

# INSTITUTIONAL REPORT

2020

BANCO DE **ESPAÑA**  
Eurosistema





## INSTITUTIONAL REPORT 2020

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Foreword by the Governor Pablo Hernández de Cos



The Banco de España's *Institutional Report* focuses particularly on one of the Strategic Plan 2024 objectives approved in early 2020: to increase the institution's transparency in its relationship with society. In this report, interested readers will find a summary of the main activities carried out by the Bank in 2020 to discharge the different functions conferred on it by law, as well as a wealth of information about its structure and organisation.

Much of the Bank's activity in 2020 was without doubt marked by the impact of the COVID-19 pandemic, with its effects on people's health, society and the economy and financial system. The response of national, European and international authorities to this unprecedented shock, which in Spain triggered the steepest fall in economic activity in peacetime, was also extraordinary in the various facets of economic policy (fiscal, monetary, prudential, etc.).

Thus, in the area of European monetary policy, the European Central Bank responded swiftly by implementing a broad raft of forceful and flexible measures which enabled the early signs of tightening on the financial markets to be countered and ensured favourable financing conditions. This context of accommodative financing conditions gave the fiscal authorities of all Member States room for manoeuvre to respond and contribute to sustaining the income of other economic agents. In addition, along with the prudential measures adopted, it helped financial institutions fulfil their key role of supplying credit to the rest of the economy.

Moreover, to complement the national measures adopted, the response of the European Union (EU), with the approval of different programmes (notably including Next Generation EU), was also unprecedented, both in terms of scale and its drive to transform the economy, and the financing mechanisms used.

The ultimate aim of these economic policy measures has been to ensure that the duration of the pandemic's adverse effects on the economy is as short as possible and to enable a strong recovery as the restrictions on the normal course of economic activity are eased. The EU's concerted response may also prove a substantial boost for the common European project.

The European authorities with powers in the areas of prudential supervision and financial stability adopted a series of decisions to, on the one hand, relax the regulatory frameworks applicable to supervised institutions, in order to adapt them to the exceptional circumstances that were unfolding, and, on the other, implement specific measures, such as limiting dividends, to increase the financial system's solvency and thus strengthen its capacity to support the economy.

Nationally, the authorities deployed different measures, notably the introduction of a public guarantee scheme, the implementation of special moratoria arrangements and certain regulatory changes to mercantile and labour legislation, which also contributed to mitigating the pandemic's negative impact on the economy and limiting its duration.

In any event, the development of effective vaccines against the virus has contained some of the risks to the economy and, in turn, equipped the authorities with the best economic policy tool available: the roll-out of vaccination programmes that allow for the gradual easing of the restrictions on economic activity, which have particularly affected the sectors more reliant on social interaction, such as tourism and many services sectors.

The current status of the recovery (still partial, uncertain and uneven) warrants maintaining many of the exceptional economic support measures, targeting the hardest-hit firms and population groups (specifically viable firms with solvency problems), and applying a flexible approach as regards the volume of earmarked funds, which should be adapted in line with how the pandemic unfolds and whether or not the risks materialise.

At the same time, economic policy should adopt a medium and long-term perspective in order to tackle the structural challenges faced by the Spanish economy. A medium-term outlook would provide economic agents with greater certainty, increase the impact of short-term support measures and facilitate the recovery as the vaccinations progress and the restrictions on activity are gradually lifted. Specifically, the following are needed: i) the design of a medium-term fiscal consolidation plan to be rolled out once the recovery phase has taken hold, foreseeably spanning several legislatures,

and ii) the immediate implementation of an ambitious programme of structural reforms aimed, among other things, at reducing temporary contracts and structural unemployment, improving productivity dynamics and, ultimately, increasing the economy's growth potential.

I would not wish to conclude the foreword to this *Institutional Report* without specifically mentioning the internal workings of the Banco de España and the efforts made by its employees. All of those working at the Banco de España have had to adapt in record time to these unprecedented circumstances. Remote working has been deployed for virtually all “teleworkable” tasks, and the safety of essential services requiring the physical presence of employees has been strengthened, both at the Bank's head offices and branches. Cross-team coordination has been achieved in exceptional conditions, and new forms of management and new technologies have been used.

The results have been highly satisfactory and we have been able to fulfil our tasks efficiently. None of this would have been possible without the high degree of responsibility and spirit of public service shown by all employees, with their work, dedication and pursuit of excellence. I would like to express my gratitude and admiration to all of them. I believe that, despite all the difficulties and challenges faced, we ended 2020 closer to becoming the leading, dynamic central bank committed to society that we set out in our Strategic Plan at the beginning of 2020 as the vision for the future Banco de España. The activities described in this report are a good indication of how we have delivered on the commitment undertaken with Spanish society.

**Pablo Hernández de Cos**

Governor of the Banco de España



## Introduction by the Deputy Governor Margarita Delgado Tejero



The *Institutional Report* aims to explain, in accessible language, what the functions of the Banco de España are and how they are carried out. As in previous editions, the report is divided into three chapters. The first chapter is intended to provide a view of the institution from the inside, with a new section this year specifically concerning the Bank's financial information, including its balance sheet and profit and loss account and the main risks arising from its activities. The second chapter gives an account of some of the main activities the institution engaged in during 2020, and the focus of the third chapter is on the Bank's interaction with the public and some notable actions in this area.

Last year, the *Institutional Report* referred to the pandemic, which had broken out a relatively short time before. The report noted that COVID-19 would foreseeably have a severe impact on society in general, and on the economic framework and the financial system in particular. The latter aspects are both very closely related to the functions conferred on the Banco de España by law.

Regrettably, the past year has only confirmed this negative outlook. The pandemic, and the measures adopted to curb and control its spread, have certainly brought sweeping changes to our lives, affecting people's movement and economic activity. Above all else, it has caused a great deal of suffering for many families.

That report also described how the Banco de España had adapted its working practices in record time to the new pandemic-induced situation, entailing a series of operational limitations regarding the physical presence of employees in the workplace.

From the outset, our institution has sought to prioritise people's health and, naturally, that of its employees. A number of action plans were deployed to ensure that all employees who could perform their tasks from home were able to do so. To that end, a programme was set up to provide staff with computers, screens and mobile phones, allowing us to interact and work using electronic and online connections, in various ways, progressively and efficiently.

Of course, some of the essential services that we provide as part of our functions require employees to be physically present. For example, euro banknotes and



coins were put into circulation, collected and handled meeting the required levels at all times. In addition, as soon as it became practicable once the mobility restrictions had been lifted, the Banco de España opened to the public by appointment only, so that credit institutions and citizens could use the services it provides to third parties.

These measures have enabled the Bank to effectively perform the tasks entrusted to it by law, even though many processes have had to be adapted to be carried out online, something which has proved extremely useful and helped us gain flexibility.

In January this year, the importance of this flexibility and capacity to adapt was brought home to us. This time, it was not a pandemic but the historic snowstorm Filomena which paralysed Madrid and other parts of the country for almost a week. Until very recently, a situation such as that caused by Filomena would have had serious consequences, interrupting practically all activity and preventing us from carrying out our work. However, the experience gained over the previous year allowed work to continue almost as usual.

I would like to stress the excellent work performed by the Bank's staff throughout this period. Regardless of the material resources available, it has been the commitment and responsibility shown by our employees which has ensured that the work has been carried out efficiently, with the necessary adaptations, and they have responded positively to difficult and exceptional circumstances.

Nevertheless, the video conferencing software that we learnt to use in the past year cannot replace the proximity and connection brought by working face-to-face in a team, both from a personal and professional standpoint. Moreover, looking back over the past year, we cannot help but miss the company of our colleagues and co-workers, the daily working routine, the frequent interaction and meetings. This is, without doubt, something that we did not fully appreciate until we no longer had it.

Although the Banco de España's actions during this period – and the way it has adapted to a unique and unfamiliar situation – can only be described as positive, we should try to resume our former work dynamics as soon as possible, albeit partially, while maintaining the flexibility and other useful aspects acquired during the pandemic, which have helped improve the way we work.

**Margarita Delgado Tejero**

Deputy Governor of the Banco de España

## Timeline

## FROM THE BANCO DE SAN CARLOS TO THE PRESENT DAY

Banco Nacional de San Carlos

1782

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

Banco Español de San Fernando

1829

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

New Banco Español de San Fernando

1847

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).

Banco de España

1856

The institution was definitively renamed.

Peseta

1868

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

Monopoly over issuance

1874

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

Banking Law

1921

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.

Civil War

1936-1939

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

New Banking Law

1946

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

#### Nationalisation

1962

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

#### Supervision

1971

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

#### Law on the Governing Bodies

1980

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

#### Law on Banking Discipline and Intervention

1988

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

#### Law of Autonomy

1994

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

#### ESCB

1998

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

#### The euro: a currency for Europe

1999

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

#### Circulation of the euro

2002

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

#### European Single Supervisory Mechanism

2014

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



# 1

THE BANCO DE ESPAÑA FROM THE INSIDE



## PARLIAMENTARY APPEARANCES

Six by the Governor  
One by the Deputy Governor



## GOVERNING COUNCIL

10 voting members  
Women 60%      Men 40%



## PROFIT FOR THE YEAR

€2,135 million, which was paid  
to the Treasury



## STAFF

Total employees:  
3,345  
Women 50.70%      Men 49.30%



## PUBLICATIONS

13 regular publications  
129 occasional publications



## STRATEGIC PLAN

The Strategic Plan 2020-2024  
was launched



## 1 MAIN FUNCTIONS OF THE BANCO DE ESPAÑA

**The Banco de España is a public law entity which performs the functions of a national central bank in Spain. It is also responsible for the supervision of the Spanish banking system and of other financial intermediaries operating in Spain.**

The Banco de España performs these functions as a member of the following **European institutions:** the European System of Central Banks (ESCB), the Eurosystem, the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM).

At the national level, the Banco de España is regulated by **Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España (the “Law of Autonomy”)**. This law is implemented through the Internal Rules of the Banco de España (“IRBE”), approved by the Banco de España Governing Council Resolution of 28 March 2000. At the European institutional level, the Banco de España is subject to, among others, the Treaty on the Functioning of the European Union (TFEU), the Statute of the ESCB and of the European Central Bank (ECB) and Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions.

The legislation acknowledges the Banco de España’s **separate legal personality and autonomy** from the central government, affording it the status of an independent institution. This means that neither the government nor any 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



Panoramic view of the Banco de España.

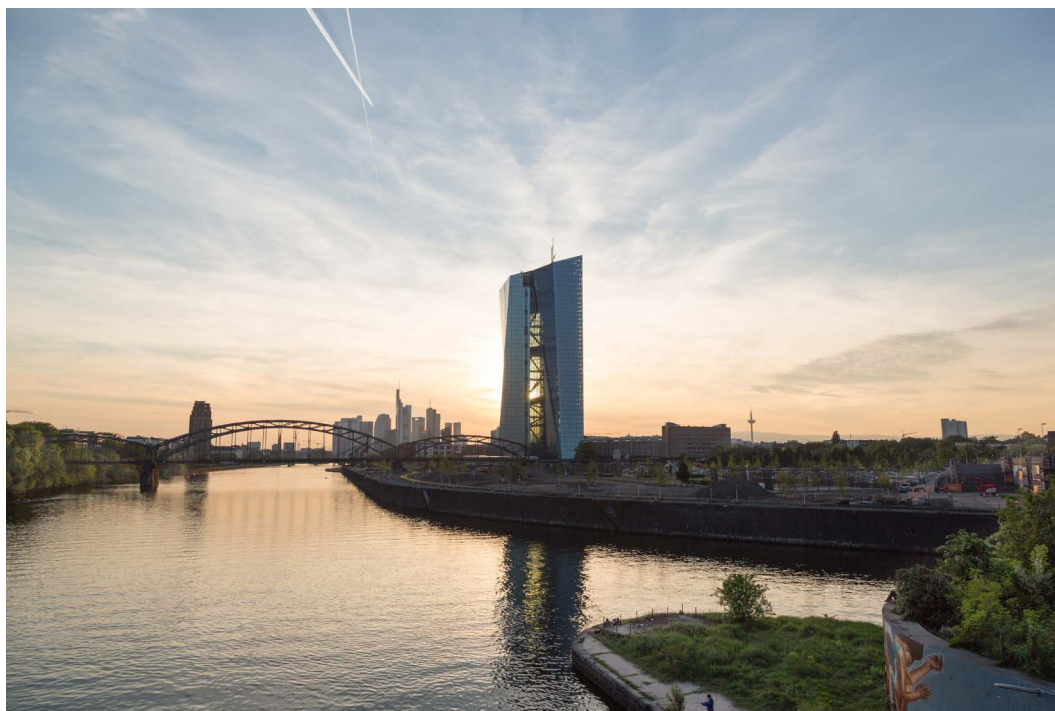
from its membership of the ESCB, the exercise of which must follow the guidelines issued by the ECB.

Although the Banco de España is a public institution, its actions are subject to private law, except where exercising its administrative powers, which include those related to its supervisory functions.

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

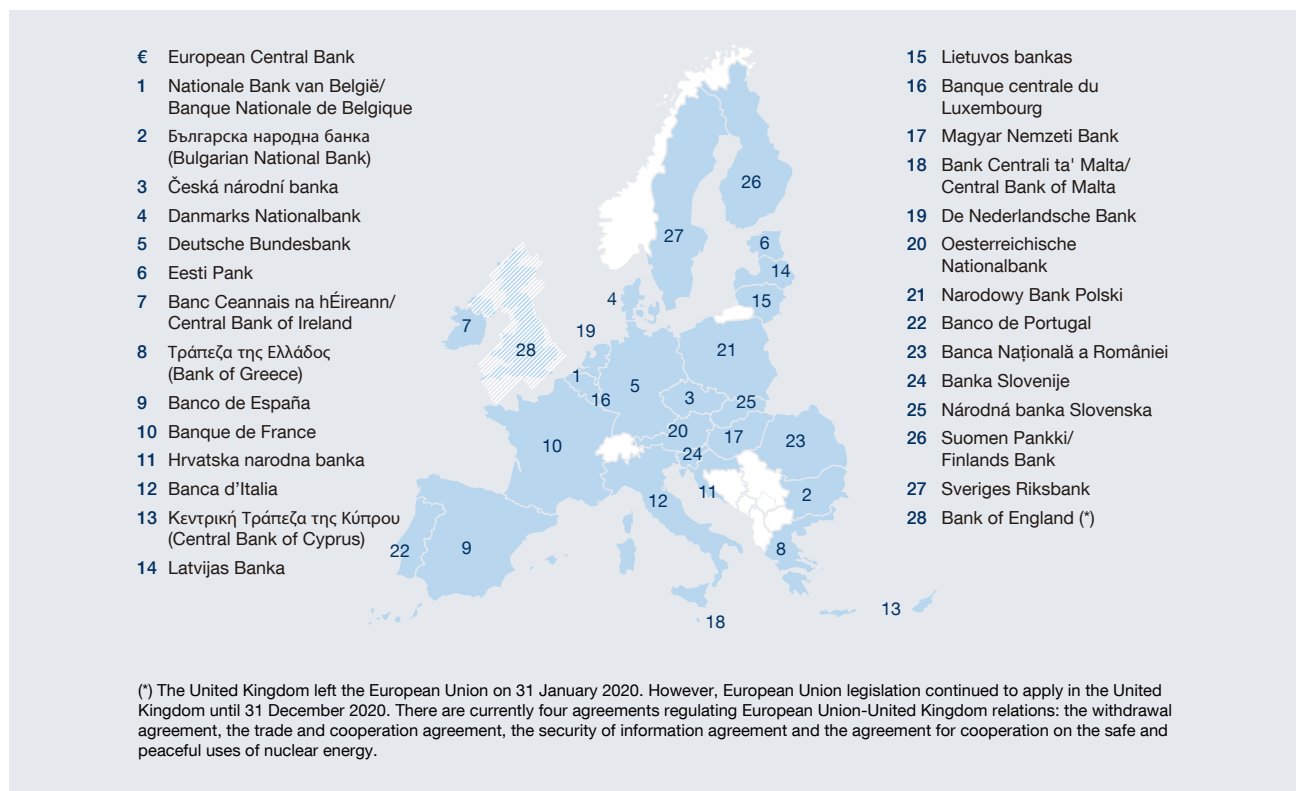
**The Banco de España, the ECB and the central banks of all other Member States of the European Union (EU) make up the ESCB**, established pursuant to the TFEU and regulated by the Statute of the ESCB and of the ECB. The ESCB lacks separate legal personality and is governed by the ECB's decision-making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

Alongside the ESCB, the **Eurosystem** groups together the ECB and the national central banks (NCBs) of the 19 EU Member States that have adopted the euro. 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 related to banknote issuance, statistics, supervision and

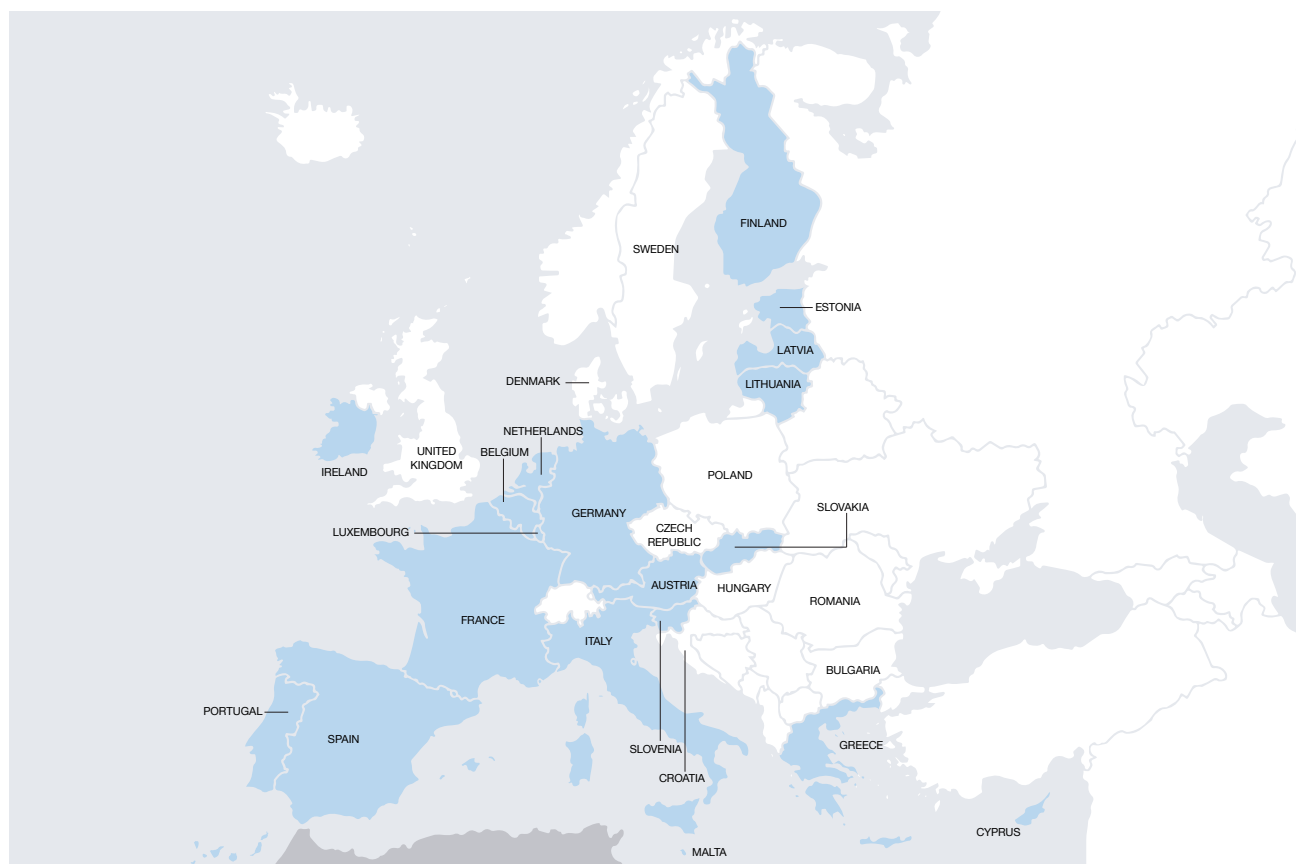


View of the ECB's main building, Frankfurt am Main, Germany.

