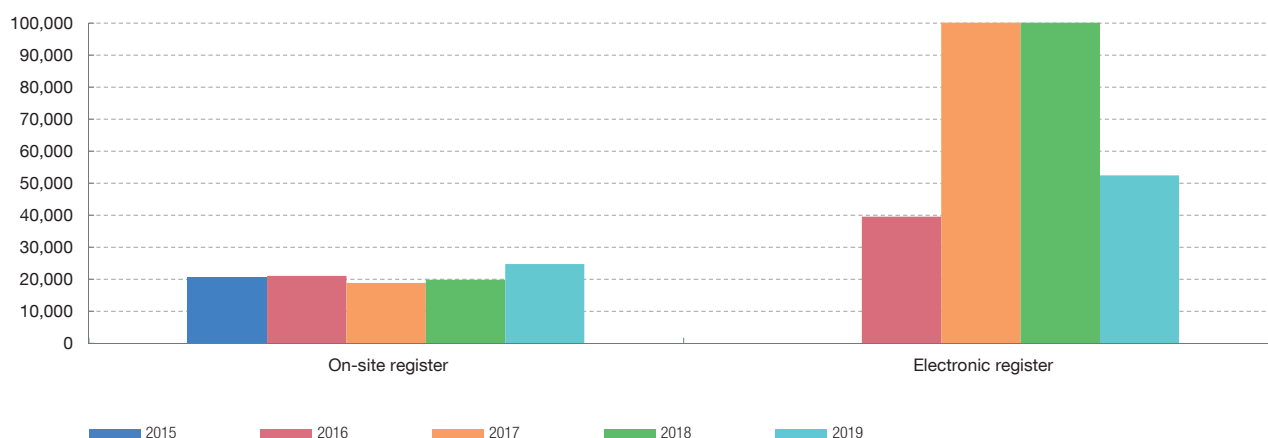
REGISTERS, OUTGOING

| | 2015 | 2016 | 2017 | 2018 | 2019 | Year-on-year change (2018-19) (%) |
|---------------------|---------------|---------------|----------------|----------------|---------------|--------------------------------------|
| On-site register | 20,597 | 21,024 | 18,763 | 19,817 | 24,705 | 25 |
| Electronic register | 0 (a) | 39,430 | 102,249 | 102,598 | 52,398 | 49 |
| TOTAL | 20,597 | 60,454 | 121,012 | 122,415 | 77,103 | 37 |

SOURCE: Banco de España.

a At that date the electronic register was not integrated in the Market Conduct and Complaints Department applications.

Chart 3.2

REGISTERS, OUTGOING

SOURCE: Banco de España.

Table 3.3

ON-SITE INFORMATION DESK

| | 2015 | 2016 | 2017 | 2018 | 2019 | Year-on-year change (2018-19) (%) |
|----------------------|-------|-------|-------|-------|-------|--------------------------------------|
| Information requests | 4,900 | 5,092 | 4,054 | 3,275 | 3,955 | 21 |

SOURCE: Banco de España.

During 2019, work was performed on the process of migration to a new document management platform, the aim being to establish a single repository and a tool that would allow documents to be processed according to uniform criteria. This process simplifies the number of applications needed for document management, enables



Elevation and roof of Banking Hall, with stained-glass windows by Maumejean.

users to work in a single environment and is more learner- and user-friendly. It also provides collaboration services for document distribution, greatly enhancing day-to-day operations for the administrative units concerned. The platform also has metadata that satisfy the technical interoperability standards and is prepared for the exchange of information with other public bodies.

1.5 Personal data protection

Since 25 May 2018, 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 applies to all European Union Member States. It was implemented in Spain by Organic Law 3/2018 of 5 December 2018 on personal data protection and guarantee of digital rights.

Both the EU regulations and the Spanish law have entailed a number of substantial changes to the legal framework on personal data protection. One of the main changes is the adoption of the principle of active responsibility in personal data processing, which requires that data processors be in a position

to prove that they are compliant with the EU and Spanish regulations, and that public authorities or bodies that process personal data appoint a data protection officer (DPO).

To satisfy the requirements laid down in these regulations, the Governance and Transparency Division of the General Secretariat has taken on the functions of data protection officer. In the exercise of these functions, in addition to advising on and supervising personal data processing by the Banco de España, it handles and settles all applications for exercise of rights made under the provisions of Article 12 et seq. of the Regulation and Article 18 et seq. of the Law. It also acts as the Banco de España's point of contact both with the Spanish Data Protection Agency and the general public.

2.1 Financial Education Plan

In 2019 the Financial Literacy Competition for Schools became firmly established as part of the Financial Education Plan (FEP) for young people. A total of 334 schools participated in the 2019 edition, with new prizes for both the winners and the finalists: a tablet for each member of the teams reaching the final and a banner for the winning school. The elimination rounds were held in the Banco de España's branch offices in Alicante, A Coruña, Bilbao, Málaga, Las Palmas and Barcelona, and the final in the head office in Madrid. The winning team was Colegio Sagrado Corazón (from Tafira, Las Palmas) and the runner-up was Colegio Sagrado Corazón-Fundación Spínola (from Coria, Cáceres).

In turn, a total of 472 schools registered for the Financial Education Programme for Schools for the academic year 2018-19. The regions of Andalusia, Madrid and Valencia were those with the highest representation in both categories (primary and secondary schools).

The fifth edition of Financial Education Day was held on 7 October 2019. The aim is to raise awareness among the general population of the importance of an appropriate financial culture. A range of activities was organised across the country, with the theme of this edition being the digitalisation of financial services, under the slogan "Connected to digitalisation".

The main event was held in the head office of the Banco de España, attended by the Minister for the Economy and Enterprise,¹ the Governor and Deputy Governor of the Banco de España, the Vice-Chair of the CNMV and other authorities. The event included a more innovative format, with the welcoming address given by the Deputy Governor of the Banco de España through a holographic image. An economic debate was organised between the spokespersons of the finalists in the Financial Literacy Competition, the Minister for the Economy and Enterprise, the Governor of the Banco de España and the Vice-Chair of the CNMV.

Also, in keeping with the theme, for the 2019 edition of Financial Education Day the website (<https://www.diadelaeducacionfinanciera.es/wfi/en/>) was modernised, making it more accessible, attractive and functional and creating a separate space for the partner institutions that collaborate with the FEP, to encourage cooperation and coordination among them.

¹ In January 2020 the Ministry of the Economy and Enterprise was replaced by the Ministry of Economic Affairs and Digital Transformation.



Economic debate, on Financial Education Day, between the student spokespersons of the finalists, the Minister for the Economy and Enterprise and representatives of institutions that support the Financial Education Plan.

The website includes 125 very different activities: roundtables and sessions, seminars, workshops, radio programmes, digital applications, games, competitions and sporting and cultural activities. These services offered by the Banco de España notably include, for example, a free phone line for consultations by the public on financial matters, the performance of a play, and talks on financial digitalisation given at the Banco de España's branch offices in Valladolid and Barcelona.