## 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



financial stability. Further, the Eurosystem has a consultative role regarding financial legislation, and European and international cooperation functions.

Since 1 January 1999, as a member of the Eurosystem the Banco de España has helped perform the following **basic functions entrusted to the ESCB**: implementation of the euro area's single monetary policy; management of the settlement of national and cross-border payments through the TARGET2 system; and management of foreign currency reserves as an agent for the ECB. As part of the ESCB and the Eurosystem, the Banco de España also carries out tasks relating to the compilation and dissemination of statistical information and the issuance and processing of euro banknotes in Spain.

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.

Lastly, as an NCB, the Banco de España discharges other functions assigned to it directly by its regulations. These 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; and iv) acting as a financial agent for government debt.

## 1.2 Functions as a supervisory authority

**The Banco de España is entrusted with supervisory functions aimed at preserving the solvency and sound functioning of different financial intermediaries, with the ultimate goal of safeguarding the stability of the financial system.** These functions are mainly discharged in the following areas: i) microprudential supervision; ii) macroprudential policy; and iii) market conduct supervision and transparency.

More details on the supervisory functions performed by the Banco de España in 2020 can be found in the *Supervision Report 2020*.<sup>1</sup>

The Banco de España also 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 supervised by the Banco de España.

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<sup>1</sup> Link to the *Supervision Report 2020*: [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/Memoria\\_de\\_la\\_Su/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/Memoria_de_la_Su/).

## 1.3 Other functions

The Banco de España's regulations confer other tasks on it in addition to its functions as a central bank and supervisor.

First, **advising the Government**, for which it produces a variety of reports and studies.

The Banco de España is also entrusted with compiling and publishing **economic and financial statistics** related to its functions, such as those included in the National Statistics Plan. In addition, it compiles and provides the ECB with monetary, banking and financial statistics, and figures on interest rates and the balance of payments.

The Banco de España is responsible for promoting the smooth operation and **stability of the financial system**. To fulfil this function, it analyses the risks and vulnerabilities of the Spanish financial system and monitors financial stability.

Since 2014, the Banco de España has also 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 participates in the Spanish macroprudential authority (AMCESFI). The goal of AMCESFI is to contribute to preserving the stability of the Spanish financial system as a whole.

The Banco de España is also tasked with the **preventive resolution** of credit institutions. This function is exercised independently of its supervisory tasks.

Lastly, the Banco de España performs other tasks related to its role as a regulator and to matters which include 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 FINANCIAL INFORMATION OF THE BANCO DE ESPAÑA

Having set out our institution's key functions, this section aims to show how most of these functions are reflected in the Banco de España's financial statements (balance sheet and profit and loss account). To do so, a comprehensive analysis of the main headings of the Bank's balance sheet and profit and loss account is conducted, reflecting changes over the last five years and linking them to the main events and monetary policy measures adopted in that period.<sup>2</sup> Lastly, the risks and uncertainties the Bank faces as a result of its activities are described and information on the policies pursued to mitigate them is provided.

### 2.1 Balance sheet

**The balance sheet of the Banco de España provides a true and fair view of its economic and financial position. It reflects, on the asset side, its available resources, and, on the liability side, the sources of funding used.**

The functions and activities of the Banco de España are reflected in its balance sheet as follows:

The **Eurosystem's monetary policy operations** are the result of the decisions adopted by the Governing Council of the ECB. They are recorded in the financial statements of the euro area NCBs, reflecting the principle of decentralised implementation of monetary policy in the Eurosystem. Thus, the asset side of the Banco de España's balance sheet reflects the purchase of monetary policy securities and the loans granted to Spanish credit institutions, and the liability side reflects the deposits held by Spanish credit institutions.

The **management of foreign reserves** is reflected in the foreign currency assets and liabilities (the latter being immaterial) on the balance sheet.

The Bank manages **the settlement of national and cross-border payments** denominated in euro through the TARGET2 system,<sup>3</sup> which are recorded as intra-Eurosystem claims or liabilities (in the case of the Banco de España, a net liability position).

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2 The *Annual Accounts of the Banco de España* provide more detailed disclosures on the components of the Bank's balance sheet and profit and loss account. They can be found here [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/cuentas-anales/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/cuentas-anales/).

3 TARGET2 is the platform owned and operated by the Eurosystem for processing large-value payments in euro in real time. It is used by both EU central banks and commercial banks to initiate transactions, either on their own behalf or on behalf of their customers. More information can be found at the following link [https://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/t2/ficheros/Target\\_Annual\\_Report\\_2019.pdf](https://www.bde.es/f/webbde/INF/MenuVertical/SistemasDePago/t2/ficheros/Target_Annual_Report_2019.pdf).

Figure 1.1

## SIMPLIFIED BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2020

€m

ASSETS		LIABILITIES	
Gold and other assets denominated in foreign currency	70,212	Banknotes in circulation	157,373
Lending related to monetary policy	261,210	Deposits	274,312
Securities held for monetary policy purposes	471,202	Intra-Eurosystem liabilities	499,019
Euro-denominated own funds portfolio	25,976	Financial resources	48,594
Intra-Eurosystem claims	153,254	Other liabilities	10,255
Other assets	7,700		
<b>TOTAL</b>	<b>989,554</b>	<b>TOTAL</b>	<b>989,554</b>

SOURCE: Banco de España

Legal tender **banknote issuance** is recorded on the liability side of the balance sheet under “Banknotes in circulation”. The allocation of euro banknotes among the euro area NCBs, according to their banknote allocation key, gives rise to intra-Eurosystem balances (in the case of the Banco de España, an intra-Eurosystem claim).

The Banco de España provides **the treasury service** to the Treasury (and to other public institutions and bodies) through accounts recorded on the liability side of the balance sheet, under “Liabilities to other euro area residents denominated in euro”.

The Banco de España also manages its own **financial assets denominated in euro**, comprising debt securities. This is reflected under “Euro-denominated own funds portfolio” on the asset side of the balance sheet.

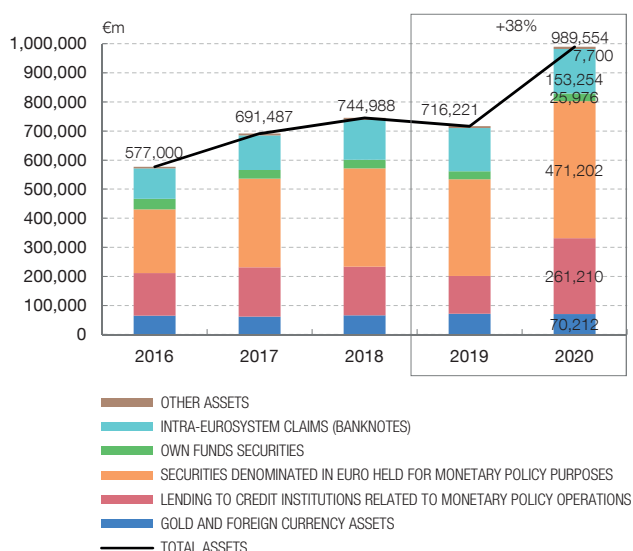
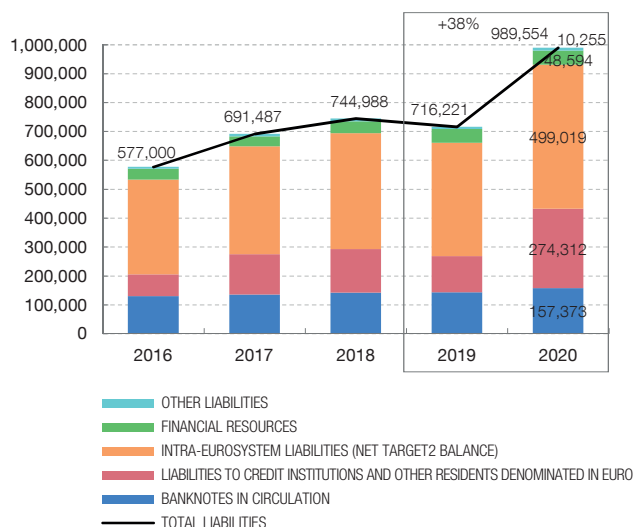
Figure 1.1 depicts the Bank’s simplified balance sheet.



Chart 1.1

**BALANCE SHEET OF THE BANCO DE ESPAÑA**

The main asset and liability accounts are analysed in greater detail below. The chart depicts the changes in the asset and liability sides of the balance sheet over the last five years.

**1 ASSETS****2 LIABILITIES**

SOURCE: Banco de España.

Between 2016 and 2020, the Banco de España's balance sheet has grown markedly, increasing by more than €400 billion (71%). The main reason for this growth is the ECB's expansionary monetary policy implemented via the "non-standard measures". Among other actions, this policy has been characterised by the provision of abundant long-term liquidity to credit institutions and by the launch of various asset purchase programmes.

On the **asset side of the balance sheet** of the Banco de España, the direct consequence of these actions has been, respectively, the increase in "Lending to credit institutions related to monetary policy operations" and in "Securities denominated in euro held for monetary policy purposes". Meanwhile, over the same period liabilities recorded under "Intra-Eurosystem liabilities (net TARGET2 balance)" and "Liabilities to credit institutions and other residents denominated in euro" have increased.

Particularly noteworthy is **the growth in the Bank's balance sheet in 2020 (38% compared with end-2019)**, which is primarily attributable to the intensity of the measures adopted by the ECB to address and attempt to mitigate the effects of the economic crisis triggered by the COVID-19 pandemic (see Chart 1.1).

### 2.1.1 Assets

**At end-2020, the euro-denominated securities held for monetary policy purposes accounted for almost half of the Banco de España's total assets (48%).** Under the related balance sheet heading, the Bank records the assets purchased under the different asset purchase programmes launched by the Eurosystem forming part of the non-standard monetary policy measures. These programmes have been launched at different points since 2009 and each one has been aimed at a specific type of security, all of them issued by euro area residents. Chart 1.2 depicts the changes in this item over the last five years.

The pandemic emergency purchase programme (PEPP) was launched in March 2020 to counter the serious risks posed by the COVID-19 pandemic to the monetary policy transmission mechanism and the outlook for the euro area. Section 3 of Chapter 2 of this Report breaks down this programme in greater detail and provides a broader explanation of the monetary policy operations set out below.

The **asset purchases** conducted as part of these monetary policy decisions are made by the Eurosystem NCBs in accordance with the principle of decentralised implementation. Between 2016 and 2020, the Banco de España made sizeable purchases under these programmes and, at end-2020, its holdings totalled €471,202 million.<sup>4</sup>

**Euro-denominated lending** to Spanish credit institutions related to monetary policy operations accounted for 26% of the Banco de España's total assets at end-2020. Its balance was €261,210 million, €130,695 million (100.1%) more than in the previous year. This is the highest level of demand for credit from Spanish institutions since 2013 and represents 14.6% of the Eurosystem total (see Chart 1.3).

In 2020 the balance relates in full to long-term loans extended to Spanish credit institutions, the majority granted under targeted longer-term refinancing operations (TLTROs). TLTROs provide financing to credit institutions for periods of up to four years.<sup>5</sup> Conversely, main refinancing operations, whereby weekly financing is provided to credit institutions and which historically have been the main liquidity-providing mechanisms, have lost relevance in recent years.

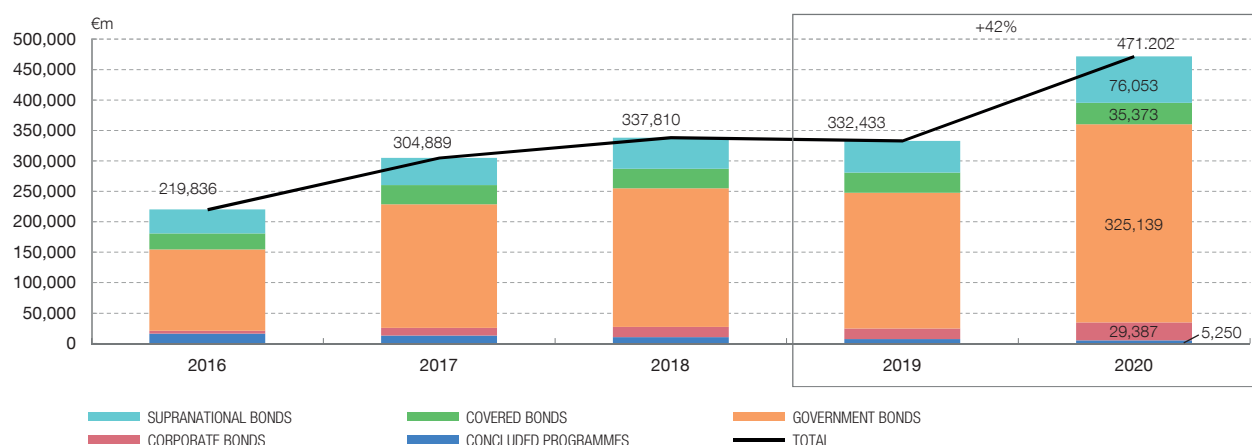
**TLTRO** loans were granted to banks at attractive terms in order to encourage lending to the real economy. Specifically, in 2020 the average rate applied to these loans was -0.8%, incurring interest expense (negative interest income) for the Banco de España of close to €1.7 billion.

<sup>4</sup> For detailed information, see Note 7.a) to the balance sheet in the *Annual Accounts of the Banco de España*. [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/cuentas-anuales/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/cuentas-anuales/).

<sup>5</sup> More information on TLTROs can be found on the ECB's website. <https://www.ecb.europa.eu/mopo/implementation/tltro/html/index.en.html>.

Chart 1.2

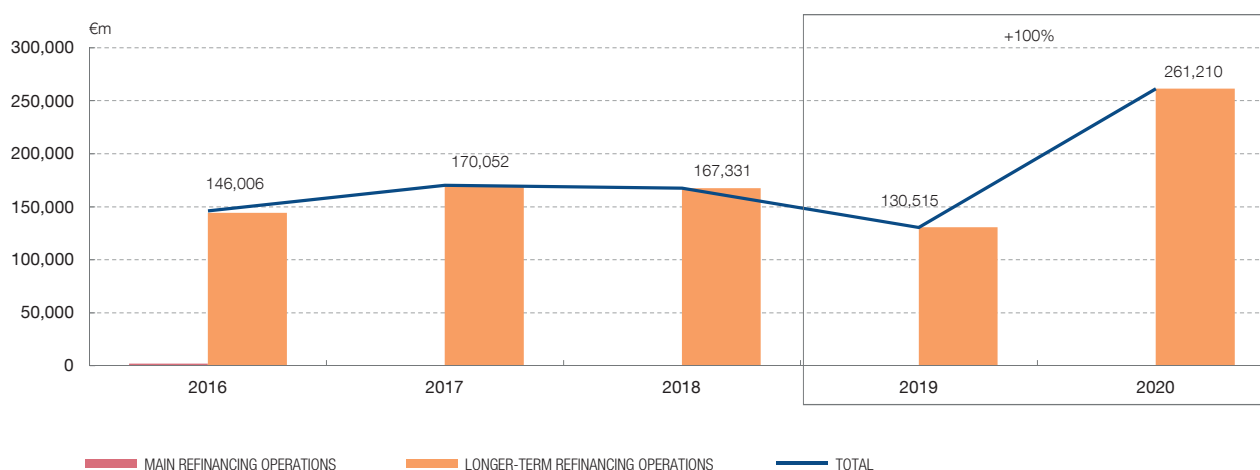
## SECURITIES HELD FOR MONETARY POLICY PURPOSES



SOURCE: Banco de España.

Chart 1.3

## LENDING TO CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS



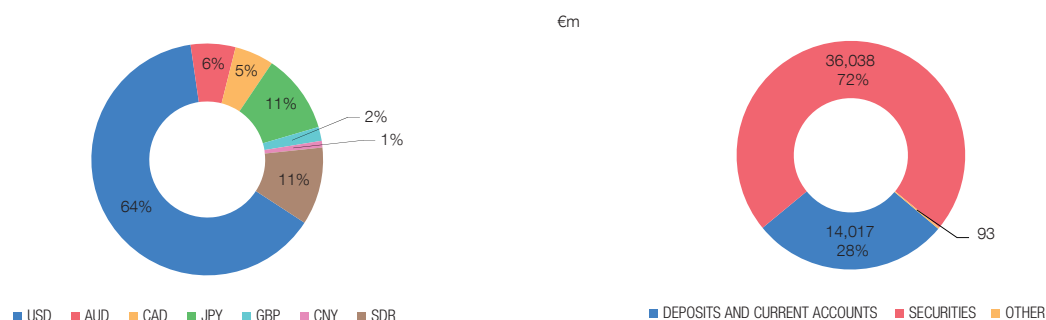
SOURCE: Banco de España.