The Banco de España promotes financial education through a range of initiatives and measures, including the Financial Education Plan, the Central Banking and Supervision Programme and activities relating to banknotes and coins targeted at various different groups.

Financial Education Day, held in October, is a key part of these initiatives. In 2019 the theme was the digitalisation of financial services.

A new feature of the 2019 edition was the lottery ticket that the Spanish Foundation ONCE dedicated to Financial Education Day.



From left to right, the Vice-Chair of the CNMV, the Deputy Governor of the Banco de España and the First Vice-Chair of the Spanish Foundation ONCE at the presentation of its lottery ticket dedicated to Financial Education Day.

The 2019 Finance for All Awards went to Colegio Altozano (from Alicante) for “The Business days” project (Finance for All Award for the best financial education initiative), and jointly to the Spanish Confederation of Savings Banks (CECA, by its Spanish abbreviation) and the Spanish Savings Banks Foundation (FUNCAS, by its Spanish abbreviation) (Finance for All Award for work in the development of the Financial Education Plan).

One of the key characteristics of the FEP is that its activities have gradually become more focused on specific social groups, according to their specific needs, in addition to young persons who are the targets of the most consolidated set of activities.

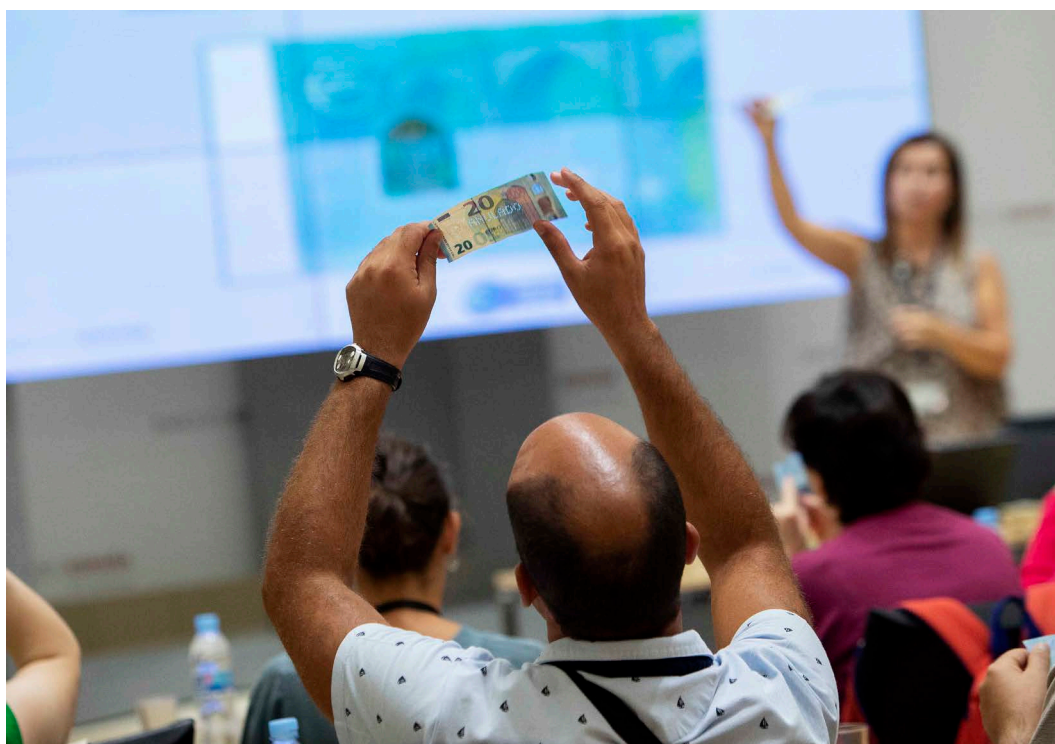
Thus, in 2019, in cooperation with the ONCE Foundation, the FEP gave a series of training sessions on basic financial matters for persons with intellectual disabilities and learning difficulties. The talks were given in various cities across Spain (Madrid, Valencia, Las Palmas, Bilbao, Badajoz, Valladolid, Seville and Murcia), specifically in the Banco de España’s provincial branch offices and in its head office.

Also in 2019 a pilot project was developed to introduce financial education to primary school children. To identify financial education content and educational methodology, a workshop was organised for primary school teachers in the Madrid region, in cooperation with the Sub-Directorate General for Teacher Training in the region.

The older generation are another preferential target group for the FEP. In 2018 Financial Education Day was dedicated to this important group, and in 2019 this work continued, especially through the Banco de España's active participation in the working group on Financial Education and Ageing Populations of the OECD's International Network on Financial Education. The working group aims to identify the needs of the elderly population and the financial risks to which they are most vulnerable, in order to propose financial education actions coordinated between the participating countries.

Lastly, in 2019 the FEP continued to collaborate with various organisations to promote financial education among specific groups, such as, for example, consumers, pensioners, teachers, researchers, small business owners and financial sector professionals. The FEP has a network of almost 40 partner institutions and gained three new partners in the year.

In 2020 financial education for university students undertaking studies in areas other than economics and finance will be a priority, through collaboration agreements with various universities. Work will also continue to extend the network of partner institutions to more population groups, such as persons at risk of social exclusion, immigrants and SMEs, among others.



Participants at training sessions organised at the head office of the Banco de España.

THE FINANCIAL EDUCATION PLAN

Financial education is, at one and the same time, a need and a challenge that the Banco de España has assumed and shared with the CNMV since the launch of the Financial Education Plan. Bringing citizens closer to the world of the economy and personal finances is essential for ensuring that anybody, at whatever stage of their lives and irrespective of their level of education or interest, is capable of taking well-informed and responsible decisions, negotiating the difficulties that they may often encounter in connection with these issues.

In short, the aim is that citizens may become consumers in respect of financial matters with the same knowledge base as in any other sector. That should contribute to the decisions that they adopt being as well-grounded and sound as possible and, in turn, to a situation whereby both the financial system and citizens' domestic or individual economies have a firmer base. The areas of knowledge it is sought to reinforce include that of access to the offer of financial payment products and services, and aspects as important and everyday in nature as the management

of spending and income, and forward planning and insurance.

The implementation of the Plan involves many institutions and sectors that share its objective. These are the so-called "collaborators", which promote initiatives adapted to their own respective areas.

Mention should also be made of the Plan's website (www.finanzasparatodos.es) and of an initiative which, internally and with a similar goal, was launched by the Banco de España before the Plan was up and running: the Bank Customer Portal, whose content, technology and visual aspect have recently been renewed. The aim is that citizens may clarify their doubts, seek the appropriate information and keep up to date, in such a way that in their interaction with the financial world they have the necessary capacity to know their obligations and entitlements. The Bank assumes this conference-building task geared to reinforcing citizens' knowledge and learning, with the aim that banking operations and dealings may be as comprehensible and accessible as possible to all.