In addition, in April 2020, as a specific measure in response to the pandemic, the Governing Council of the ECB (as detailed in Section 3 of Chapter 2 of this Report) decided to conduct a series of pandemic emergency longer-term refinancing operations (**PELTROs**). A negative interest rate (-0.25% in 2020) was also applied to these loans. Spanish institutions have made scant use of the PELTROs (€371 million at end-2020).

**Claims denominated in foreign currency** mainly comprise assets denominated in US dollars, special drawing rights (SDRs), Japanese yen, Australian dollars, Canadian

Chart 1.4

**BREAKDOWN OF CLAIMS DENOMINATED IN FOREIGN CURRENCY, BY CURRENCY AND BY TYPE OF INSTRUMENT, AS AT 31 DECEMBER 2020**



SOURCE: Banco de España.

dollars, pounds sterling and Chinese renminbi. The composition of these assets, by currency, has remained quite stable over recent years, with the US dollar being the main component. As regards their composition by type of instrument, claims denominated in foreign currency mainly consist of debt securities (mostly denominated in US dollars) and, to a lesser degree, fixed-term deposits and current accounts (see Chart 1.4).

The Banco de España's **gold and gold receivables** are also recorded on the asset side of its balance sheet. Between 2016 and 2020, holdings of ounces of fine gold have remained stable (9.054 million troy ounces of fine gold), while the market price has been on an upward path. The market value at end-2020 was €13,978 million.

Lastly, the Banco de España has a series of financial assets denominated in euro that are not held for monetary policy purposes and which are recorded as the **euro-denominated own funds portfolio**. These investments comprise debt securities, 70% of which are issues by Spanish residents and the remaining 30% are issues by residents in other euro area countries. This heading totals €25,976 million. Its balance has continually fallen between 2016 and 2020, mainly due to the avoidance of interferences with the purchases of securities for monetary policy purposes.

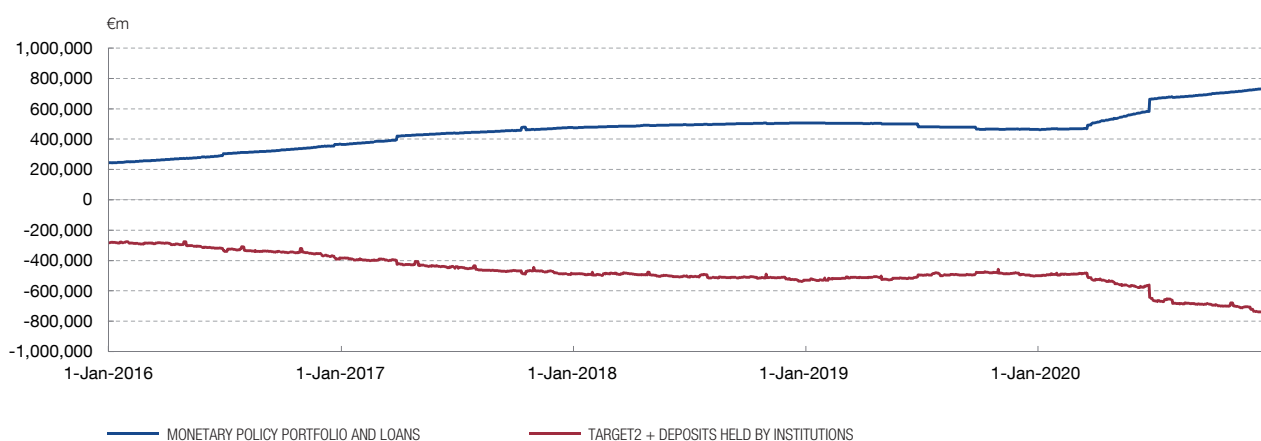
## 2.1.2 Liabilities

On the liability side of the balance sheet, these non-standard monetary policy measures have impacted the two headings that have mainly helped fund them: **intra-Eurosystem liabilities (net TARGET2 balance) and the deposits held by credit institutions**.

Chart 1.5 depicts the overall change in the asset items in which these measures have materialised and the two aforementioned liability items, and the clear relationship between them.

Chart 1.5

## MONETARY POLICY AND TARGET2 BALANCE



SOURCE: Banco de España.

At end-2020, deposits held by credit institutions and intra-Eurosystem liabilities accounted for 26.5% and 50.5%, respectively, of the liability side of the balance sheet.

At the beginning of 2016, **deposits held by credit institutions** (including the current accounts in which they keep their minimum reserve requirements and the overnight deposits made under the deposit facility) did not exceed €20 billion and they largely related to the minimum reserve requirements. These deposits surged in 2020 and now total more than €250 billion, reflecting the excess liquidity in the system (see Chart 1.6).

**Intra-Eurosystem liabilities** mainly reflect the Banco de España's net TARGET2 balance vis-à-vis the Eurosystem. They have risen from €254,102 million at the beginning of 2016 to close to €500 billion at end-2020.

Since 2015 the central banks' net TARGET2 balances have been linked to the monetary stimulus measures adopted by the ECB (mainly the implementation of the aforementioned asset purchase programmes).

**Banknotes in circulation** on the liability side of the balance sheet reflects the share allocated to the Banco de España of the total value of euro banknotes put into circulation by the Eurosystem, in accordance with its banknote allocation key.<sup>6</sup> The difference between this amount and the banknotes actually put into circulation by the Banco de España is recorded under "Intra-Eurosystem claims - Net claims

<sup>6</sup> The banknote allocation key is that which results from applying 92% to the Eurosystem subscribed capital key (the other 8% is attributed to the ECB). At end-2020 the Banco de España's banknote allocation key was 10.97%.

Chart 1.6

**DEPOSITS HELD BY CREDIT INSTITUTIONS**

SOURCE: Banco de España.

related to the allocation of euro banknotes within the Eurosystem”.<sup>7</sup> In the case of the Banco de España, this is recorded on the asset side of the balance sheet because the Bank put fewer banknotes into circulation than its share of total euro banknotes in circulation, in accordance with the aforementioned allocation key.

## 2.2 Financial resources

**The Banco de España’s financial resources consist of its capital and reserves, general provisions and revaluation accounts.**

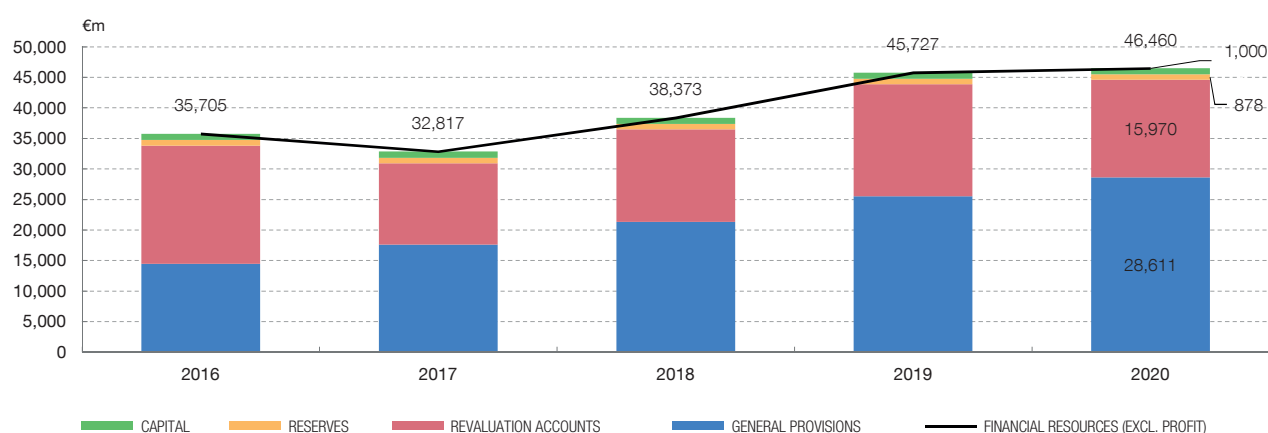
Except for 2017, financial resources have grown continuously in recent years (see Chart 1.7).

**General provisions** include the provision for financial risk and for operational risk. The balance of these provisions is reviewed annually on the basis of the Bank’s assessment of its exposure to these risks, using methodologies consistent with those used by the Eurosystem.<sup>8</sup> The provision for financial risk has increased in recent years as a result of the significant increase in risk facing the Bank, triggered in turn by growth in the balance sheet (specifically, on account of the asset purchases under the Eurosystem’s monetary policy programmes).

<sup>7</sup> For more information, see Note 14 to the balance sheet in the *Annual Accounts of the Banco de España*. [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/cuentas-anales/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/cuentas-anales/).

<sup>8</sup> For further information on risk management at the Banco de España, see Section 3.5 of the Notes to the *Annual Accounts*. [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/cuentas-anales/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/cuentas-anales/).

Chart 1.7

**FINANCIAL RESOURCES (excl. profit)**

SOURCE: Banco de España.

As regards the **revaluation accounts**, in accordance with Eurosystem accounting rules, unrealised gains (the difference between the market value and the carrying amount) on gold, foreign currencies and securities that are subject to price revaluation are not recognised as income in the profit and loss account, but are recorded directly in revaluation accounts on the liability side of the balance sheet. The balances in these accounts can be used to absorb the impact of any future unfavourable movement in the respective prices and/or exchange rates, and thus strengthen the Banco de España's resilience against the underlying risks. The revaluation accounts balance has performed unevenly in recent years since it is strongly linked to movements in exchange rates and the price of gold.

The foregoing is depicted in Chart 1.8.

Lastly, capital and reserves totalled almost €1.9 billion at end-2020, remaining basically unchanged since 2006.

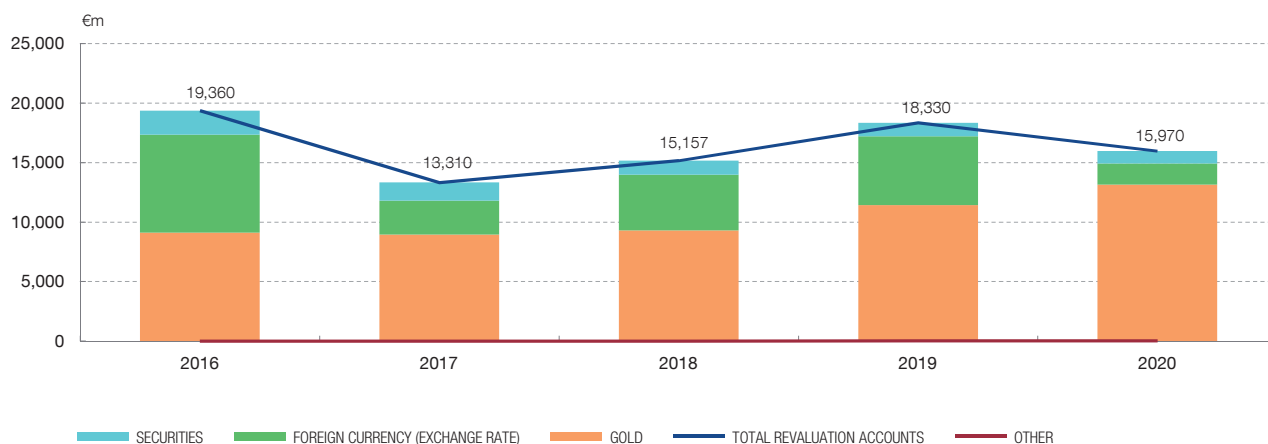
## 2.3 Profit and loss account

**Each year, the Banco de España's profit is transferred in full to the Treasury, such that the earnings from its activity benefits the general public as a whole.**

Between 2016 and 2019, the Banco de España's earnings were on an upward path. However, they fell slightly in 2020, with **profit for the year totalling €2,135 million** (see Chart 1.9).

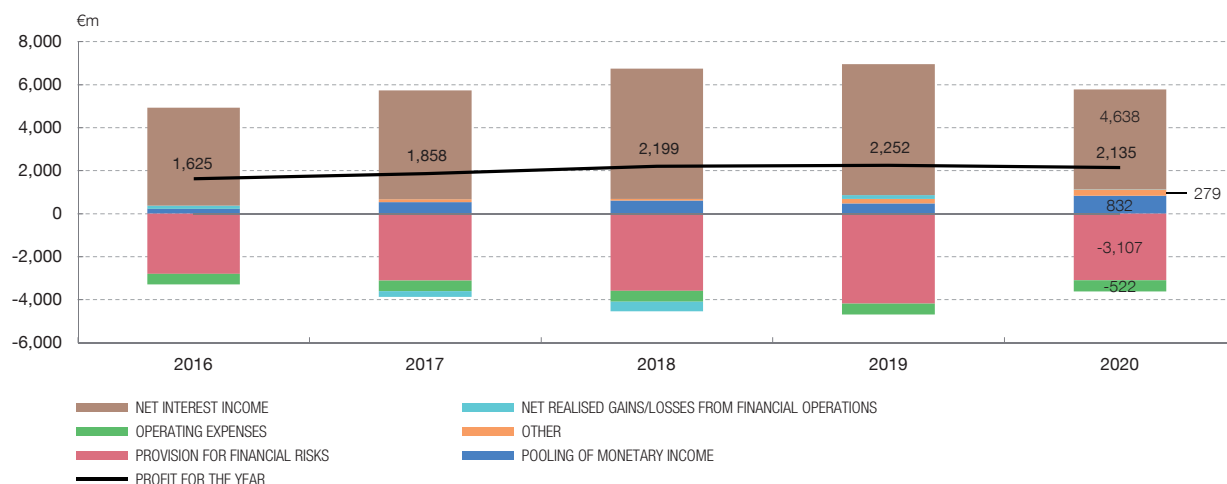


Chart 1.8  
**REVALUATION ACCOUNTS**



SOURCE: Banco de España.

Chart 1.9  
**PROFIT OF THE BANCO DE ESPAÑA**



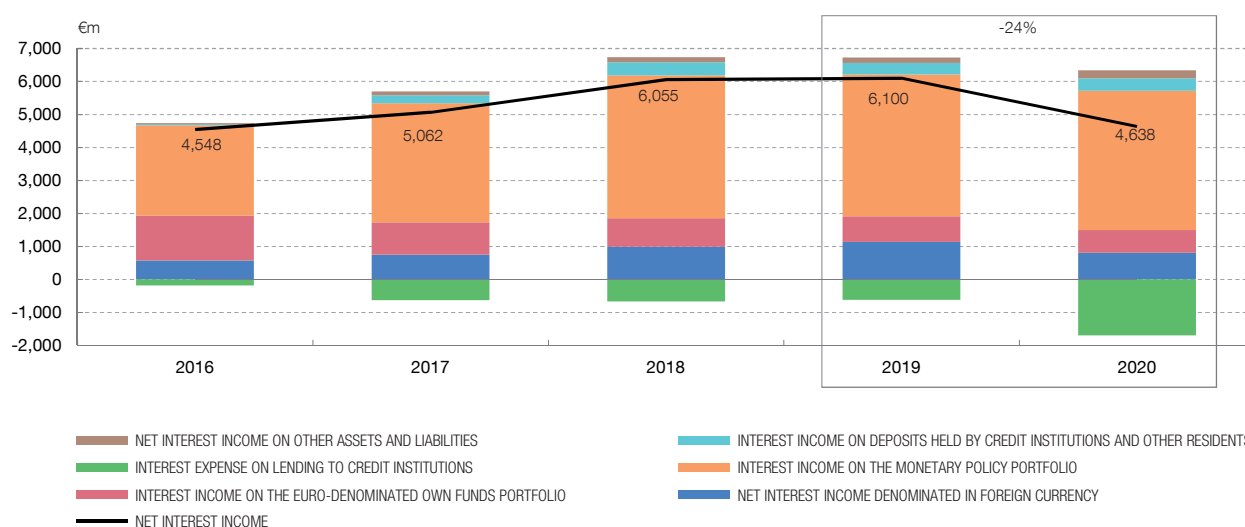
SOURCE: Banco de España.

The main component of the Banco de España's earnings is the net interest income generated on the assets and liabilities held on its balance sheet. These are a secure and relatively stable source of income (see Chart 1.10).

The interest generated on the portfolio of securities held for monetary policy purposes, on claims denominated in foreign currency and on the euro-denominated own funds portfolio stands out due to its significance. Negative interest rates are being applied to the bulk of long-term loans to credit institutions, incurring interest

Chart 1.10

## NET INTEREST INCOME OF THE BANCO DE ESPAÑA



SOURCE: Banco de España.

expense as a result (around €1.7 billion in 2020). Except for part of the deposits held by credit institutions, as established under the two-tier system for remunerating excess liquidity holdings, negative interest rates are also being applied to the deposits on the liability side of the Bank's balance sheet. This generates interest income for the Bank (around €380 million in 2020).

Intra-Eurosystem claims (banknote allocation key adjustment) and liabilities (net TARGET2 balance) are remunerated at the main refinancing rate (0% since March 2016).

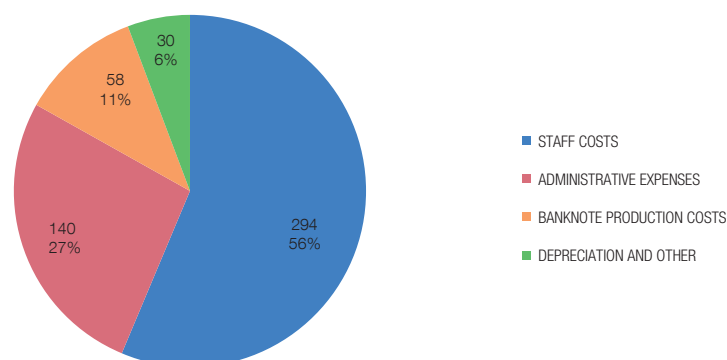
Realised gains/losses arising from financial operations are those generated on the sale of own funds portfolio securities (monetary policy portfolio securities may only be sold by decision of the Governing Council) or when buying/selling foreign currency. They are somewhat volatile and are not usually significant.

The pooling of monetary income reflects the allocation among the NCBs of the net income obtained in the year from the Eurosystem's monetary policy function, in accordance with their respective ECB capital keys. In 2020 the net result of this pooling was positive for the Banco de España, meaning that the net income generated on its monetary policy assets and liabilities was less than its share, on the basis of its capital key, of the aggregate income generated on the Eurosystem's monetary policy assets and liabilities taken as a whole.<sup>9</sup>

<sup>9</sup> For more information, see Note 8 to the profit and loss account in the *Annual Accounts of the Banco de España*. [https://www.bde.es/bde/en/secciones/informes/Publicaciones\\_an/cuentas-anuales/](https://www.bde.es/bde/en/secciones/informes/Publicaciones_an/cuentas-anuales/).