2.2 Central Banking and Supervision Programme

The central banking education programme is part of the Banco de España's commitment, as a public institution, to society at large. It undertakes and promotes measures to help give the public first-hand knowledge of what a central bank is and of its functions and responsibilities, and hence its limits.

In 2019, these educational initiatives organised by the Banco de España reached more than 22,000 members of the general public who participated in the different educational programmes on central banking, and almost 19,000 specialist economic agents who received training on banknote and coin security features.

The Central Banking and Supervision Programme aims to promote awareness among the education community of our mission as a central bank that is a member of the Eurosystem and a supervisory authority within the framework of the SSM. The Banco de España distributes teaching materials and organises a range of activities, including in particular seminars on central banking and supervision that are given by a team of Banco de España experts who travel to the regional offices to provide training to teachers in the different Spanish regions. These sessions, attended by some 100 secondary school and vocational training teachers, create a space for



The General Secretary of the Banco de España addressing a seminar for teachers at the Barcelona branch office.

dialogue and, as shown by the attendee statistics, help reinforce their trust in the Banco de España.

Another important pillar of this programme is the Generation Euro Students' Award competition on monetary policy, organised by the Banco de España and nine other euro area central banks for students in upper-level secondary education and vocational training. A total of 3,975 Spanish students took part in the ninth edition of this competition, 56% more than in 2018, demonstrating the Spanish education community's lead in this European competition and the growing interest it arouses among Spanish students.

Through its Education Portal, the Banco de España makes various tools for students and teachers available to the school community. The portal has become a well-established resource for the education community: in 2019 it received 34,282 visits, with more than 182,000 page views.

Financial education also helps increase knowledge on the use of banknotes and coins and, in consequence, assists in the fight against counterfeiting.

Accordingly, in 2019 the Banco de España scaled up its efforts to make the security features of euro banknotes and coins better known. To this end, some 19,000 specialist agents and 500 members of the education community received online and face-to-face training.



The Governor of the Banco de España with some of the finalists in the Generation Euro Students' Award competition.

Moreover, for the first time the Banco de España offered online training to external users, reaching 18,405 persons, most of whom were credit institution employees. In order to reach a broader target public, the training content was also ceded to credit institutions, so that they may use it on their own training platforms.

The main face-to-face training sessions were the “Euro banknotes and coins” and “Know your euro” courses for professional cash handlers, retailers and other professionals interested in the security features of banknotes and coins.

For the education community, the third edition of the “Feel-look-tilt” course for secondary school teachers and the “Educational workshops on euro banknotes and coins” for students in secondary education and vocational training stand out. These workshops offer the opportunity to gain familiarity with the security elements of euro banknotes and coins through eminently practical training courses.

The Banco de España has continued to work with professionals involved in the fight against counterfeiting at the national and international level, with the State security forces and members of the judiciary, and with experts from other euro area NCBs and the Latin American central banks. One example of this cooperation in the year was the 12th edition of the International Cash Management Course for employees of Latin American central banks.

2.3 Institutional and school visits programme

The Banco de España organises a programme of institutional and school visits to its head office and its regional branch offices. During the academic year 2018-19 more than 17,700 visitors took part in this programme, an increase of 27% on a year earlier. These are guided visits and are free of charge. They allow the Banco de España to open its doors to the general public, who according to the surveys respond with a satisfaction rate of 93%.



First training workshop for volunteer guides for visits to the Banco de España's Cibeles building in Madrid.

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 these programmes are published on the website.

In 2019 two research projects, selected in the framework of the 2017 Programme for Research Grants in the fields of Macroeconomics, Monetary, Financial and Banking Economics, and Economic History, aimed at Spanish universities and research centres, continued under the Banco de España's Research Plan.

Also in 2019, four research fellows in economics joined the Banco de España, three in the Directorate General Economics, Statistics and Research and one in the Directorate General Financial Stability, Regulation and Resolution. In addition, eight research assistants joined the Directorate General Economics, Statistics and Research. New calls were published in the year for research fellows in economics and for research assistants with various profiles.

In 2019 the Banco de España granted five scholarships for further studies abroad and for official master's degrees in Spain in the academic year 2019-20, with the possibility of renewal for a further year. These scholarships are intended for university graduates and, exceptionally, for students in their final degree year. In December 2019 a new call for these scholarships was published for the academic year 2020-21.

Economic analysis and research are essential functions of the Banco de España, which regularly publishes calls for research assistants and research fellows and for scholarships for further studies abroad and official master's degrees in Spain. Through various cooperation agreements, the Bank also promotes a programme of excellence in education and research for universities and research centres in Spain.

4 ARTISTIC, HISTORICAL AND BIBLIOGRAPHIC HERITAGE

4.1 Art collection

The Banco de España has one of the largest and most singular corporate art collections in Spain and in the ESCB, a collection that reflects the history of the institution. Opening up the collection to the public is today both a challenge and an obligation for a public institution that is increasingly open and transparent. Placing the Bank's artistic heritage at the service of society is not only a requirement under the Spanish Historical Heritage Law but also an opportunity to bring the institution closer to the general public.

This setting frames the various measures taken to open up the art collection, such as the temporary loans of works of art to different Spanish and international exhibitions. In 2019 eleven artworks were loaned to eight exhibitions and the number of requests rose compared with the previous year. Thus, works of art belonging to the Banco de España have been seen in such key exhibitions as *Ignacio Zuloaga* (1870-1945) (Museo de Bellas Artes, Bilbao); *Sorolla: Spanish Master of Light* (National Gallery, London); *Miguel Ángel Campaño y Rogelio López Cuenca* (Museo Nacional Centro de Arte Reina Sofía, Madrid); *Guerrero/Vicente* (Centro José Guerrero, Granada, and Museo Esteban Vicente, Segovia); and *Floridablanca. La sombra del rey* (Sala Verónicas, Murcia).



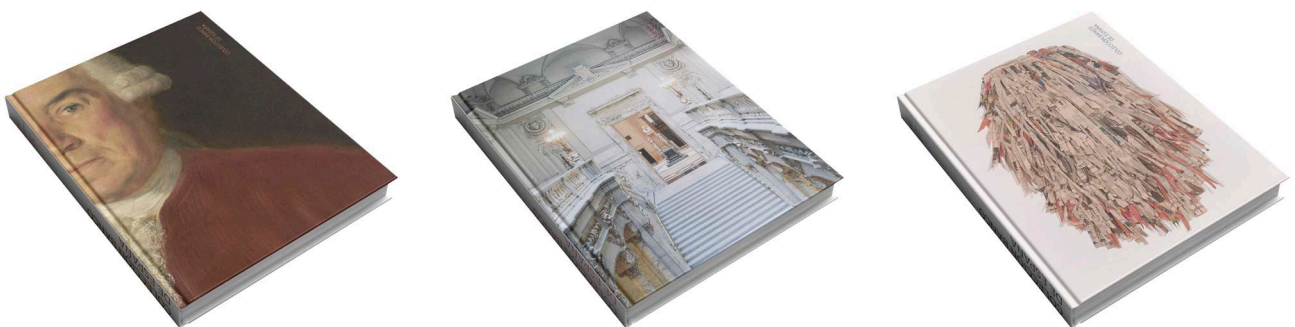
Several of the works of art loaned to different Spanish and international exhibitions.

A further key development in this area in 2019 was the completion of the work on the annotated catalogue of the Banco de España's art collection (*Catálogo Razonado de la Colección Banco de España*), which will make a large portion of our artistic-historical heritage available to society at large and to art lovers in particular. The results of this research on the collection of paintings, sculptures, photographs and drawings are contained in three volumes which document more than 1,400 works by 500 artists. To foment more widespread dissemination, there will also be a digital version of the publication, available in digibook format and on the website. The public presentation is scheduled for July 2020.

In 2019 the Banco de España signed collaboration agreements with both the Museo Nacional del Prado and the Museo Nacional Centro de Arte Reina Sofía. Both agreements establish a fluid channel for communication and advice on questions relating essentially to the conservation and restoration of the Bank's artistic heritage. They also represent an important social contribution, as they foment the creation of four scholarships for training and research in areas relating to museology.

One of the Banco de España's main commitments in this area is the conservation of its artworks. In 2019, 34 restorations of different degrees were carried out, notably including work on canvases of Zuloaga and Agustín Esteve and etchings of Piranesi, on contemporary works of art by artists such as Ángel Campano, Rogelio López Cuenca, José María Yturralde and Rosa Brun, and on various elements of decorative artworks, such as clocks, tapestries and mirrors.

Lastly, 21 works of art (paintings, drawings, photographs and sculptures) were added to the collection in the year, in accordance with the purchasing criteria established in the internal heritage regulations, namely to complete historical sets, broaden the institutional aspect grounded in the traditional collection and continue to contribute to the development of institutional art collections in Spain. The new acquisitions notably include a gouache by Eusebio Sempere and photographs by Bleda and Rosa, both of whom are front runners of Spanish contemporary



Front pages of the *Catálogo Razonado de la Colección Banco de España* which includes a large portion of the Banco de España's artistic-historical heritage.



Reflections in a Golden Eye (2018), by Carlos Aires.

photography and winners of the Spanish National Photography Award. Other artists new to the collection in 2019 include the Peruvian artist Sandra Gamarra, the Austrian photographer Oliver Ressler and the Spanish artists Carlos Aires, Belén Rodríguez, Paloma Gámez and Asunción Molinos Gordo.

4.2 Historical Archive and numismatic collection

The Banco de España's Historical Archive is the custodian of the documentation issued and received by the Bank since it was founded (under the name of Banco Nacional de San Carlos in 1782) up to the present day. As an institution that has played a key role in the Spanish economy, the Banco de España holds an archive that is essential to understand Spanish economic history over the last three centuries.

The work performed each year to analyse and study the documentary heritage deepens and showcases knowledge of the Banco de España's history for subsequent dissemination, for use by the Bank itself or by any member of the general public who may be interested. Thus, in 2019, a great deal of work was undertaken to analyse the historical documentation and disseminate documents, to make known the wealth of documentary heritage held by the Bank.

THE GOLD VAULT

The gold vault of the Banco de España was built following the design in the architect José Yáñez's 1932 plans. It was set firmly in place at a depth of 35 metres, under the new banking hall then being constructed. The complex combination of clay-based terrain and ample water meant specific construction solutions had to be adopted. More than 80 years on, they have proven to be fully effective, since the vault has remained free of water.

The vault comprises six galleries and has a total surface area of 2,500 square metres, 1,000 square metres of which are concrete walls. The most extensive and varied security measures in place have made the structure an impenetrable one over time. The armour-plated doors weigh several tons, and were shipped in from the United States where they had been constructed by Coffres-Forts York. This firm provides armour-plated doors for major financial institutions around the world, including the New York Federal Reserve.

The idea of an underground vault was inspired at the time by those constructed in other public and private banking establishments in the world's main financial centres. These had placed their vaults at great depth, fearful of the air attacks and long-distance gunfire witnessed in the First World War and of the professional safe-cracking criminals operating after the 1929

crash, mainly in the United States. The French central bank headquarters in Paris had an exceptional vault that the architect José Yáñez had seen at first hand and which acted as a model for his plans at the Banco de España.

Construction work on the vault was completed in March 1936, and the close to 700 tons of gold then comprising the Banco de España reserves were moved there. The vault is the outcome of a magnificent piece of engineering that retains its safety features in perfect condition and whose Art Deco aesthetic evokes the 1930s for today's visitors. The vault galleries continue to guard part of the gold reserves and the Bank's numismatic collection.

Interestingly, one of the most characteristic features of our gold vault that has always aroused particular curiosity is that it has a sunken shaft at its entrance that can be flooded if necessary, completely preventing access.

This sunken shaft, which would act as an effective deterrent by preventing access to the enclosure, has never been used since its construction. That said, some TV series have imagined how the vault would look fully submerged underwater.



Gold vault door of the Banco de España central headquarters in Plaza de Cibeles, Madrid.

BANCO DE ESPAÑA CENTRAL HEADQUARTERS. THE CIBELES BUILDING

The construction of the Banco de España building began in 1883 on the Alcañices Palace site, which was purchased a year earlier from the Duke of Sesto, the Marquis of Alcañices. The site was on the corner of two thoroughfares, Calle de Alcalá and Paseo del Prado. The plans for the new building were entrusted to the architects of the Bank (Eduardo de Adaro and Severiano Sainz de la Lastra), who completed it in December 1883. Between 1886 and 1887 new sites were purchased (that of the Convent of San Fermín de los Navarros, part of the gardens of the Escuela de Caminos and the Palace of the Marchioness widow of Larios), enabling the building to be extended such that its southern boundary reached the Calle de Los Madrazo street. The works were concluded in 1891, and the building inaugurated on 3 March that year.

The building is one of the most interesting constructions of 19th-century Spanish architecture, at a time at which bank building design based on a study of attendant needs had still not been defined. With its unquestionable eclectic-historical style, the monumental external façade displays a combined industrial-representative character. The same distinction can be seen within: the use of wrought iron on the basement and ground floors attests to the building's industrial character, while the entrances, stairways and main floor, accommodating the senior officials, resort to the more traditional symbols of architecture.

Barely 30 years after the inauguration of the building, the Bank embarked on plans for its extension. In 1923 it purchased the neighbouring houses of Santamarca and, in 1927, it commissioned the building extension project to the architect José Yáñez Larrosa. With a clear vision of the architectural image of the Bank in the city, Yáñez resolved the project by repeating the Paseo del Prado façade on Calle de Alcalá.