## OPERATING EXPENSES OF THE BANCO DE ESPAÑA IN 2020

€m



SOURCE: Banco de España.

The operating expenses incurred by the Bank to discharge its functions are recorded under “**Total operating expenses**”. This heading includes banknote production costs and depreciation of fixed assets (see Chart 1.11).

## 2.4 Risk management

**The Banco de España is exposed to financial and operational risks as a result of its activity. These may have a financial and reputational impact and affect its ability to attain its objectives.**

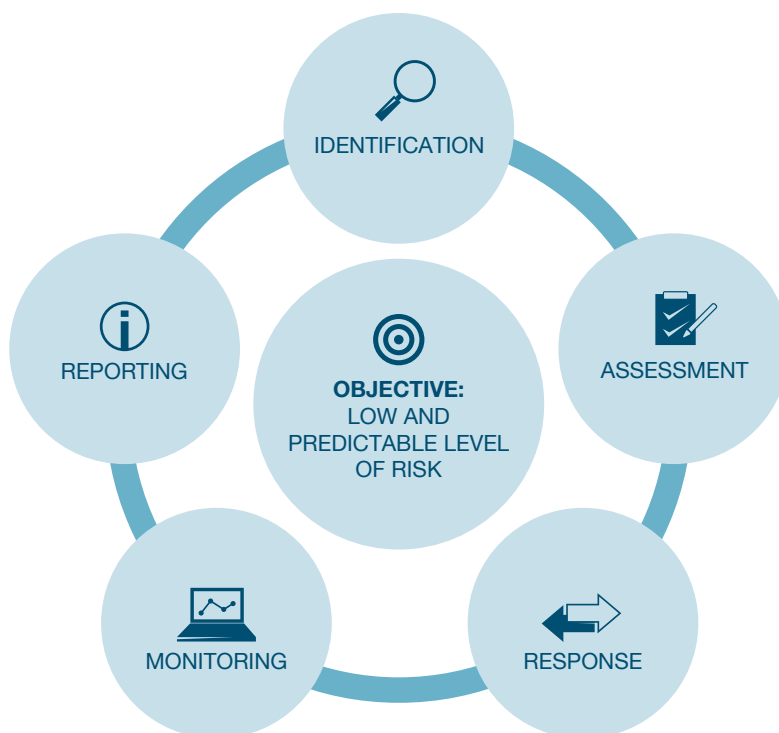
The Bank’s risk policy aims to maintain a low and predictable overall risk level to preserve its reputation and solvency, without detriment to its priority compliance with the statutory tasks under the Law of Autonomy of the Banco de España, or to the fulfilment of its objectives.

The Banco de España manages all its risks taking into account their differing nature. It has a risk management framework comprising a set of core principles, a management and control model, and its governance arrangements.

The risk management and control model used by the Banco de España features a comprehensive risk map covering the main risk categories to which it is exposed. This model envisages a five-phase management cycle for all risks: identification, assessment, response, monitoring and reporting (see Figure 1.2). Lastly, the model includes the definition of limits for all the risks assumed by the Bank, defined according to the methodology adopted for each type of risk and expressed in quantitative and qualitative terms.

Figure 1.2

## RISK MANAGEMENT AND CONTROL MODEL



SOURCE: Banco de España.

These limits are reviewed periodically in an ongoing process of improvement and adaptation to the Bank's objectives and needs.

The comprehensive risk map distinguishes between **financial risks and operational risks**. A detailed explanation of how these risks are configured can be found in Boxes 1.1 and 1.2.

**FINANCIAL RISKS**

The financial risks taken by the Banco de España stem from the financial transactions carried out in order to perform its functions and achieve the objectives set for it by law. They are essentially the following:

- **Credit risk:** the risk of incurring losses as a result of total or partial non-compliance with the contractual obligations of the issuers, counterparties or depositaries of its financial assets.
- **Market risk:** the risk of incurring losses as a result of fluctuations in the price of financial assets (including foreign exchange rates and interest rates) and gold prices.

Structural balance sheet risk (i.e. the risk of adverse variations in the Bank's profits in the long term owing to higher costs of liabilities or a lower return on assets) is also monitored.

The risks to which the Bank is exposed arise both from its monetary policy operations and from other financial

investments in various portfolios, which may be denominated in euro, foreign currency or gold. The number of portfolios, their desired net changes and the asset allocation targets are determined annually according to the currency of denomination. In addition, the currencies in which investments may be made, the eligible financial instruments and transactions, the eligible issuers, guarantors and counterparties and any limitations on each of these for prudential reasons are regularly reviewed.

The Credit Risk Committee proposes measures to be adopted for managing financial risks and their provisioning levels, and monitors them.

Credit and market risk are quantified by the 99% expected shortfall metric, estimating the average loss that may arise from changes in the risk factors in the worst 1% of the simulated scenarios and with a one-year time horizon. The resulting figure is used as a benchmark to assess the financial risk provisioning needs.

**OPERATIONAL RISK**

The Banco de España defines operational risk as the risk of incurring losses due to the inadequacy or failure of internal processes, personnel and systems, or due to events outside the organisation. The Operational Risk Management System developed by the Bank following the guidelines set in the document entitled “International Convergence of Capital Measurement and Capital Standards” (Basel II, revised framework) sets out policies, functions and internationally accepted procedures for proper operational risk management.

This system takes as its starting point **an inventory of the functions, processes and activities** of each organisational area of the Bank, which make up the **Process Map**. This inventory is needed to subsequently identify the attendant risks, which together constitute the **Risk Map**. This identification is based on an analysis of possible contingencies which may affect the Bank’s functioning and of the specific measures taken to prevent them from occurring and to reduce damage if they do occur.

To determine the relative importance of the risks identified, these are assessed qualitatively according to: 1) the impact or damage they may cause, and 2) how often they may occur, bearing in mind the existing control environment. The risks thus assessed are placed in the Risk Matrix, classified into categories according to their impact and frequency. The business areas inform the Risk Management Committee of the most significant risks and of the possible mitigation measures to reduce the severity and frequency of the contingencies identified. This committee is responsible for approving them and accepting the residual risks. The results of the self-assessment conducted by the areas are compared with the information drawn from the systematic register of loss events in order to adjust their impact and/or frequency of occurrence in line with actual events.

The level of operational risk is estimated by VaR methodology with a 99.9% confidence level and a one-year time horizon.



### 3 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. They are detailed below.

#### 3.1 The Governor

The Governor directs the Banco de España. He acts as the institution's legal representative, chairs its collegiate governing bodies (the Governing Council and the Executive Commission) and represents it at international organisations and institutions.

The Governor is appointed by the King, at the proposal of the Prime Minister, for a non-renewable six-year term. Pablo Hernández de Cos' term of office as Governor of the Banco de España began on 11 June 2018.

#### 3.2 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 bodies of the Banco de España. 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.

The Deputy Governor is appointed by the Spanish Government, at the Governor's proposal, for a non-renewable six-year term. The current Deputy Governor is Margarita Delgado. Her term of office commenced on 11 September 2018.

#### 3.3 The Governing Council

The Governing Council is one of the Banco de España's two collegiate governing bodies. It is composed of the Governor (who chairs the Council), the Deputy Governor, six elected Council Members and two ex officio members (the General Secretariat of the Treasury and International Financing and the Vice-Chair of the National Securities Market Commission (CNMV)).

The elected Council Members are appointed for a six-year term, renewable once, by the Spanish Government at the proposal of the Minister for Economic Affairs and

**COMPOSITION OF THE GOVERNING COUNCIL IN 2020**

In 2020, the Governing Council was composed of:

- **Governor:** Pablo Hernández de Cos.
- **Deputy Governor:** Margarita Delgado.
- **Council Members:** Fernando Eguidazu, Soledad Núñez, Carmen Alonso, Núria Mas, Paz Andrés<sup>1</sup> and Carles Manera.<sup>2</sup>
- **General Secretary for Treasury and International Financing:** Carlos San Basilio.
- **Vice-Chair of the CNMV:** Ana Martínez-Pina, until 15 December 2020 and, subsequently, Montserrat Martínez Parera.
- **Non-voting participants:** i) the General Secretary of the Banco de España, Francisco-Javier Priego; ii) the Directors General of the Bank (in 2020: Juan Ayuso, Concepción Jiménez, Óscar Arce, Jesús Saurina,<sup>3</sup> Mercedes Olano, Alejandro Álvarez and Ángel Estrada), and iii) the staff representative, Mariano Serrano.

1 Paz Andrés stepped down as council member of the Banco de España on 26 November 2020, following her appointment as a permanent member of the Council of State.

2 Carles Manera was appointed council member of the Banco de España on 1 July 2020.

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.

Digital Transformation, following consultation with the Governor. To be designated, candidates must have Spanish nationality and recognised competence in the fields of economics or law.

Governing Council meetings are attended in a non-voting capacity by the General Secretary of the Banco de España, who acts as secretary to the Governing Council, the Bank's Directors General and a staff representative.

**By gender, in 2020 women accounted for 60% of the voting members on the Governing Council, and men 40%. Voting members are equally represented by men and women on the Executive Commission.**

In this regard, the Banco de España was ranked first in the OMFIF Gender Balance Index 2020 on gender diversity in central banks.

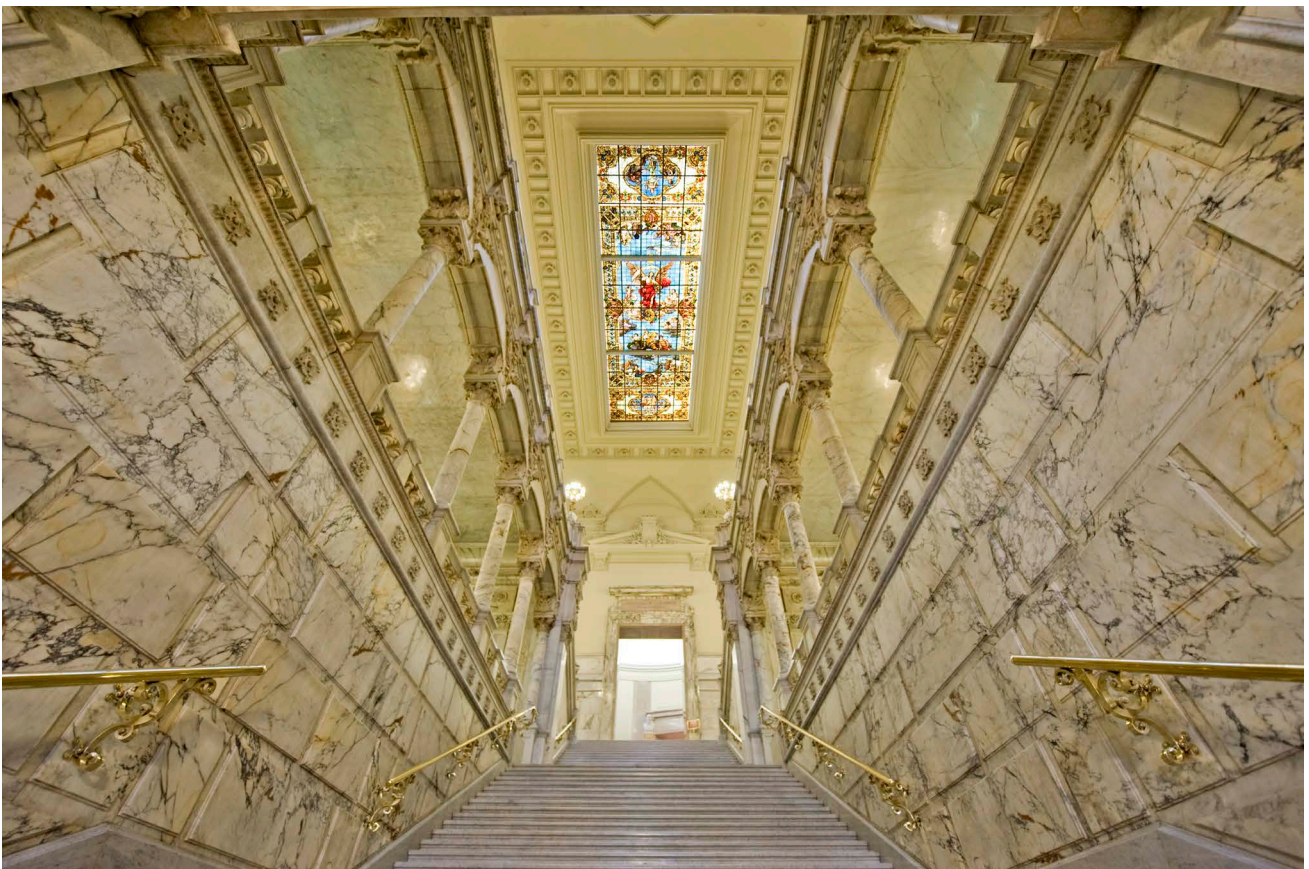
**The functions of the Governing Council** are established in the Law of Autonomy, which confers on it the approval of the general guidelines for the Bank's activity so that it may fulfil its functions. It also discusses matters relating to monetary policy, supervises the Bank's contribution to the implementation of ESCB monetary policy (in keeping with the ECB's guidelines and instructions) and approves Banco de España circulars. It is also responsible for imposing the penalties adopted in sanctioning proceedings against supervised institutions.

The Governing Council's other functions include appointing the elected Council Members and the Audit Committee members; ratifying the appointments of the Banco de España's Directors General and Associate Directors General; and approving the Banco de España's annual accounts, its budget proposals and certain reports, including the *Annual Report*.

In 2020 the Governing Council of the Banco de España **held 22 meetings**. This is 30% more than in 2019, on account of the need to closely monitor the fallout from the COVID-19 pandemic at different levels. After the Spanish Government declared the state of alert on 14 March 2020, and as a result of the health situation caused by the pandemic, the meetings of the Governing Council of the Banco de España were held online in 2020.

### 3.4 The Executive Commission

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, at the proposal of the Governor, from the Council's elected members, for the period that remains in their ordinary term of office as elected



Grand staircase and stained-glass skylight in the Cibeles building, taken from the ground floor.

Council Members. Fernando Eguidazu and Soledad Núñez continued as elected Council Members in 2020.

The Executive Commission meetings are attended, in a non-voting capacity, by the General Secretary of the Banco de España, who acts as ex officio secretary thereto, and the Directors General.

**The Executive Commission discharges the functions conferred on it by the Law of Autonomy.** Under that law, it decides on the management of the internal organisation and administration of the Banco de España in the private sphere; approves the internal circulars; helps implement ESCB monetary policy; resolves administrative authorisations granted by the Bank in connection with credit institutions and other financial agents; adopts intervention measures relating to the appointment of administrators and replacement of the directors of supervised institutions; brings sanctioning proceedings and issues recommendations and requests to supervised institutions under the SSM; and submits draft resolutions to be subsequently adopted by the Governing Council.

In 2020 the Executive Commission **held 52 meetings**. After the Spanish Government declared the state of alert on 14 March 2020, and as a result of the health emergency caused by the COVID-19 pandemic, the Executive Commission's meetings from that date onwards were held online.

## 3.5 The Audit Committee, the Steering Committee and other committees

In addition to the aforementioned collegiate governing bodies, the Bank's organisational structure has another level, which comprises the Audit Committee and its other committees.

The **Audit Committee** is made up of three members, appointed by the Governing Council from among its elected Council Members. In 2020 the members of the Audit Committee were Carmen Alonso (as Chair), Paz Andrés (to November 2020) and Carles Manera (from October 2020).

This committee is entrusted with reviewing the draft annual accounts of the Banco de España and other tasks, which include: i) supervising the internal control and audit services; ii) supervising relations with the external auditors; iii) being cognizant of the risk-management decisions adopted; and iv) preparing the reports pertaining to the committee's sphere of competence for the Governing Council.

The **Steering Committee** is comprised of the Governor, the Deputy Governor and the Directors General. Its main functions are advising the Governor and the Deputy Governor on matters or decisions, as required, and assisting in the preparation of

**COMMITTEES OF THE BANCO DE ESPAÑA**

- **Financial Stability Committee:** this committee analyses the situation of the risks and vulnerabilities for financial stability and the macroprudential measures for mitigating them.
- **Risk Management Committee:** this committee proposes the adoption of measures for managing financial and operational risks and their appropriate level of provisioning, and monitors the risks.
- **Information Systems Committee:** this committee approves and monitors the annual information systems plan of the Banco de España.
- **International Cooperation Committee:** this committee defines the lines of action for international cooperation and carries out the necessary coordination.
- **Financial and Prudential Reporting Committee:** this committee coordinates the Banco de España's position and internal procedures regarding the financial and prudential reporting requirements to which institutions are subject.
- **Budget Committee:** this committee performs functions relating to the Banco de España's annual budget, including its adequate monitoring.
- **Comprehensive Security Committee:** this committee is responsible for proposing the adoption of decisions by the Banco de España relating to corporate security matters.
- **Documentary Policy and Assessment Committee:** this committee is responsible for defining the characteristics for the classification, use and preservation of Banco de España documents.
- **Other committees:** the Committee Receiving Reports on Suspected Money Laundering, the Leave of Absence Assessment Committee, the Workplace Health and Safety Committee, the Committee for the Assessment of BSF Financial Assistance and the Independent Experts' Committee for the Assessment of Supervised Institutions' Senior Officers.

matters to be submitted to the Governing Council and the Executive Commission for approval. It also coordinates the activities of the different Directorates General.

There is a further organisational level, comprising the internal committees set up by the Executive Commission to perform tasks related to examining and resolving any matters considered appropriate. The most important committees are detailed in Box 1.4.



### 4.1 Organisation chart and structure

The Banco de España performs its functions through its governing bodies, as described in Section 3 above, and through its Directorates General and General Secretariat, as 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 economic developments 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 running 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 and 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 Banco de España Monetary Offences Investigation Brigade. 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 30 June 2021, and of unfit banknotes. The Director General Cash and Branches is Concepción Jiménez.





Banner on the Cibeles façade of the Madrid central headquarters, part of the campaign to communicate the deadline for exchanging pesetas.

The **Directorate General Financial Stability, Regulation and Resolution** is responsible, inter alia, for analysing and monitoring financial stability, analysing and formulating macroprudential policy proposals (in coordination with the ECB's Financial Stability Committee and the European Systemic Risk Board (ESRB)), and preparing the half-yearly *Financial Stability Report*.