All the expressive force of 1930s architecture was thus relegated to the building's interior. There we find the banking hall, a quadrangular feature with a surface area of 900 square metres. The internal façades are of marble from Escobedo (Santander) and the metallic features are of the highest-quality bronze and steel. A spectacular skylight crowns the hall, whose stained-glass window (crafted by the firm Maumejean Hermanos) is an exceptional example of Spanish Art Deco. It has a strong geometrical style and boasts allegories relating to the work, progress and prosperity of man. The overall structure comprising the first two constructions of the Bank have been declared a cultural heritage site under Royal Decree 1933/1999 of 17 December 1999.

Between 1969 and 1975, the building was extended along the Los Madrazo and Marqués de Cubas streets, as part of a project begun by the architect Juan de Zavala and continued by Javier Yáñez Orcóyen. The project included a separate building in the central courtyard.

In 1974, the Bank acquired the corner of the Alcalá and Marqués de Cubas street intersection, whose building had initially been the headquarters of Banca Calamarte, and later of Banco Pastor. In 1978 an architectural blueprint tender was arranged. Several prestigious architects took part, with the winning design being that submitted by Rafael Moneo. The construction project, which did not commence until 2002, managed to resolve the problem entailed by erecting one building within another, pre-existing, historical and strongly delineated structure. This was done by using the same construction language, but with a contemporary twist. This so-called "completion" has enabled the Bank to use all of the urban block on which it stands, finally attaining the free-standing and complete status that had always been the goal of the successive extensions.

The archival processing of the Registry Archive was completed in the year. This document collection contains a whole set of files on the Bank's customers (individuals, businesses, organisations and other banks) for the period 1860 to 2011, thus offering great potential for studies on Spanish economic activity on a small to medium scale over more than 150 years. The more than 86,200 files described in the project will be made available to researchers in the Historical Archive shortly.

During 2019 various exhibitions and other events were held. Thus, for the 60th anniversary of the 1959 Stabilisation Plan, during the presentation held in Barcelona

on 3 October, the Archive organised a small exhibition of documents relating to the contributions made by Joan Sardà to the Banco de España. The exhibition was repeated in Madrid, open to all Bank employees, in November-December 2019.

On the occasion of the presentation by the Association of Architects of Asturias of the 2019 Castelao Award to Nicolás Arganza García, the architect responsible for the present home of the Banco de España's branch office in Oviedo, an event was held at the branch office on 22 November. The Historical Archive took part in the exhibition commemorating the work of Nicolás Arganza, contributing several plans of the branch office building, which is one of the architect's signature works and is listed as a singular building in the Inventory of Cultural Heritage of Asturias.

Two other important events were held in 2019. First, in March, an exhibition under the title "The Banco de España's documents: past, present and future (1782-2018)", which presented a journey through the most important documents held in the Historical Archive on the history of the Banco de España and received almost 850 visitors. Second, for International Archive Day on 9 June, the Archive opened its deposits to Bank employees, offering guided tours of the installations where not only current documents but also those dating back 237 years are held.

Lastly, and as a corollary to a project launched a few years earlier, the *Guide to the historical banking archives of Spain* was presented on 8 July 2019. The intention was to recover Spain's historical banking archives, permanently at risk of loss and disappearance owing to the lack of value attributed to them, especially during the mergers and absorptions in the banking sector. The book, co-ordinated by the Archives and Document Management Division, presents, describes and identifies for the first time the content of ten separate historical archives of Spanish banks, many of them now extinct, and of the 218 document collections they held.

The work also contains a complete map of the history of the Spanish banking system, from the very beginning through to the end of 2017, and a rigorous analysis by the historian Pedro Tedde of the Spanish banking system during the 20th century. The book was presented by the Governor of the Banco de España, Pablo Hernández de Cos, who emphasised the importance of historical archives, which allow documents to be maintained and conserved and ensure their traceability and integrity. He also underlined that, owing to the central role of banking within the economic system, these archives permit analysis of the factors that shape countless decisions made by businesses, households and governments over time.

Also in the area of economic history, in addition to the events mentioned earlier, including the session commemorating the 60th anniversary of the 1959 Stabilisation Plan, in May 2019 the Joint Seventh CEPR Economic History Symposium and Fifth Banco de España Economic History Seminar was held in Roda de Bará (Catalonia).



Presentation of the *Guide to the historical banking archives of Spain* held in the head office in Madrid.

Lastly, in 2019 the Banco de España was appointed honorary member of the Spanish Economic History Association (AEHE, by its Spanish abbreviation), in recognition of its contribution to the development of the discipline.

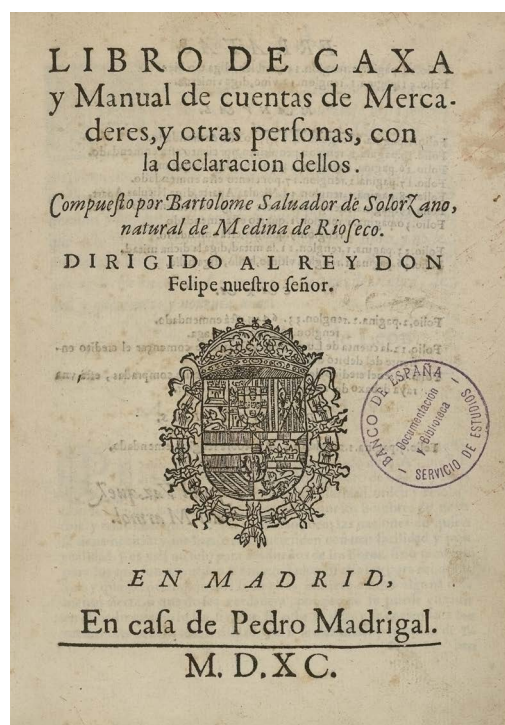
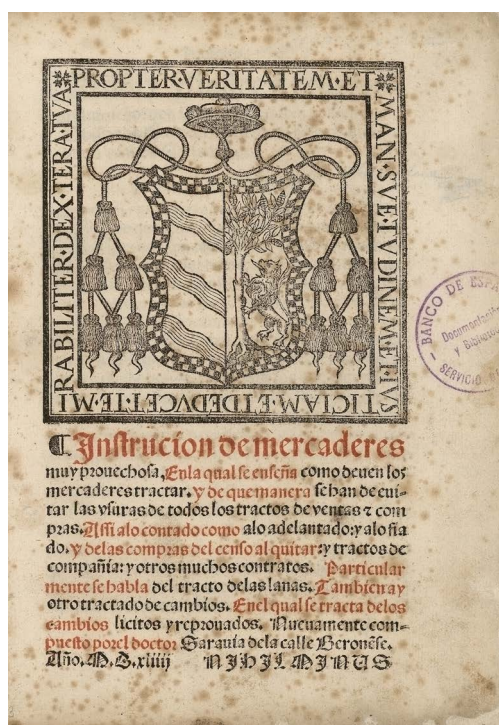
4.3 Bibliographic heritage

The Library saw a considerable increase in its activity in 2019. Towards the end of the year, the institutional repository (<https://repositorio.bde.es/?locale=en>) was launched. This is a new online information system which for the first time permits access to the digital versions of a selection of the most important and most valuable works from the Library's Special Value Collection. The repository also includes, for their long-term conservation, collections of today's Banco de España publications.

In October 2019, the Library's reading room housed the first public exhibition of part of the Special Value Collection (see Box 3.4: First exhibition of the Special Value Collection).

Also, during the first week of October, two international meetings were held that drew to the Banco de España's head office more than 70 representatives of libraries of other central banks and international financial institutions from around the world.

Regarding the day-to-day functioning of the services, in 2019 the number of external users of the Library rose by more than 100% on the previous year, partly as a result



Left: Luis Saravia de la Calle, *Instrucion de mercaderes muy prouechosa*, in Medina del Campo, by Pedro de Castro (1544). <https://repositorio.bde.es/handle/123456789/2630>.

Right: Bartolomé Salvador de Solórzano, *Libro de caxa y Manual de cuentas de Mercaderes, y otras personas, con la declaracion dellos*, in Madrid, at the home of Pedro Madrigal (1590). <https://repositorio.bde.es/handle/123456789/2603>.

of the renovation work in terms of space and facilities that was completed in September 2018. Of the information requests received in the year, 18% were from members of the public or institutions not connected to the Banco de España. In addition, books and articles continued to be loaned to other libraries and institutions through the interlibrary lending service.

A total of 1,234 monographs were added to the collections, 36% of these in e-book format. In the year, in addition to acquiring perpetual access to 453 electronic book titles, the Library subscribed to a collection of 1,450 mathematical titles under an evidence-based acquisition model. This permits access during one year to the entire collection and, at the end of that period, provides for definitive purchase of the titles most in demand.

The use of electronic information resources continued to grow, especially in the case of e-books where it rose by 11%, up to 20,719 downloads. In the case of magazine articles and databases, the level of use was similar to the 2018 level (35,001 downloads and 7,706 printed copies).

The work performed in 2019 on the Special Value Collection affected a total of 376 volumes, aimed at recovering their full use and ensuring their long-term conservation. It also included the digitisation of 120,000 pages of 615 works, as a result of which the Library's collection of digitised volumes numbered 4,395 at end-2019.

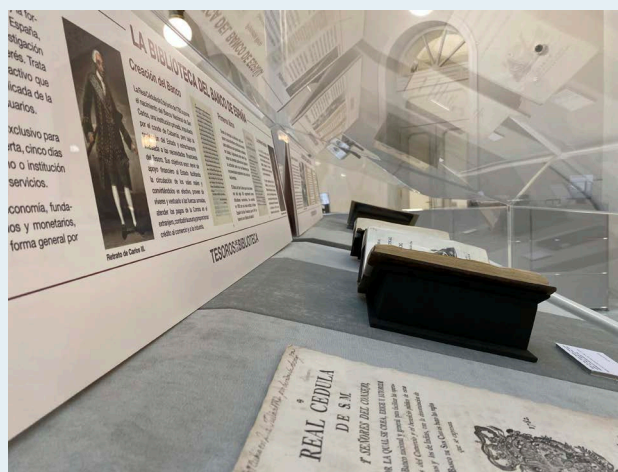
FIRST EXHIBITION OF THE SPECIAL VALUE COLLECTION

During the month of October 2019, the reading room in the Library housed the first exhibition to be open to the public of part of its Special Value Collection. Under the general heading of “Library Treasures”, around 60 printed copies and manuscripts from the 15th and 16th centuries were exhibited. They reflected a journey through the prevailing economic thought and its expression in the books of the period. The exhibition comprised six sections:

- The Banco de España Library: introduction setting out how collections have been formed since the Banco Nacional de San Carlos came into being.
- A picture of the world: the relationship between the development of trade and cartography is illustrated drawing on some of the best 17th and 18th-century atlases.
- Mercantile art: advances in mathematics, linked to the needs of merchant-bankers, lay behind the 16th-century proliferation in practical arithmetic works including trade calculation.
- The School of Salamanca: the works of Azpilcueta, Soto, Molina, etc., illustrate the flourishing of a current of thought addressing matters and formulating theories anticipating future developments in modern economics.
- The *arbitristas*: from the late 16th century, various authors (Ortiz, Moncada, Olivares, etc.) undertook the first mercantilist analyses of the causes behind the Spanish monarchy’s economic difficulties and possible remedies for them.

- *Proyectistas* and *ilustrados*: the early 18th century saw a continuation of mercantilist ideas through enlightened reformers such as Uztáriz and Ulloa. Subsequently, the new ideas of the physiocrats (Cantillon and Smith) infused the writings of Campomanes, Jovellanos and Cabarrús.

The Special Value Collection, which comprises around 16,000 works published between the 15th and 19th centuries, is a salient part of the Library collection. It is of particular interest as regards the study of the history of economics and law in Spain. Consultation of these works is necessarily restricted, owing to conservation needs, to researchers. Accordingly, this type of exhibition is a magnificent opportunity for those interested or simply curious to see at first hand part of Spain’s literary heritage conserved by the Banco de España. Given the visiting public’s favourable reception, it is planned to organise similar exhibitions in the future.



Detail of one of the exhibition showcases of the “Library Treasures” exhibition.

5 BENEFICENT-SOCIAL AND CULTURAL FUND

The Banco de España has a Beneficent-Social Fund (BSF), created under Law 192/1964 of 24 December 1964 on allocation of the Banco de España's annual profit. The Law provides, *inter alia*, that the Bank may allocate certain amounts for beneficent-social purposes, after deducting overheads and administrative and financial expenses from its gross profit.

Under the Law's implementing regulations, the allocation to the Banco de España's BSF may not exceed 1% of the Bank's net profit for each year. Contributions made out of the BSF must be for intellectual, cultural or social activities, provided free of charge, and especially for economic research, financial education, socio-humanitarian purposes and cultural activities.

The granting of these support measures must be in accordance with the aims of the BSF. The projects supported must have an economic, social, cultural or cross-sectional purpose and there must be transparency. Beneficiaries must have a certain academic, social or cultural standing and, in the case of support for economic research, it must be awarded competitively. Before being approved, proposals for financial support charged to the BSF are analysed and assessed by an internal committee, taking into account the annual plans in place.

Since 2019, the support provided out of the BSF is classified into three categories, according to the purpose for which it is granted: i) economic analysis and research; ii) educational and cultural activities; and iii) socio-humanitarian assistance.

Support granted in the year totalled €2,129,940, of which 82% was allocated to activities related to economic analysis and research, 13% to socio-humanitarian assistance and 5% to educational and cultural activities.