It is also entrusted with drafting reports and proposals relating to rules on the regulation and discipline of supervised institutions, helping define 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 periodic reporting to the Banco de España by institutions supervised by it or the SSM; ii) management of the Central Credit Register; and iii) preventive resolution. The Director General Financial Stability, Regulation and Resolution is 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, the management of gold, foreign currency reserves and euro-denominated financial assets owned by the institution, and the assessment and management of the Banco de España's financial risks. 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 occupational 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.

All the tasks assigned to the Banco de España as a microprudential supervisory authority for credit institutions under the SSM are concentrated in the **Directorate General Banking Supervision**. Furthermore, it is responsible for the microprudential supervision of other institutions that render financial services or perform financial sector-related functions exclusively and outside the SSM's remit.

It is also tasked with preparing draft rules on accounting for credit institutions and other supervised institutions, and with issuing rulings in this connection when requested. The Director General Banking Supervision is Mercedes Olano and the Associate Directors General are Francisco Monzón and Alberto Ríos.

The **General Secretariat's** functions 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 consumer protection; and v) settlement of complaints in this area.

It also heads the areas of governance, transparency and access to public information, personal data protection, website accessibility, E-Administration and Virtual Office, and the areas relating to documentation, such as the register, the archives and documentation management. The General Secretary is Francisco-Javier Priego and the Deputy General Secretary is Jaime Herrero.

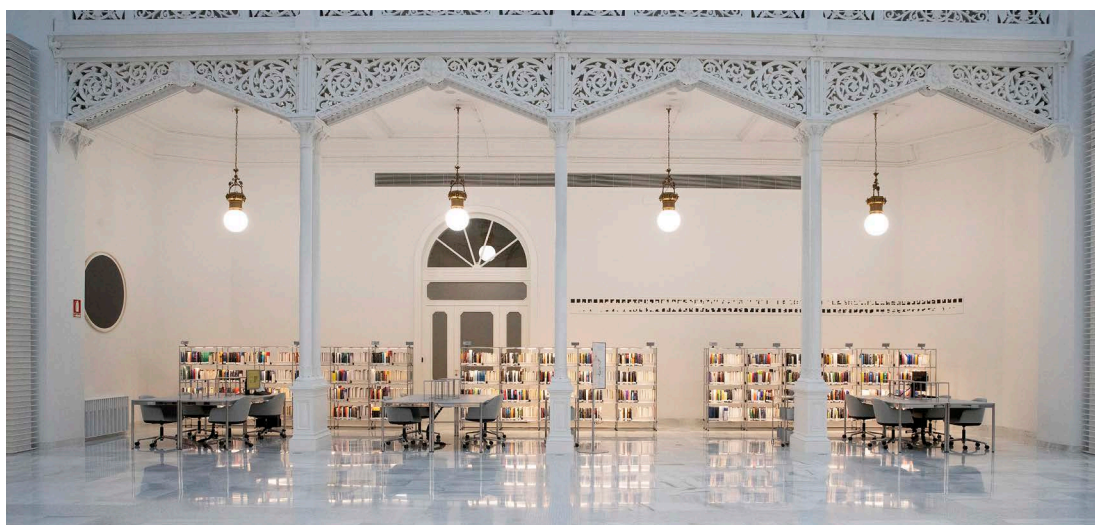
In addition to the Directorates General and the General Secretariat, and reporting directly to the Governor, there are three **other departments** entrusted with various cross-departmental functions, namely i) the Internal Audit Department; ii) the Communication Department; and iii) the Governor's Office.

## 4.2 Banco de España head offices and branches

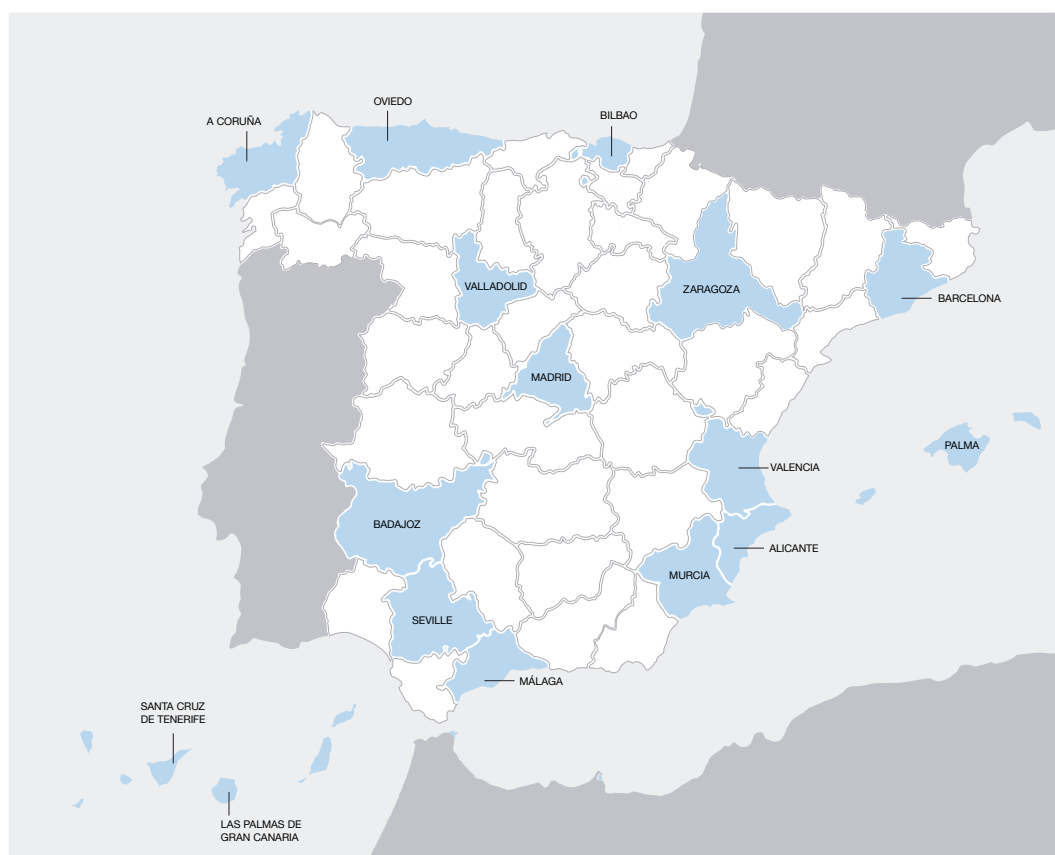
**The Banco de España has two head offices in Madrid:** the main head office at Calle de Alcalá, 48, which hosts the Bank's central services; and that located at Calle de Alcalá, 522. It also has **15 branches** (located in A Coruña, Alicante, Badajoz, Barcelona, Bilbao, Las Palmas de Gran Canaria, Málaga,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

The Banco de España's main head office is one of most emblematic buildings of Madrid and of Spanish architecture in the 19th and early 20th centuries. It stands on the site of the former palace of the Marquis of Alcañices and has been extended three times. The main head office has interior spaces of great historic and artistic value, notably the grand staircase and the courtyard, formerly the banking hall and now housing the Library.

Functionally, these headquarters house the Bank's central services and are where the Banco de España's governing bodies and other senior management are located. The building at Calle de Alcalá, 522 is reserved for various general services and operational functions. Lastly, the 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, and government debt subscriptions, among others.



Two of the areas included in the institutional tours of the main head office. On the left, the Library's reading room. On the right, the Banking Hall's central clock with cash desks.



Branch offices of the Banco de España.

## 4.3 Staff composition

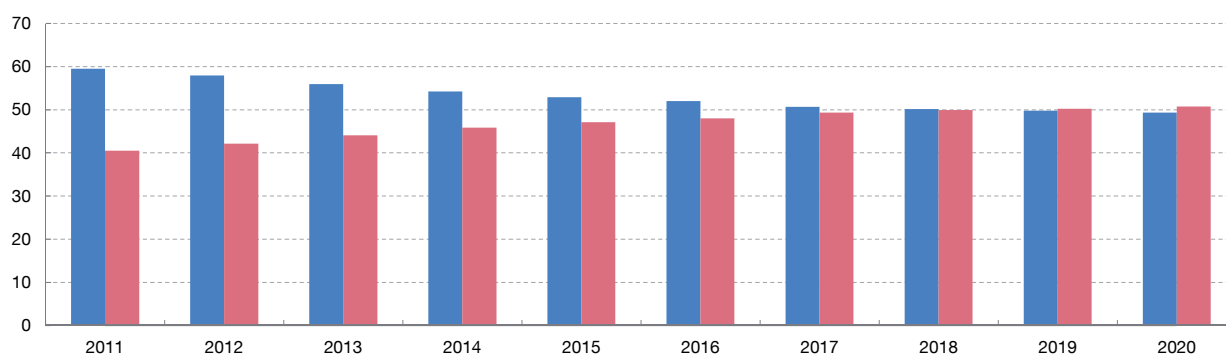
**As at 31 December 2020, the total number of Banco de España employees was 3,345.**

The average age (**46.24 years**) of employees rose slightly compared with 2019. By gender, **women account for 50.70%** of staff and **men 49.30%**, with the gender balance of recent years holding steady.

As Chart 1.12 shows, it should be noted that, in this decade, the proportion of total Bank staff that are women has increased by more than 10%, from 40.5% in 2011 to 50.70% in 2020.

As regards the **staff composition** by professional group, Charts 1.13 and 1.14 show the current distribution and percentage corresponding to the following: i) individuals in management positions or with responsibility over teams (managerial staff, levels 1 to 9); ii) senior experts and specialists (other managerial staff up to level 9); iii) experts and specialists (managerial staff, levels 10 to 14); iv) administrative staff; and v) various support services.

Chart 1.12

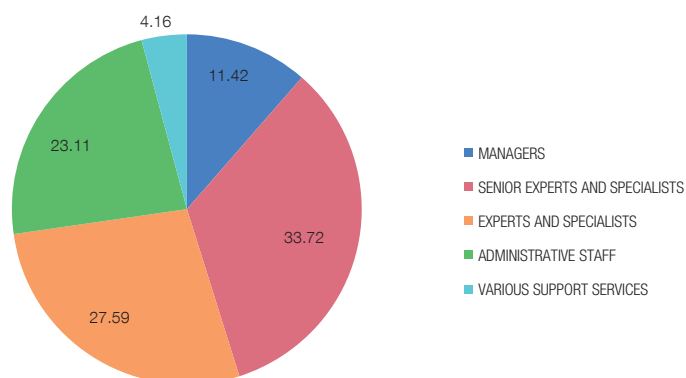
**STAFF COMPOSITION**

Percentage

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Men	59.49	57.90	55.92	54.21	52.89	52.01	50.67	50.11	49.77	49.30
Women	40.51	42.10	44.08	45.79	47.11	47.99	49.33	49.89	50.23	50.70

**SOURCE:** Banco de España.

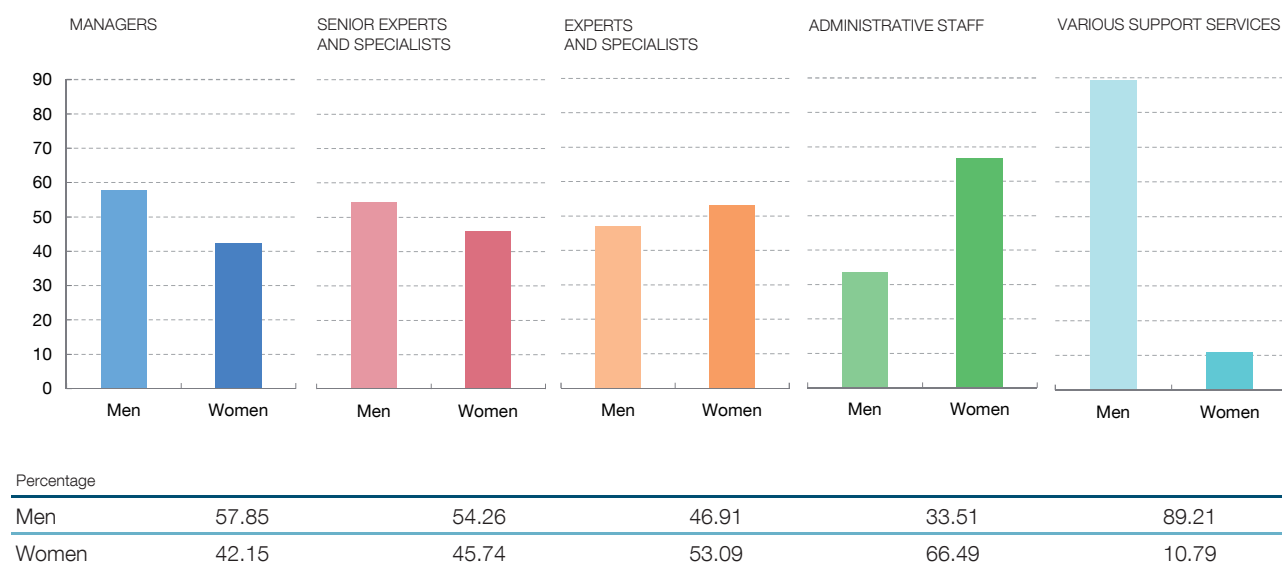
Chart 1.13

**STAFF COMPOSITION BY PROFESSIONAL GROUP (%)****SOURCE:** Banco de España.

At the end of 2020, there were 430 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.



Chart 1.14

**STAFF COMPOSITION BY GENDER (%)**

SOURCE: Banco de España.

The restructuring conducted in 2020 included the reorganisation of the Institutions' Conduct Department, part of the General Secretariat, to align it with the provisions of Law 7/2017, improve efficiency, harness synergies and mitigate risks in the exercise of supervisory powers. Likewise, the tasks related to operational risk management and the business continuity framework were merged into a single division, under the Control, Budget and Accounting Department.

## 4.4 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, S.A. (IMBISA); and ii) the Fundación Centro de Estudios Monetarios y Financieros (CEMFI).

### a) Imprenta de Billetes, S.A. (IMBISA)

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





Construction of the new IMBISA facility commenced in March 2020 and is expected to finish in the fourth quarter of 2021.

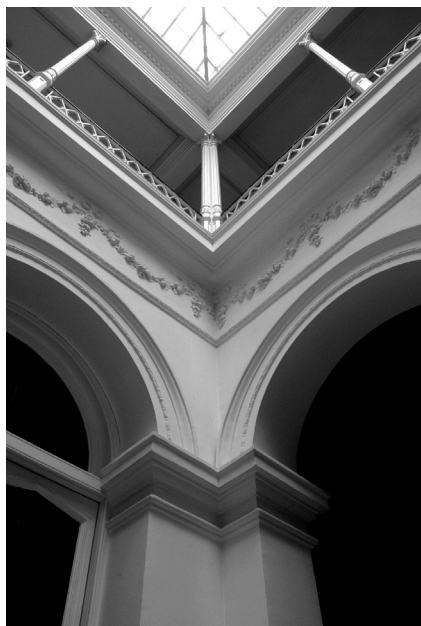
**Since its establishment, IMBISA has been entrusted with producing the quota of euro banknotes allocated annually to the Banco de España by the ECB. IMBISA's processes are subject to extremely high quality and security requirements.**

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, **in June 2016 IMBISA commenced work to build new banknote printing works that comply with all the security requirements and are equipped with the necessary technical means.** Construction of the new IMBISA facility commenced in March 2020 and is expected to finish in the fourth quarter of 2021. The aim is to transfer banknote production to the new printing works over the course of 2022. The new premises (Avenida de Daroca (Madrid)) are located close to important communication hubs and the airport, and also midway between the Bank's head offices at Cibeles and Calle de Alcalá, 522. This makes it ideal for logistical and security purposes.

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

The CEMFI is a foundation created by the Banco de España **to promote education and research in economics, focusing particularly on monetary and financial issues.**

**Its activity focuses on post-graduate education and research.** As regards post-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



Detail of the interior courtyard in the CEMFI head offices.

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, the CEMFI obtained accreditation from the María de Maeztu Excellence Unit, a distinction granted by the State Research Agency.

### 5.1 Reports and other annual publications

The Banco de España periodically publishes documents providing information on the activities that it pursues.<sup>10</sup> This section briefly describes some of the Bank's key annual publications:



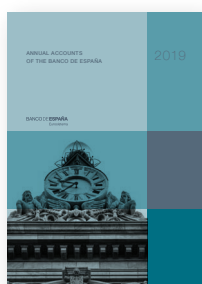
#### Annual Report

The *Annual Report* of the Banco de España reviews the economic and financial performance of the Spanish economy and the main risks and vulnerabilities facing it in the short and long term. 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 an in-depth look at the organisation and structure of the Bank, and at its various functions. It also summarises the main activities carried out over the year.



#### 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. They are prepared in accordance with the Banco de España's internal accounting rules and policies, which are based on the accounting framework established for ESCB NCBs. In the cases not regulated by the ESCB accounting framework, the Banco de España applies its internal policies based on generally accepted accounting principles adapted to the special characteristics of the operations and functions of a central bank.

<sup>10</sup> 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: <http://www.bde.es/f/webbde/Secciones/Publicaciones/Relacionados/Fic/Catalogopublicaciones.pdf>. Most of these documents are available in PDF format and can be downloaded from the Banco de España website at: <http://www.bde.es/bde/en/secciones/informes/>.



## Supervision Report

The *Supervision Report* analyses the supervisory functions and actions performed by the Banco de España in the corresponding year. It includes, inter alia, a detailed description of how banking supervision is organised, the supervisory priorities and strategies adopted, the Banco de España circulars relating to supervision and the Bank's participation in international fora on banking regulation and supervision.



## Annual Complaints Report

The *Annual Complaints Report* summarises the Institutions' Conduct Department's activities over the year. It includes, among other matters, a statistical analysis of the complaints proceedings conducted and a summary of the transparency legislation and best practice criteria applied by the aforementioned department during the year in question.



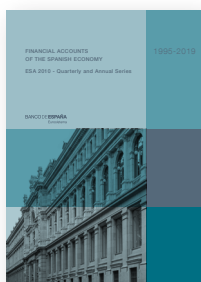
## Central Credit Register Report

This report summarises the activities carried out by this area during the year, focusing on the salient matters affecting the credit risk information it receives and processes, and the services provided to the register's users.



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

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

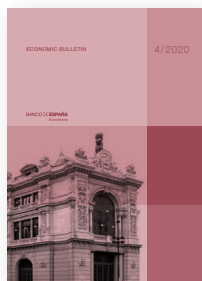


## Financial Accounts of the Spanish Economy

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 contains the financial accounts of the Spanish economy. These 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.

## 5.2 Other publications

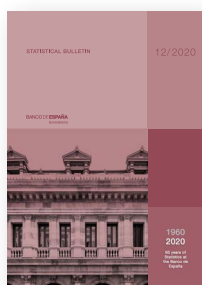
In addition to the publications described in Section 5.1 above, the Banco de España publishes, with varying frequency, other documents, bulletins and reviews, which notably include the following:<sup>11</sup>



### Economic Bulletin

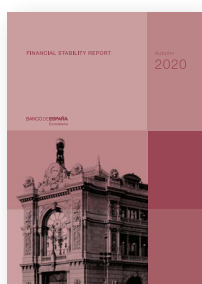
The *Economic Bulletin* is a quarterly publication analysing the macroeconomic performance of the Spanish economy. This publication comprises the “Quarterly Report on the Spanish Economy”, a chronological list of the Analytical Articles and Economic Notes published during the related quarter on the Bank’s website, together with various boxes.

The “Quarterly Report on the Spanish Economy” 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. Lastly, the boxes hone in on certain salient economic topics.



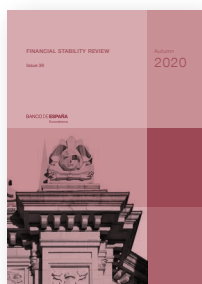
### Statistical Bulletin

The *Statistical Bulletin* is a monthly publication containing 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

The *Financial Stability Report* is a half-yearly publication (spring and autumn) providing a forward and backward-looking analysis of the main risks to the Spanish financial system’s stability.



### Financial Stability Review

The *Financial Stability Review* is a half-yearly publication that serves as a platform for communication and dialogue regarding financial stability issues, with a particular focus on matters related to macroprudential policy, regulation and financial supervision. It is an open publication featuring collaborations by Banco de España

<sup>11</sup> Box 2.2 in Chapter 2 of this Report analyses in greater detail some of the publications prepared by the Banco de España in 2020.



staff and financial sector researchers and professionals which are subject to an anonymous referee process.



## Research Update

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

## 5.3 Relationship with the Spanish Parliament and other institutions. The Governor's and Deputy Governor's calendars

### 5.3.1 Relationship with the Spanish Parliament

**The Banco de España submits some of its regular reports and publications to the Spanish Parliament.** In addition, in accordance with the Law of Autonomy, the Governor, as the representative of the Banco de España, appears before the Spanish Parliament to present the *Annual Report*, a publication through which the Bank contributes to the dissemination of its economic analyses. The Governor also appears before the Spanish Parliament to report on different matters.

In 2020 the Governor appeared before the Spanish Parliament six times:

- **Appearance before the Parliamentary Economic Affairs and Digital Transformation Committee, 18 May.**

As a result of the crisis induced by COVID-19, the Governor's appearance focused on analysing the impact of the pandemic on the Spanish economy and on financial stability. He then referred to the containment role played by the economic policies — fiscal, monetary and prudential — adopted during the first phase of the pandemic, when the economy was put into hibernation. He concluded his appearance by reflecting on how economic policies should be designed and function once the first phase of the economic crisis was over.

- **Appearance before the Parliamentary Committee for the Economic and Social Reconstruction of Spain after COVID-19, 23 June.**

In his appearance, entitled "The main post-pandemic challenges for the Spanish economy", the Governor analysed the economic consequences of the pandemic and presented the Banco de España's macroeconomic





Appearances by the Governor of the Banco de España, Pablo Hernández de Cos, before the Parliamentary Committee for the Economic and Social Reconstruction of Spain after COVID-19 (left) and the Parliamentary Economic Affairs and Digital Transformation Committee (right).

projections under various economic scenarios. Also, with a view to designing a forceful response to the COVID-19 crisis, the Governor put forward the strategic priorities that should inform economic policy during the second phase of the pandemic (marked by the gradual easing of lockdown and reactivation of the economy).

In addition to short-term measures, he concluded his appearance by stressing the need to devise an urgent, ambitious, comprehensive and assessable structural-reform and fiscal-consolidation strategy built on a broad consensus aimed at increasing the Spanish economy's growth.

— **Appearance before the Parliamentary Economic Affairs and Digital Transformation Committee to present the Banco de España *Annual Report 2019*, 6 October.**

The purpose of this appearance was to present the Banco de España *Annual Report 2019* approved by its Governing Council and published in June 2020. The 2019 report was solely concerned with the economic impact of the pandemic in Spain and the risks to financial stability.

It also set out the role that economic policies should play to minimise the impact of this crisis on citizens' welfare. The Governor concluded his appearance by providing an update on Spain's economic figures as a result of the COVID-19 pandemic.

— **Appearance before the Parliamentary Budget Committee in relation to the draft State Budget for 2021, 4 November.**

As part of the process to debate and approve the State Budget for 2021, the Governor began his appearance by describing recent developments in the Spanish economy and assessing the Government's macroeconomic projections, in light of the Banco de España's projections. He then analysed the main revenue and expenditure measures included in the draft State Budget, the general budgetary policy stance for 2021 and the expected developments in Spanish government debt. To conclude, he set out the main medium-term challenges facing the Spanish economy.

— **Appearance before the Upper House Parliamentary Budget Committee in relation to the draft State Budget for 2021, 11 December.**

As part of the passage through parliament of the State Budget for 2021, the Governor appeared before the Upper House Parliamentary Budget Committee to assess the draft State Budget. He began his appearance by describing recent economic developments and set out how the economy might perform over the coming quarters, referring to the Banco de España's macroeconomic projections. He then assessed the macroeconomic projections in the draft State Budget. Afterwards, the Governor assessed its key figures, highlighting the overall fiscal policy stance, the revenue and expenditure items, and the risks that could affect achievement of the budget deficit target. He concluded his appearance by referring to the main challenges for fiscal policy to tackle in the medium term.

— **Appearance before the Parliamentary Audit Committee on Democratic Quality, the Fight against Corruption, and Institutional and Legal Reforms, 22 December.**

During this appearance, the Governor analysed the main arguments for the independence of the economic supervisors and authorities and highlighted possible channels for strengthening the Banco de España's independence and enhancing the financial supervision model. For more details, see Box 1.5.

The Governor also conveyed to the parliamentary spokespersons on the **Committee on the Monitoring and Assessment of the Toledo Pact Agreements** the Banco de España's contribution to reflection on the pension system in the wake of the pandemic.<sup>12</sup>

The Deputy Governor appeared before the **Parliamentary Ecological Transition and Demographic Challenge Committee on 10 September 2020.**

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<sup>12</sup> See "The Spanish pension system: an update in the wake of the pandemic", *Occasional Papers*, No 2106, Banco de España.

### APPEARANCE BY THE GOVERNOR OF THE BANCO DE ESPAÑA BEFORE THE PARLIAMENTARY AUDIT COMMITTEE ON DEMOCRATIC QUALITY, THE FIGHT AGAINST CORRUPTION AND INSTITUTIONAL AND LEGAL REFORMS

The Governor began his appearance before Parliament by reviewing **the rationale behind the independence of economic authorities and supervisors**. He emphasised that independent authorities and supervisors provide greater legal certainty and are more effective when fulfilling their mandates, compared to other alternative institutional designs.

Next, the Governor mentioned **the elements that determine the formal independence of an institution**, and their materialisation in the case of the Banco de España. In particular, he pointed out that the independence of the Bank (legally guaranteed under its 1994 Law of Autonomy, the TFEU, the Statutes of the ESCB and the SSM Regulation) is fully recognised from an **institutional, legal, functional, staffing and financial** standpoint.

The Governor also stressed that independence is a necessary, but insufficient, condition for the sound performance of independent bodies. On this basis, he explained that the Banco de España, as a necessary complement to its independence, is fully committed to the principles of transparency and accountability to society and its representatives.

The Governor then pointed out some possible channels for strengthening the independence of the Banco de España, in areas such as: i) the appointment of the Governor and other members of the governing bodies; ii) the term of office of the members of the decision-making bodies; iii) the resolutions of the Banco de España in the supervisory sphere, so that they bring administrative proceedings to an end; and iv) the attendance rules for the two ex officio council members.

In addition, the Governor reflected on new institutional schemes based on the principle of separating prudential and conduct supervision, as a key element of a future

debate on improving the financial supervisory model in Spain. He also advocated uniting functions relating to the resolution of credit institutions under the banking supervision authority (the Banco de España), in line with the existing framework in other European countries.

The Governor concluded his address by referring to the institution's control mechanisms and transparency standards, and to certain aspects related to its governance. In relation to these issues, he noted the advisability of reinforcing the accountability mechanism with more regular appearances by the Governor before Parliament; he mentioned the objective of improving the quality of our statistics and publications, along with their clarity and accessibility, bringing them within reach of the broadest possible audience; and he expressed the Banco de España's commitment to continue to foster the collegiate functioning of its governing bodies and to strengthen the functioning of its committees and commissions.



Appearance by the Governor of the Banco de España, Pablo Hernández de Cos, before the Parliamentary Audit Committee on Democratic Quality, the Fight against Corruption, and Institutional and Legal Reforms.

This appearance took place as part of the passage through parliament of the draft Climate Change and Energy Transition bill. The Deputy Governor began her appearance with a series of thoughts on the role of public policies in managing the energy transition. She also analysed the role that the banking sector could and should play in this process, including business, regulatory and supervisory matters. She concluded by referring to the lack of reliable and consistent information as an impediment to investment, supervision and control-related decision-making.



Appearance by the Deputy Governor of the Banco de España, Margarita Delgado, before the Parliamentary Ecological Transition and Demographic Challenge Committee.

### 5.3.2 Relationship with other bodies

In a year marked by difficulties, the Banco de España discharged its government advisory function, pursuant to the Law of Autonomy, including notably the meetings with various Spanish Government representatives.

Mention should also be made of the meetings held by the **Spanish macroprudential authority (AMCESFI)**, a collegiate body reporting to the Ministry of Economic Affairs and Digital Transformation. The Governor of the Banco de España is Vice-Chair of this authority's Council. The Deputy Governor sits on the Council and chairs its Financial Stability Technical Committee, in which the Director General Financial Stability, Regulation and Resolution, and the Director General Banking Supervision also participate. Also noteworthy are the meetings held with the **National Securities Market Commission (CNMV)**, (the Deputy Governor is an ex officio member of this body); the **Deposit Guarantee Scheme for Credit Institutions (DGS)**, (whose Management Committee is chaired by the Deputy Governor); and the **Spanish executive resolution authority (FROB)**, (the Deputy Governor is Vice-Chair of its Governing Committee). Different Banco de España Directors General are also members of the governing bodies of the aforementioned authorities.

Lastly, the Banco de España has collaborated closely with various State constitutional bodies and other institutions and bodies, including the Independent Authority for





Margarita Delgado, the Banco de España's Deputy Governor, giving a speech at the Ring the Bell for Gender Equality event at the Madrid Stock Exchange.

Fiscal Responsibility (AIReF), the National Commission on Markets and Competition (CNMC), the Official Credit Institute (ICO) and the National Statistics Institute (INE).

### 5.3.3 Calendars and public appearances

To boost the institution's transparency vis-à-vis society, the Banco de España publishes monthly the **Governor's and Deputy Governor's calendars on its 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.

The speeches given by the Governor and Deputy Governor at different fora and bodies are available on the Banco de España's website.

## 6 HEADWAY ON THE STRATEGIC PLAN 2024 IN 2020

**After it was approved by the Governing Council, the Banco de España's Strategic Plan 2024 was launched in January 2020.** The Plan was reviewed in the first quarter of 2020 as a result of the outbreak of the COVID-19 health crisis and those strategic projects geared towards providing a swift and effective response to the crisis were prioritised.

The impetus from prioritising those strategic projects, together with the development of the others, produced certain noteworthy results in 2020. These are bringing the Banco de España closer to attaining its strategic objectives and its vision of being an outstanding and dynamic central bank that is committed to society.

Figure 1.3 shows the most significant progress made in 2020 vis-à-vis the Strategic Plan's five objectives detailed in Box 1.6.



The Banco de España's Strategic Plan 2024 was launched in January 2020. The Plan has five objectives.

**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

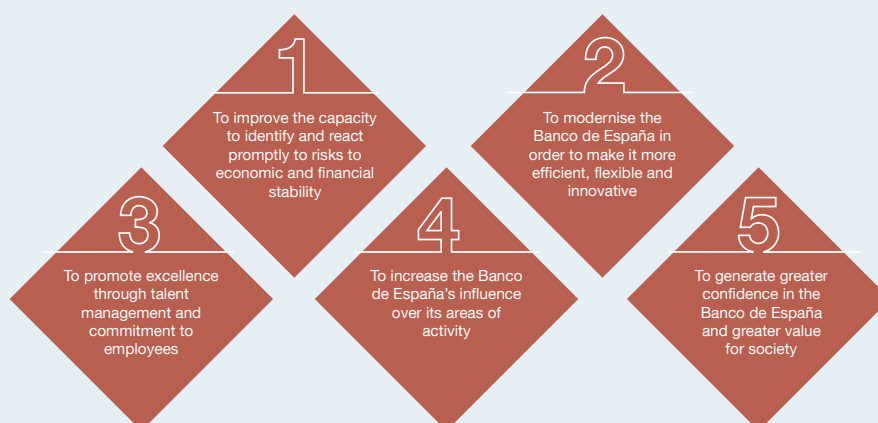
**VALUES****INDEPENDENCE****PUBLIC SERVICE****TRANSPARENCY****INTEGRITY****EXCELLENCE****STRATEGIC OBJECTIVES**



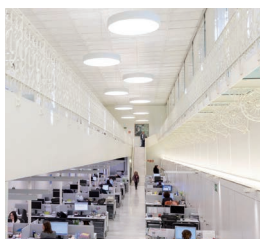
Figure 1.3

## HEADWAY MADE ON THE STRATEGIC PLAN 2024 IN 2020



### OBJECTIVE 1. TO REACT PROMPTLY TO RISKS TO ECONOMIC AND FINANCIAL STABILITY

The **Financial Stability Committee (FSC)** was created in the first quarter of 2020. The committee is chaired by the Governor with the mandate to identify, assess and contribute to the management of risks to economic and financial stability, and to report on the position of the Banco de España in the various relevant macroprudential and sustainable finance fora and committees in which it participates, including the Spanish macroprudential authority (AMCESFI). Also, internally at the Banco de España, the **Forward-Looking Exercise on Spanish Banks (FLESB)** took into account the impact of the economic policy measures in the wake of the pandemic and the modelling of Spanish banks' international business was completed.



### OBJECTIVE 2. TO MODERNISE THE BANCO DE ESPAÑA

At the beginning of 2020, the **Digital Transformation Office** was created as part of the **Digital Transformation Programme**. Over the course of the year, nine robotic process automation applications were developed.

In response to the crisis, the scope of the project to develop the **data processing and analysis technology** platform was also extended to **improve the CCR microdata available**. The aim is to incorporate greater case-by-case monitoring capabilities for credit standards and the risk profile of the transactions for monitoring and analysis purposes.



### OBJECTIVE 3. TO PROMOTE EXCELLENCE THROUGH TALENT MANAGEMENT

To boost professional development at the Bank, **employees are being encouraged to move between different areas and roles**. Training and development linked to roles and career stages are being organised and a diversity management plan is being readied.

Increased **work from home** opportunities have been afforded to staff as a result of the current remote working context. A connected devices model is being developed to facilitate the attainment of results in a more flexible environment, regardless of where they are located.

Also, the Bank conducted its **first work climate survey** in the fourth quarter of 2020. The survey will enable measurement of some of the indicators related to several Strategic Plan initiatives.



### OBJECTIVE 4. TO INCREASE THE BANCO DE ESPAÑA'S INFLUENCE

As part of taking on a more important role in economic and social debates, **in the second quarter of 2020 the Bank published its analysis and research priorities for the coming years**. By doing so, the Bank aimed to strengthen its decision-making and sway in the main domestic and global economic debates. These topics are addressed in greater detail in **Section 2 of Chapter 2** of this Report.

By disclosing them, the Banco de España took a further step in its policy of research activity transparency, while seeking to promote collaboration in these areas with academia and the community of economic analysts.

Also, the fourth quarter of 2020 saw the launch of **the first non-financial corporation survey in Spain**. The survey's aim is to regularly compile qualitative information on non-financial corporation's business activity. Given the current setting, the survey included some questions on the impact of the pandemic on firms, the strategies adopted to withstand these effects and the degree of use of the various economic policy measures adopted to mitigate the effects of COVID-19 on activity and employment.



### OBJECTIVE 5. TO GENERATE GREATER CONFIDENCE IN THE BANCO DE ESPAÑA

To foster bank conduct best practices, information on the measures adopted by the Government in the context of the COVID-19 health crisis was included on the Bank Customer Portal throughout 2020. Similarly, to improve the legislation on banking products and services, the Banco de España approved Circular 4/2020 on the advertising of banking products and services.

In addition, as part of the Banco de España's and the CNMV's joint drive to foster and boost the **national financial education strategy**, collaboration agreements were entered into with the Ministry of Education and Vocational Training and — in January 2021 — the Ministry of Consumer Affairs to develop the Financial Education Plan (FEP), as detailed in Section 2 of Chapter 3 of this Report.

SOURCE: Banco de España.







# 2

## MAIN ACTIVITIES



## THE BANCO DE ESPAÑA'S ACTIVITY IN 2020

The COVID-19 pandemic clearly influenced the different operational frameworks for the Banco de España's activities, both nationally and internationally.



### MONETARY POLICY

Exceptional measures were adopted to increase the provision of liquidity to the real economy.



### ECONOMIC ANALYSIS

The research agenda prioritised the analytical assessment of the impact of the crisis on the economy and the financial system



### SUPERVISION

Prudential and conduct-related supervisory activity was refocused to address the risks arising from the pandemic.



### FINANCIAL STABILITY

Macroprudential decisions, such as those relating to the countercyclical capital buffer or to stress tests, took into account the impact of the crisis.



### INTERNATIONAL ORGANISATIONS

Meetings were held in virtual format, speeding up decision-making to mitigate the crisis.



### BANKNOTES AND COINS

Measures were implemented to meet the demand for cash by institutions and the public at large.

## 1 INTERNAL ORGANISATION AND ADMINISTRATION

### 1.1 Main activities of internal services

**The pandemic has significantly impacted many processes relating to the staff and employees of our institution.** Selection processes were interrupted during the lockdown, owing to the suspension of administrative deadlines. Upon their reinstatement in May, the new hygiene and health requirements were implemented and the selection and internal promotion processes, the selection of new professionals and the filling of managerial vacancies were resumed.