Information on the BSF contributions authorised is published on the Banco de España's Transparency Portal, indicating the amount authorised. The support granted in 2019 notably included:

- Among the contributions to “economic analysis and research” at economic and financial seminars, the amounts earmarked for scholarships granted by the Banco de España for university graduates to further their studies.
- As part of the support in the “educational and cultural activities” category, the contributions made to meet the goals of the Fundación Princesa de Asturias and for activities and events organised by the Real Academia de Ciencias Morales y Políticas.

- Among the contributions to “socio-humanitarian assistance”, the support granted to the Spanish Cancer Association, the Spanish Red Cross and Fundación Reina Sofía, and to the beneficent activities of the Association of Retirees.

6 INTERNAL ENVIRONMENTAL SUSTAINABILITY INITIATIVES

At the Banco de España, 2019 was a particularly significant year for environmental sustainability, with important decisions being made. For instance, a new environmental management coordination function was created, which covers all the different areas of the Bank. The move is in response to our commitment to reduce our environmental footprint and fight climate change, with the following main objectives:

- Foment environmental sustainability at the Banco de España.
- Ensure compliance with all local, regional and European environmental regulations.
- Coordinate and standardise the Banco de España's activities aimed at minimising the environmental impact and setting environmental targets.
- Identify and promote environmental sustainability measures, ensure compliance with such measures and analyse their impact.
- Coordinate with the administrative units responsible for periodic environmental studies, measurements and reports.
- Take steps to raise employee awareness and promote change towards sustainable behaviour by all the members of our internal organisation, and by external collaborators (subcontractors), through training seminars, specific campaigns, conferences and participatory events, among others.

Similarly, in recent years important steps have been taken to promote environmental sustainability, including in particular:

- Energy efficiency: projects undertaken to update conventional lighting systems to LED and replace cooling, heating and water systems, reducing energy consumption in our buildings and, therefore, our carbon footprint.
- Waste management: various steps taken to eliminate plastic waste, separate waste and have it subsequently processed by authorised waste processors.
- Inclusion of environmental management in tendering procedures: most recent tendering procedures include environmental criteria, on compliance with the applicable regulations, the use of environment-friendly non-toxic

products, waste separation and management, and staff training to ensure that, for example, waste management is handled correctly, etc.

The Banco de España, in its internal workings, is fully committed to the fight against climate change and has taken various measures to promote environmental sustainability and enhance environmental management.

7 MISCELLANEOUS

The Banco de España also conducts a range of other activities that have a direct impact on the social sphere. It has in place, for instance, a programme whereby it donates fully serviceable and amortised computer equipment to different non-profit organisations.

In 2019 a total of 171 machines were donated under this programme, essentially to State primary and secondary schools.

In addition, the Banco de España has initiatives in place to promote a healthy lifestyle among its employees. These include talks and training sessions on physical and emotional health, and also the “Back School” (which includes physiotherapy and Pilates classes) and medical advice on nutrition.

Lastly, there is the Banco de España Employee Sports and Cultural Club (CDCEBE, by its Spanish abbreviation), which is recorded in the Madrid regional government’s Registry of Sports Associations as a general sports club. The Club’s main purpose is to encourage members to join in activities, to encourage employees to get to know each other outside the work environment and to foment team spirit. For this purpose, the Club offers a range of activities grouped into 21 sports and cultural sections.

The sections are run by delegates who, together with their assistants, altruistically design and organise the activities, which are open to all interested members. The Club’s teams also take part in sporting competitions and leagues with local, regional and national sections, which encourages members to join the different regional and/or national sporting federations

The Club also organises a very wide range of cultural activities, such as visits to museums, courses, musical activities, cultural excursions, theatre trips and photography.

It also participates in large numbers in the annual international sporting and cultural events that bring together different clubs from other European central banks.

ACRONYMS AND ABBREVIATIONS

| | |
|-----------|---|
| AEHE | Spanish Economic History Association |
| AMCESFI | New macroprudential authority |
| AnaCredit | Analytical Credit Datasets |
| APIE | Spanish Association of Financial Journalists |
| APIs | Application Programming Interfaces |
| APR | Annual percentage rate |
| ASBA | Association of Supervisors of Banks of the Americas |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| BOE | Official State Gazette |
| BSF | Beneficent-Social Fund of the Banco de España |
| CACs | Collective action clauses |
| CBPP3 | Covered bond purchase programme |
| CCR | Central Credit Register of the Banco de España |
| CCyB | Countercyclical capital buffer |
| CECA | Spanish Confederation of Savings Banks |
| CEMFI | <i>Centro de Estudios Monetarios y Financieros</i> |
| CEMLA | Center for Latin American Monetary Studies |
| CLO | Collateralised loan obligations |
| CMU | Capital markets union |
| CNMV | National Securities Market Commission |
| CPMI | Committee on Payments and Market Infrastructures |
| CSPP | Corporate sector purchase programme |
| DGSCI | Deposit Guarantee Scheme for Credit Institutions |
| DPO | Data Protection Officer |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| ECF | Survey of Financial Competences |
| ECMS | Eurosystem Collateral Management System |
| ECOFIN | Economic and Financial Affairs Council |
| EDIS | European deposit insurance scheme |
| EFC | Economic and Financial Committee |
| EFF | Spanish Survey of Household Finances |
| EPC | Economic Policy Committee |
| ESCB | European System of Central Banks |
| ESG | Environmental, social and governance |
| ESM | European Stability Mechanism |
| ESRB | European Systemic Risk Board |
| EU | European Union |
| €STR | Euro short-term rate |
| FAD | Fostering Arts and Design |
| FEP | Financial Education Plan |
| FLESB | Forward Looking Exercise on Spanish Banks |
| FNMT-RCM | Spanish National Mint (<i>Fábrica Nacional de Moneda y Timbre-Real Casa de la Moneda</i>) |
| FROB | Fund for the Orderly Restructuring of the Banking Sector |
| FSAP | Financial System Assessment Programme |
| FSB | Financial Stability Board |
| FSI | Financial Stability Institute |
| FUNCAS | Spanish Savings Banks Foundation |
| GHOS | Group of Central Bank Governors and Heads of Supervision |
| G-SII | Global systemically important institution |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS 9 | International Financial Reporting Standard 9 |
| IIMV | Ibero-American Institute of Securities Markets |
| ILAAP | Internal Liquidity Adequacy Assessment Process |