Also, it became necessary to make changes to the way in which permanent and temporary employees start work. Procedures had to be changed to adapt them to the situation, not only due to the impact of remote working; the recommendations of the health authorities are observed in all cases, while contributing to the coverage of the Bank's staffing requirements.

The development and dissemination of the Banco de España brand as an **employer of choice** continue to be priorities, to attract the best professionals, and are included in the Strategic Plan. In 2020, publications continued to be promoted through various channels, such as **LinkedIn**, where 58 publications of general interest were launched. Some of these related to the management and impact of the pandemic, as well as regular employment opportunities. Numerous views were generated and the number of followers reached 62,000. Also, we have continued to publish job offers via other channels, such as **Twitter and Infojobs**. The best ambassadors of the Bank's brand are its employees; they collaborate on various initiatives, such as attending job fora, relating their experiences as bank employees on social media and participating in the photographic campaign to disseminate the Bank's image as an employer.

As regards selection, despite the situation, more than 5,000 job applications were received in 2020 and 161 permanent professionals and 208 temporary employees were selected.

Employees' promotion to management positions with responsibility for teams continued to be encouraged and supported. In 2020, 37 employees were promoted to such positions, 46% of them women, thus continuing the rising trend of women gaining access to management positions.

In view of the pandemic situation, priority was given to the **use of online tools** in selection exams and interviews. More than 500 such interviews were conducted online, more than 120 pre-recorded video interviews were held and more than 530 candidates took part in exams invigilated online. Once lockdown was eased,



presence-based exams were resumed, with strict hygienic and health protocols in place, approved by the Bank's Workplace Health and Safety Service. Exceptional measures were adopted to avoid any risk of infection, such as organising exams in small groups, applying special treatment for COVID-19-related situations (alternative exams for candidates who were infected or in quarantine, special treatment for vulnerable candidates, etc.) and the decentralisation of exams.

**Employment fora at universities** were also held online, with students attending live-streaming presentations on career opportunities at the Banco de España, notably including the Bank's participation in a seminar on the challenges and opportunities of working in the EU.

As regards **training and career development activities**, the pandemic meant that programmes had to be adapted to formats compatible with remote working. Sometimes innovative solutions had to be found, e.g. for the Strategic Plan training programme, which was being deployed at the Bank when the state of alert was declared. It was transformed into an alternative reality experience not requiring physical contact, in which all the employees were able to take part. The management development programmes, the mentoring programme and the multi-company programmes all had to be transformed in order to continue supporting the professionals participating in them, providing leadership and collaboration.

**Training in the use of remote working tools**, e.g. Skype, was stepped up. The focus has been particularly on helping employees manage remote work, providing them with numerous resources for developing collaborative techniques, networking and online team management.



Training in the use of remote working tools was stepped up.

The effort to adapt led to an increase in the average training hours per employee, even though the traditional model had been replaced by one that was practically 100% online, with an average of 32 training hours per employee in 2020, compared with 28 in 2019.

Given that these exceptional circumstances are likely to continue, the current tenders for training services have been adapted to incorporate digital alternatives. The situation triggered by COVID-19 should thus not impact negatively on the institution's training activities and employees will be guaranteed access to the necessary technical and skills training.

In 2020, internal vacancies continued to be published, resulting in nine employees moving to other positions. Moreover, 27 employees embarked on an international experience at another organisation, and 48 extended their unpaid leave.

In the area of **IT systems**, in 2020 the Banco de España notably launched a **digital transformation programme**. It is aimed at making processes more efficient and adaptable, through new technologies such as robotisation and advanced data analytics, fostering the implementation of new working arrangements, and using flexible work structures and new physical facilities where the Bank's multidisciplinary teams can develop these digital initiatives.

Additionally, the Banco de España is currently developing a **data processing platform** to ensure a more efficient and integrated use of the information it receives through multiple channels and the application of advanced analytics to generate reports. Also, regarding its role as a provider of services to the Eurosystem, it is increasing the capacity of IT platforms to include new participants from other central banks and new European projects.

Further, to provide a better service to the general public, **new technological tools** were launched and rolled out. These will enable enquiries and requests from the general public to be properly recorded and tracked, with shorter response times. Work was also under way to enhance the accessibility of websites, both as regards new content and also by progressively revamping already existing websites and portals.

Lastly, in 2020 the ambitious project for the **First Evolving Cyber Security Framework 2018-2020** was completed. The Banco de España will now be equipped with the necessary level of maturity in terms of cyber resilience to counter the challenges posed by rapidly increasing cyber threats, given the intensive recourse to ongoing remote working on a large scale brought about by COVID-19.

In the area of Procurement and General Services, during the crisis triggered by the pandemic, **the regulatory changes affecting public procurement** were addressed

## THE BANK'S ACTIVITY DURING THE PANDEMIC

The Bank's services in 2020 were marked by the pandemic and its effects on working practices. On 26 February the Crisis Management Committee defined the measures to be adopted in the event that the Bank's facilities had to be closed, which the Management Committee decided to do on 11 March. The Banco de España reacted swiftly and efficiently from that date to adapt to the new situation and has been able to **continue operating, liaising with institutions and providing customer services** during this period, focusing mainly on the following aspects:

First, **deploying its remote working capacity**. This involved strengthening the operational and IT infrastructure through emergency hirings, changing the work model and the digitalisation levels, and promoting an intensive and efficient use of collaboration tools and the electronic signature.

Second, reinforcing the critical functions requiring staff to be physically present and reassessing the business continuity framework during the pandemic on an ongoing basis. As regards reassessing business continuity, the review of the level of operational risk and the assessment of vulnerability in processes and of cybersecurity risks were key.

Third, in April a specific group was set up to plan the gradual easing of the lockdown measures to ensure the continuity of the services provided by the Banco de España, as well as the health and well-being of all of its staff. In this connection, many operational protocols were adopted to minimise the risk of contagion.

In parallel, contacts and relations were stepped up in both the international and the national sphere as regards the Bank's representation before the authorities responsible for managing the health crisis (including, among others, the Ministry of the Interior, the Ministry of Health and the Regional Departments of Health). Also, resuming the services provided to the public required specific actions to keep the Bank's buildings safe. An appointment system was set up in all the buildings and coordination protocols between security staff and the Bank's employees were established.

One of the priorities of this remote work scenario has been **keeping staff informed** of the decisions that the Bank was making and of health recommendations through different channels (informative notes, audiovisual material, creation of website communication and collaboration spaces, etc.). The support provided to the teams by the department heads and by the Workplace Health and Safety Service also increased.

### Remote working, in figures

- 2,944 laptops were provided to employees.
- 87.9% of the total workforce was able to work remotely (in Madrid, 97.8%).
- 498 monitors were provided to employees.
- 4 technological platforms were set up to hold meetings.



Deployment of the remote working capacity involved reinforcing the Bank's operational and IT infrastructure (left). Main façade of the Cibeles building during stage 1 of the lockdown easing plan in Spain (centre). The resumption of services to the public required specific actions to keep the Bank's buildings safe (right).

to ensure the proper functioning of the critical elements of buildings. Additionally, support was provided for the distribution of remote working equipment and for the reorganisation of workspaces to comply with social distancing measures, and the necessary personal protective equipment was made available.

## 1.2 Activity of branch offices

The branch offices of the Banco de España contribute, in coordination with the central office departments, to carrying out the Bank's functions and pursuing its objectives, providing direct contact with the general public at [15 locations throughout Spain](#) and an appropriate cash distribution network for credit institutions.

**At the branch offices of the Banco de España, the general public** have access to the following services free of charge:

- Cash-to-cash euro exchange operations, exchange of pesetas for euro, replacement of unfit or damaged banknotes and coins, and depositing suspected counterfeit cash.
- Requesting the data reported to the Banco de España Central Credit Register on their behalf, and submitting a complaint or request for correction or deletion.



The crown of the façade of the Banco de España's branch office building in A Coruña, dating back to 1926, by the architects José de Astiz and Pedro Mariño.



- Enquiring about the applicable regulations on transparency and protection of financial services users or filing a complaint against institutions supervised by the Banco de España.
- Registration of letters and communications addressed to the Banco de España, obtaining stamped copies or certified true copies of documents in an administrative procedure.
- Transactions relating to accounts opened by public institutions at the Banco de España.
- Government debt subscription and operations, by opening “direct accounts”.
- Information about Banco de España publications and informative materials.

**Face-to-face services at branch office premises to the public and to the general government agencies** to which treasury services are provided were temporarily suspended in 2020 after the state of alert was decreed and mobility restrictions were imposed. There was a gradual adaptation to the new pandemic-induced situation, as explained in other sections of this report.

However, with respect to the wholesale **cash services** provided by the Bank, the branch offices remained open in 2020, in order to ensure that the banknotes and coins required by credit institutions and other cash handlers to meet their customers’ needs were available at all times, even when the pandemic was at its peak.

In their area of influence, the branch offices also exercise control over private-sector activities relating to the custody, distribution, handling and recirculation of



Oviedo branch office (left). Las Palmas de Gran Canaria branch office (right).

cash, carried out by cash-in-transit companies and the bank branches of credit institutions.

Internally, in 2020 the Banco de España branch offices continued to work on upgrading their technological equipment with the installation of new banknote handling and recycling machines, reviewing work procedures to enhance efficiency, and reducing the environmental impact of their activity.



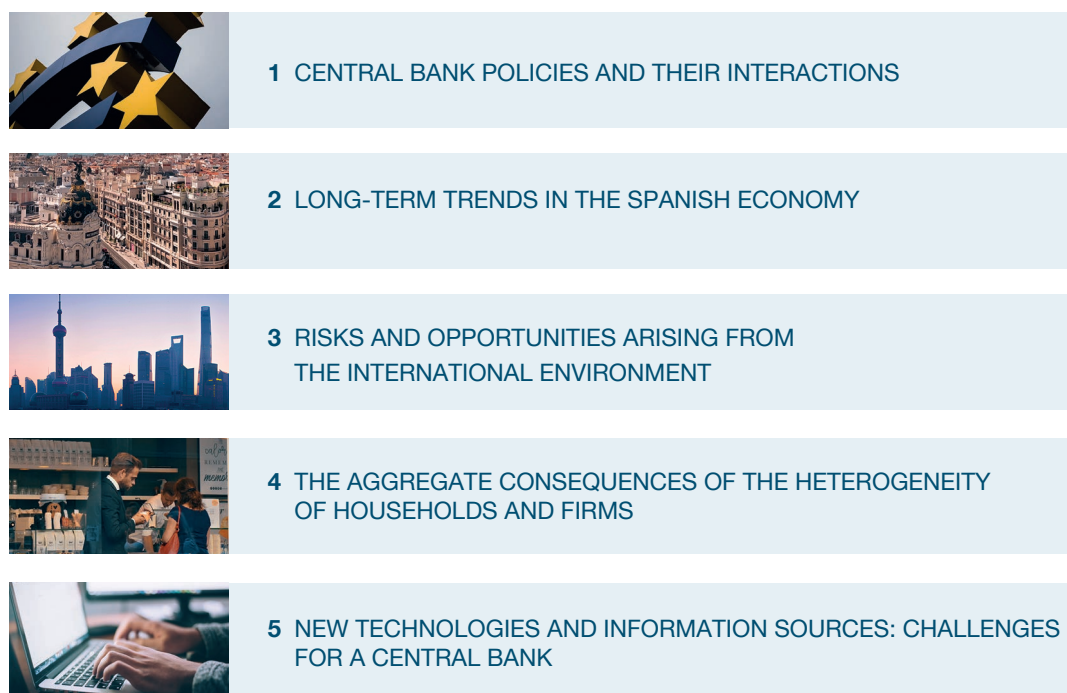
### 2.1 Economics and research

In October 2020, the Banco de España published its medium-term analysis and research priorities for the first time, in the context of the institution's **Strategic Plan 2020-2024**, reflecting the reorganisation of analytical priorities following the impact of the COVID-19 pandemic. With a view to strengthening transparency and accountability, these priorities were announced to the academic community and the Spanish general public on bde.es, along with an explanatory video featuring the Governor. The five areas on which analysis and research efforts will focus in 2020-2024 are shown in Figure 2.1.

**The outbreak of the pandemic significantly affected research activities in 2020.** The research agenda was adapted to prioritise the analytical assessment of the impact of the health crisis on the Spanish economy and the financial system.

Figure 2.1

**MEDIUM-TERM ANALYSIS AND RESEARCH PRIORITIES, IN THE CONTEXT OF THE BANCO DE ESPAÑA'S STRATEGIC PLAN 2020-2024**



**SOURCE** Banco de España.

## PUBLICATIONS

In 2020 **43 Working Papers and 33 Occasional Papers were published**. As for external publications, a total of 29 articles were published in anonymously refereed academic and professional journals, and another 30 articles were accepted and are pending publication. A further 15 articles were published in other journals and books, with five pending publication. Mention should also be made of the participation of Banco de España researchers in Eurosystem and international initiatives, such as the joint research conducted annually with the Center for Latin American Monetary Studies (CEMLA) or the IMF and the OECD, and in numerous expert seminars and conferences.

Periodic publications:

- The Banco de España publishes its **macroeconomic projections for the Spanish economy** four times a year. These projections provide its view of the economic outlook over a horizon of around three years. On the day of their release, they are presented to the media at a press conference. The projection exercises, which are always subject to uncertainty, were conducted this year in an unprecedented setting of lack of information. It was therefore decided to publish several reference scenarios, rather than a single baseline scenario, in the spring projection exercise. This decision was maintained throughout the year, including in the June and December macroeconomic projection exercises conducted jointly with the Eurosystem.
- Apart from the “Quarterly report on the Spanish economy”, which includes the projections and the most recent developments in the Spanish economy and its external environment, the Banco de España’s **Economic Bulletin** also has 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 2020, a total of 44 Analytical Articles and 7 Economic Notes were published.
- The Banco de España also publishes the “**Half-yearly report on the Latin American Economy**” twice a year (in April and October), which reviews recent macro-financial developments in the most important Latin American economies from the Spanish banking system’s standpoint. The report also describes the future outlook of these economies, which in 2020 and 2021 were subject to a high degree of uncertainty owing to the health crisis deriving from the COVID-19 pandemic, and describes the main risks facing them. Issues such as the causes behind the social tension in some of the region’s countries and its potential effects have also been reviewed in the 2020 reports.
- Also twice a year (in spring and autumn) the Banco de España publishes the **Financial Stability Report (FSR)**, which reviews the main risks and vulnerabilities affecting financial stability, analyses the resilience of banks and presents different macroprudential policy actions undertaken or envisaged. The FSR that was published in spring 2020 focused on analysing how the outbreak of the COVID-19 pandemic led to an increase in the risks to the financial system and the possible economic policy measures capable of mitigating its impact. The Autumn 2020 FSR attempted to quantify the impact of the current crisis on the Spanish banking system through the use of stress tests. This involved adapting the methodology used, in particular, in order to expand the analysis of Spanish banks’ international business, given the international nature of the crisis, and to measure the effect on their solvency of the different measures adopted by the authorities to support lending. Two numbers of the **Financial Stability Review** were also published; they included 13 articles by both in-house and external authors. Aside from addressing specific issues relating to the current crisis, such as the regulatory and supervisory response thereto, they analyse most notably the technological impact on the financial sector, including the emergence of new means of payment and the study of climate change-related risks to the financial system.

Thus, for example, the *Annual Report* and the two *Financial Stability Reports* published in 2020 focused singly on the unfolding of the COVID-19 crisis, its overall economic impact and its impact on the Spanish financial system, and the economic policy measures deployed to curb its adverse effects. **Research work relating to the monitoring and analysis of the pandemic's economic and financial impact featured in numerous Banco de España publications and underpinned senior management's stances and speeches.** The health crisis did not prevent research activities, such as seminars and conferences, from continuing in 2020. Seminars soon went online and were held as frequently as in previous years. However, the heavier workload generated by the economic analysis and monitoring of the pandemic, along with a preference for on-site conferences in some cases, explains why the Banco de España organised fewer conferences with the academic community in 2020.

Research activities during the year encompassed a wide range of areas.

In relation to **analysis of the Spanish economy**, priority was given to research aimed at quantifying the magnitude and implications of the economic shock triggered by COVID-19 from different perspectives:

- In the area of modelling, epidemiological models were developed to monitor the unfolding of the pandemic in real time, and its possible future course, depending on the different scenarios considered for the spread of the virus. Also, in light of the size and nature of the shock, unprecedented in recent history, efforts focused on obtaining new high-frequency indicators from different data sources, and the statistical models needed to correctly process and interpret the signals from these indicators. In addition, given the uneven effects of the pandemic across sectors and the mobility restrictions imposed to contain it, resources were set aside to develop tools incorporating cross-sectoral customer-supplier flows, with a view to quantifying the propagation of the shock throughout the national and international production chains. From a long-term perspective, there was also research on the pandemic's possible consequences on business births and deaths and the implications for the productivity and long-term growth of the Spanish economy. Lastly, since the effects of COVID-19 are also characterised by some unevenness across Spanish regions and cities, research projects were developed to analyse the determinants of population distribution in Spain and their economic implications, of particular importance in the post-pandemic scenario.
- **In the international sphere**, the analytical work focused largely on the effects of COVID-19 on different economies, paying particular attention to those that are systemic or more important for the euro area and for Spain, such as Latin America, and on the economic policy responses to the

pandemic, including various simulation exercises using macroeconometric models. Other work that continued to preponderate in research projects included the analysis of the emerging economies most relevant to Spain. Short-term forecasting models (BVAR) were used for these economies, analysing their vulnerabilities (particularly social tensions in Latin America), financial markets, demand for credit and capital flows. Special attention was paid to the effects of increased protectionism and heightened uncertainty in world trade and to the trade agreements with Latin America (USMCA and EU). Regarding the negotiation and effects of the United Kingdom's departure from the EU, the Banco de España continued to lead, in collaboration with the Banca d'Italia, analysis of the economic and trade effects of Brexit, conducted by the Eurosystem's International Relations Committee.

Other international research projects included:

- China's recovery after the health crisis.
- Fiscal policy (international transmission of US fiscal policy; fiscal instruments for emergencies; ageing and fiscal systems). Climate change issues, such as the environmental and macroeconomic effects of introducing a carbon tax.
- Analysis of features of the international environment relevant to the ongoing ECB monetary policy strategy review. In particular, the Banco de España led, jointly with the ECB, the analysis of how globalisation has influenced monetary policy.