| | |
|-----------------|---|
| IMBISA | <i>Imprenta de Billetes, SA</i> |
| IMF | International Monetary Fund |
| INE | National Statistics Institute |
| IRBE | Internal Rules of the Banco de España (approved by a Resolution of the Governing Council of the Banco de España on 28 March 2000) |
| IRTs | Internal Resolution Teams |
| JSTs | Joint Supervisory Teams |
| LARF | Latin American Reserve Fund |
| Law of Autonomy | Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España |
| MAPS | Market Activities Processing System |
| NCA | National Competent Authority |
| NCB | National Central Bank |
| NGFS | Network for Greening the Financial System |
| NPL | Non-performing loan |
| NSAs | National supervisory authorities |
| OECD | Organisation for Economic Co-operation and Development |
| OMFIF | Official Monetary and Financial Institutions Forum |
| ORC | Overall recovery capacity |
| PEPP | Pandemic emergency purchase programme |
| PRGT | Poverty Reduction and Growth Trust |
| PSD2 | Payment Services Directive 2 |
| PSPP | Public sector purchase programme |
| Sareb | Asset management company for assets arising from bank restructuring |
| SECMCA | Executive Secretariat of the Central American Monetary Council |
| SEPA | Single Euro Payments Area |
| Sepblac | Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences |
| SLIs | Specialised lending institutions |
| SRB | Single Resolution Board |
| SREP | Supervisory Review and Evaluation Process |
| SRF | Single Resolution Fund |
| SRM | Single Resolution Mechanism |
| SRMR | Single Resolution Mechanism Regulation |
| SSM | Single Supervisory Mechanism |
| T2S | TARGET2-Securities |
| TARGET2-BE | Trans-European Automated Real-time Gross settlement Express Transfer system 2 – Banco de España |
| TFEU | Treaty on the Functioning of the European Union |
| TLTRO II | Second series of targeted longer-term refinancing operations |
| TLTRO III | Third series of targeted longer-term refinancing operations |
| TPPs | Third party providers |

LIST OF PHOTOGRAPHS

- Chamfered corner of the Cibeles building. Photographer: Luis Asín. © Banco de España COVER
- Governor of the Banco de España. Photographer: Daniel Santamaría. © Banco de España 6
- Deputy Governor of the Banco de España. Photographer: Daniel Santamaría. © Banco de España 10
- Reading room in the Library of the Banco de España, after refurbishment. Photographer: Luis Asín.
© Banco de España 16
- President of the European Central Bank. Photographer: Angela Morant. © European Central Bank 21
- Commemorative banner marking the 20th anniversary of the adoption of the euro. Photographer: Daniel Santamaría. © Banco de España 23
- Event held on the occasion of the 5th anniversary of the launch of the SSM. Photographer: Miguel Molinares. © Banco de España 25
- Governing Council of the Banco de España. Photographer: Daniel Santamaría. © Banco de España 30
- Stained-glass ceiling of the Banking Hall in the main head offices in Madrid. © Banco de España 48
- Stained-glass window with Mercury at the centre. © Banco de España 48
- Grand staircase in the Cibeles building. Photographer: Daniel Santamaría. © Banco de España 48
- Meeting of the Federation of North American Financial Analysts in the Salón de Actos conference room of the Banco de España in Madrid. © Banco de España 59
- Exhibition at the Barcelona branch to mark the 60th anniversary of the 1959 Stabilisation Plan. Photographer: Daniel Santamaría. © Banco de España 59
- The Governor of the Banco de España, receiving the 2019 “Tintero” award. Photographer: Pablo Moreno. © Banco de España 60
- View of the former Historical Archive room. Photographer: Luis Asín. © Banco de España 64
- View of the vaulting of the main staircase, from the gallery. © Banco de España 70
- Access control speed gates at Calle de Alcalá 522. © Banco de España 71
- Governing Council meeting held at the branch office of the Banco de España in Oviedo. Photographer: Eloy Alonso González. © Banco de España 72
- Second Conference on Financial Stability. Photographer: Miguel Molinares. © Banco de España 75
- BELab, the data laboratory room. Photographer: Ana María Esteban. © Banco de España 79
- Conference “Climate Change. Challenges for the Financial System”. Photographer: Daniel Santamaría. © Banco de España 86
- Headquarters of the European Banking Authority. © European Banking Authority 112
- Second meeting of “Fostering Women’s Leadership in Central Banking”. Photographer: Nuria Horcajada. © Banco de España 116
- Seminar on Accounting and Valuation of Central Bank Financial Instruments. Photographer: Daniel Santamaría. © Banco de España 118
- Seminar on Financial Risk Management. Photographer: Pablo Moreno. © Banco de España 118
- Office space located in the attic areas of the Cibeles building. Photographer: Luis Asín. © Banco de España 122
- Website accessibility. Photographer: Paul Giamou. © Getty Images 125

- Banking Hall of the main head offices in Madrid. Photographer: Daniel Santamaría. © Banco de España 132
- Economic debate held on Financial Education Day. Photographer: Daniel Santamaría. © Banco de España 135
- Presentation of the ONCE lottery ticket dedicated to Financial Education Day. Photographer: Daniel Santamaría. © Banco de España 136
- Training sessions on euro banknote authentication. Photographer: Pablo Moreno. © Banco de España 137
- The General Secretary of the Banco de España addressing a seminar for teachers at the Barcelona branch office. Photographer: Dan Balboa. © Banco de España 139
- The Governor with some of the finalists in the Generation Euro competition for schools. Photographer: Daniel Santamaría. © Banco de España 140
- First training workshop for volunteer guides for visits to the Banco de España's Cibeles building in Madrid. Photographer: Daniel Santamaría. © Banco de España 141
- Loans from the Banco de España's art collection. "Yendo, leyendo, dando lugar" exhibition by Rogelio López Cuenca, Museo Nacional Centro de Arte Reina Sofía, Madrid 2019. © Banco de España 143
- Portrait of José Echegaray (1905), by Joaquín Sorolla y Bastida. Photographer: The National Gallery Department of Photographs. © The National Gallery, London 143
- The Banco de España's art collection. Annotated catalogue. Volume I. © Banco de España 144
- The Banco de España's art collection. Annotated catalogue. Volume II. © Banco de España 144
- The Banco de España's art collection. Annotated catalogue. Volume III. © Banco de España 144
- Carlos Aires, *Reflections in a Golden Eye* (2018). © Banco de España 145
- Gold vault door of the Banco de España main headquarters in Plaza de Cibeles, Madrid. © Banco de España 146
- Presentation of the *Guide to the historical banking archives of Spain*. Photographer: Daniel Santamaría. © Banco de España 149
- Special Value Collection. Photographer: Daniel Santamaría. © Banco de España 150
- First exhibition of part of the Special Value Collection, "Library Treasures". Photographer: Patricio Cerro de la Fuente. © Banco de España 151

The Banco de España publishes various types of documents providing information on its activity (economic reports, statistics, research papers, etc.). The full list of Banco de España publications can be found on its website, at: <https://www.bde.es/f/webbde/Secciones/Publicaciones/Relacionados/Fic/Catalogopublicaciones.pdf>.

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 other documents should be addressed to: publicaciones@bde.es.

Institutional Report 2019

Published and produced by the Banco de España

Design by Estudio Pep Carrió

Reproduction for educational and non-commercial purposes
is permitted, provided that the source is acknowledged.

© This edition: Banco de España, Madrid, 2020

© Photographs: see list of photographs

ISSN: 2530-9714 (print edition)

ISSN: 2531-1220 (online)

Legal deposit: M. 10258-2020