**In the euro area**, notable efforts were made to analyse the effects of the pandemic on activity and inflation. Worth noting in this latter area is the work relating to the review of the monetary policy strategy. In particular, **the Banco de España, in collaboration with the ECB, the Bundesbank and the Banca d'Italia, piloted research into issues relating to the measurement of inflation.** Particular focus was placed on developing short-term indicators to enable real-time monitoring of the economic impact of the pandemic and the European policy response, notably fiscal policy (the European Recovery Fund) and European governance reforms.

**With regard to research on financial issues**, the following areas were analysed in 2020: the impact of negative interest rates on the supply of bank credit; the risks associated with the complex organisational structure of banks; developments in the Spanish housing market; features of the real estate investment trust industry; consumption; and home ownership throughout households' life cycle. Since the onset of the pandemic, there has been research on the liquidity needs, solvency and viability of Spanish non-financial corporations; on the impact of the measures

adopted to mitigate the economic crisis (the public ICO guarantee facilities and the ECB's pandemic emergency purchase programme); and on firms' financing conditions. An assessment was also made of the overvaluation in equity and fixed-income markets against the backdrop of COVID-19 and the reform of the Insolvency Law and existing pre-insolvency arrangements.

**Research in the area of monetary policy** focused on the analysis of the monetary policy measures deployed by the Eurosystem during the pandemic, in particular the Pandemic Emergency Purchase Programme (PEPP) and on various aspects relating to the ongoing review of the ECB's monetary policy strategy. In this latter area, research has, for instance covered the effects of monetary policy on productivity, the impact of negative interest rates on the transmission of monetary policy through the banking system, the interactions between monetary and fiscal policy, and the effects of alternative monetary policy strategies. Additionally, there was also analysis of issues relating to the relationship between monetary policy and exchange rates, and the risk-taking channel of monetary policy.

**In the area of financial stability and macroprudential policy**, research covered multiple projects, including the impact of the changes in stamp duty on mortgage lending standards (in particular, the price). The correlation between the duration of the loan approval process and the credit risk in these exposures was also examined, as was the relationship between profitability and volatility associated with market liquidity, focusing on how it changed following the global financial crisis. Further, there has been research into the impact of the adoption and easing of macroprudential measures on systemic risk. Lastly, the cost of bank equity was analysed, as was the effectiveness of the restrictions on dividend distribution by banks, focusing particularly on the period following the COVID-19 outbreak.

**As regards microeconomic research**, the main contributions can be grouped into nine major areas:

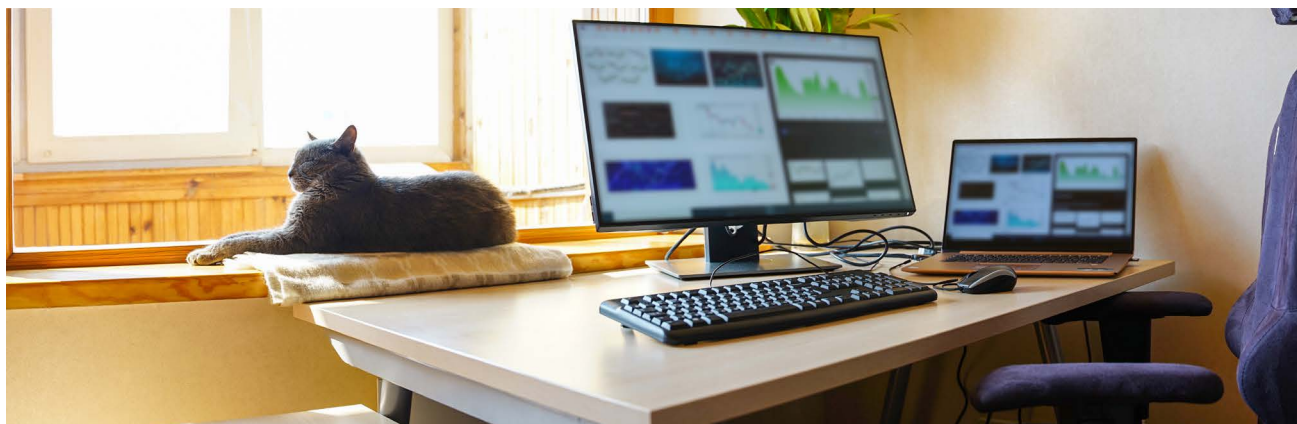
- **In the area of households**, a theoretical and empirical analysis was carried out on how credit conditions influence spending decisions, particularly in relation to housing. Research continued on the distribution of health and mortality in Spain and in other European countries.
- **In relation to firms' decisions**, research was conducted on the impact of temporary employment on firms' productivity, the impact of different types of innovation on business dynamism and growth, and the ability of firms to shift exports and imports to other markets following Brexit.
- **As to the labour market**, there were a number of articles on the behaviour of certain major population groups, such as the young, the elderly and those at risk of poverty or social exclusion. Currently under analysis are the

responses provided in terms of wages, jobs or career advancement to the aggregate effects of robotisation, changes in environmental quality or wage bargaining methods, or to individual events such as maternity or loss of employment.

- **Recent population trends in rural and urban areas in Spain** were also analysed.
- **As regards education**, the factors that explain the differences in school performance between Spain and other countries, the related disparities between men and women, and the effect of public intervention to improve the level of education were all analysed. In the context of the Financial Education Plan, a research project involving students who participated in the Programme for Schools in 2014-2015 was completed. The project was aimed at gathering information about the economic and financial decisions of students entering adulthood.
- **In relation to energy and climate change**, the weight of the electricity bill and its components, and the developments in energy efficiency, were both described from a sectoral standpoint, and a possible strategy for reducing CO2 emissions was analysed.
- **In relation to economic policies** the different parameters of the pension system, such as the effective age of retirement and the financial return provided by the system were described, as were the differences between the Spanish taxation system and that of other countries. The level of personal income tax redistribution and its effects on retirement saving was analysed from a theoretical and empirical standpoint. The effectiveness of corporate income tax incentives for R+D+i was studied and an assessment was undertaken of the increase in the national minimum wage in 2019, based on the individual data obtained. Personal income tax and VAT micro-simulation tools were used for budgetary assessment. Meantime, progress was made on the pension model and another tool was created for the minimum income scheme and wealth tax.
- Simulation techniques are being used to prepare **estimates of the distribution of financial accounts**.
- Finally, work continued on **measuring aggregate uncertainty using Big Data tools** in different contexts.

Moreover, **the pandemic prompted changes to the microeconomic research agenda**. These saw the publication of analyses on the potential of teleworking in Spain for different population groups; the effects of e-commerce on prices and





A number of analyses were published on the potential of teleworking in Spain for different population groups.

firms' mark-ups; changes in electricity consumption by households and firms triggered by the lockdown; and the identification of groups of workers made vulnerable by the lockdown, their employability in terms of harnessing their acquired skills and their financial situation in the event of job loss. In addition, a number of simulation exercises were performed for the policies implemented to tackle the pandemic, such as furlough schemes, the activity suspension benefit, tax moratoria and the minimum income scheme, and additional measures were proposed.

## 2.2 Statistics

In 2020, the health crisis had a pronounced impact on statistical activity. Despite the difficulties encountered, **all the statistical dissemination commitments, both national and international, were met.** For this purpose, the collaboration of the different reporting agents was essential, as was the coordination with the other national institutions compiling official statistics and with international organisations. Moreover, the improved efficiency of IT processes, which are central to the compilation of statistics, has been key to making up for the disadvantages of remote working and to meeting these commitments.

In addition to its usual statistical output and dissemination, **the Banco de España contributed to major international statistical debates in 2020.** It participated at the start of the discussions about updating the methodological manuals for the National Accounts and Balance of Payments and the International Investment Position, scheduled for publication in 2025. Headway was also made in the statistical coverage of FinTech activities, a difficult task given the scant information available on this sector, and in collecting environmental information relating to non-financial corporations.

**Two statistical notes with methodological contributions were published.** The first of these addressed the effect of applying new financial reporting standards to

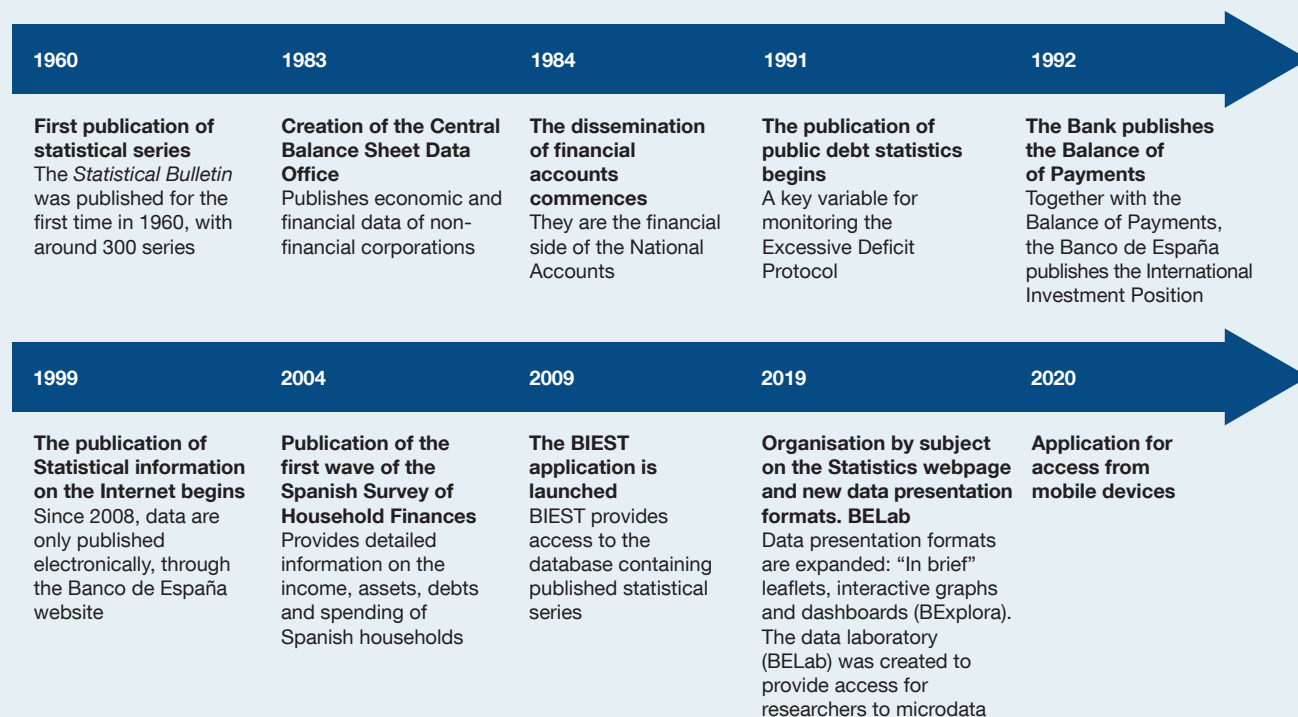
## 60TH ANNIVERSARY OF THE BANCO DE ESPAÑA STATISTICS

In 2020 the Banco de España statistics celebrated their 60th anniversary, as the *Statistical Bulletin* was published in March 1960 for the first time. This and

other significant milestones of the Banco de España's statistics were included in an infographic that was made for the occasion:

Figure 2.2

## 60 YEARS OF BANCO DE ESPAÑA STATISTICS



SOURCE: Banco de España.

the income statements of corporate groups. The second highlighted the advantages of using "mirror data" (equivalent data compiled by other countries about Spain) in the compilation of external statistics.

**The Banco de España launched a new Spanish business survey** to compile qualitative data on non-financial corporations' activity in the current quarter and the short-term outlook on a regular basis. In March 2020, an initial survey was conducted on a small number of firms, in order to obtain a snapshot of the effects of lockdown on activity, while in December the survey included a much larger number of firms. Going forward, the survey will be conducted regularly.

**In relation to the Survey of Household Finances (EFF), 2020 saw the completion of the second phase of the process for allocating EFF2017 data.** In this phase, all the variables were allocated and the microdata files were generated and made



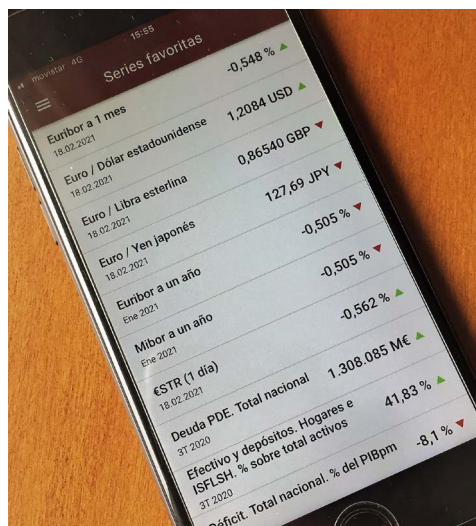
The *Compara tu empresa* web application gives access to information about the relative position of a firm within its sector.

available to researchers in December, together with an Occasional Paper in which the methodology applied to this edition of the survey is described in detail. Work was also undertaken to develop and prepare the fieldwork for the EFF2020, the protocols and methods of which had to be substantially changed and adapted to the pandemic situation. Under the new scenario, a pilot test was carried out in July, the results of which were presented at a meeting of the Household Finance and Consumption Network. Finally, the main fieldwork has been under way since November, conducted by phone in this edition.

In addition, **it was agreed to conduct the Survey of Financial Competences in 2021**. Revision and programming work began on the questionnaire, as did the tender process for the interview service, whose protocols and methods should make provision for possible changes, depending on the future course of the pandemic.

Work continued on **improving the service offered to Banco de España statistics users** in 2020, through various initiatives:

- **Statistical information app for mobile devices.** This application (available for the main mobile operating systems) can be used to access the main statistics published by the Banco de España, not only in the form of tables, but also in interactive charts, with scope for personalisation.
- **Compare your firm.** A web application which gives access to information about the relative position of a firm within its sector and size group, in terms of the main financial ratios.



Mobile statistical information app, which can be used to browse the main statistics published by the Banco de España.

- **Interactive dashboards.** The range of Bexplora products has been broadened to include a dashboard for external statistics, with quarterly and annual data.
- The selection of statistical press releases was broadened to include a press release with **monthly data relating to the preview of general government debt**, complementing the press release on quarterly data regularly published.

### 3 MONETARY POLICY IMPLEMENTATION, FINANCIAL ASSET AND RISK MANAGEMENT, AND PAYMENT SYSTEMS

The outbreak of COVID-19 meant that the bulk of activities relating to the implementation of monetary policy and the management of investment and monetary policy portfolios, and the attendant financial risks, had to be conducted remotely. On the whole, this change did not diminish the effectiveness of these activities, which continued to be conducted normally under the new working arrangement.

## 3.1 Monetary policy implementation

**The year 2020 was marked by the economic crisis linked to the COVID-19 pandemic.** Central banks played a vital role in **increasing the provision of liquidity to the real economy** through a series of exceptional measures which led to a further substantial increase in its balance sheet (see Chart 2.1).

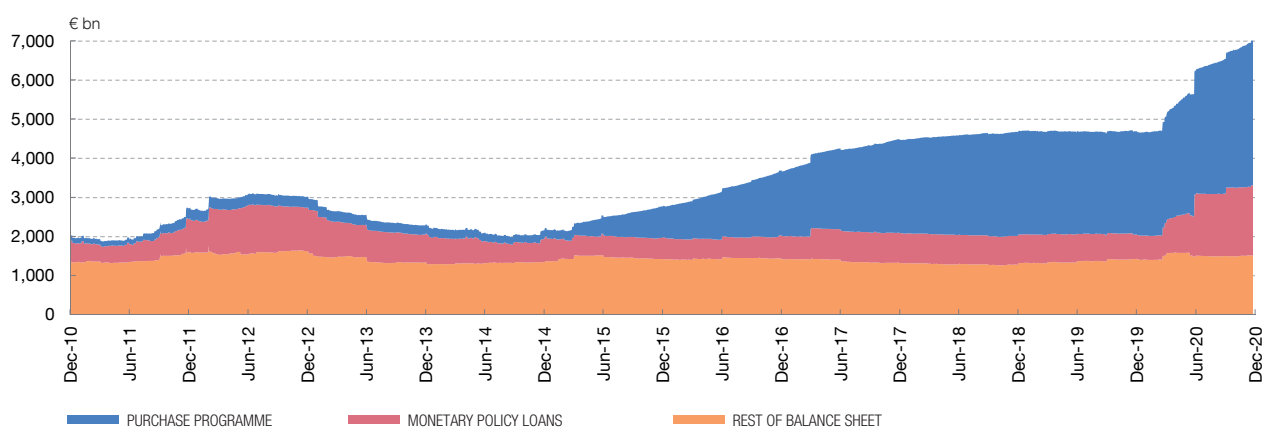
### 3.1.1 Longer-term refinancing operations

**In March, improvements were announced to the TLTRO-III series in force** since September 2019 and consisting of seven<sup>1</sup> quarterly operations, each with a maturity

<sup>1</sup> In December 2020, the Governing Council of the ECB announced the extension of TLTRO-III by an additional three quarterly operations, so that it now consists of ten operations.

Chart 2.1

#### THE EUROSISTEM'S BALANCE SHEET



SOURCE: Banco de España.



## THE DIGITAL EURO: A DIALOGUE INITIATED BY THE EURO SYSTEM

In recent years, the debate on the possibility of **central banks issuing a digital currency** has shifted from a purely theoretical perspective to the launch of several initiatives by most countries, which explore, from a practical standpoint, how this payment instrument might be implemented.<sup>1</sup>

The euro area has not been immune to this trend. On 2 October 2020 the **European Central Bank (ECB) published a report on the digital euro**,<sup>2</sup> prepared jointly with **the 19 national central banks of the Eurosystem**. According to this report, the issuance of a digital euro is not necessary at present. However, it could be in the medium term, so it is necessary to prepare for this.

Such preparation involves experimenting and testing the different technological options for this project. It also requires a dialogue with society as a whole on the need, challenges and risks posed by an initiative of this kind.

To foster this dialogue, a **public consultation** was launched at end-2020, which ran until 12 January 2021.

Its main aim was to collect the views of specialised professionals and society as a whole, so that their expectations, concerns and preferences may be taken into account from the start in designing a digital euro project. The questions addressed to the general public focused on their experience as users, their preferences and expectations, and on possible barriers to the use of a digital euro. According to the preliminary information published by the ECB, the features most valued by users were privacy, security and pan-European reach. Other features included in the consultation were usability, immediacy, cost, off-line functionality and representation in a physical support, such as a card. The public's opinion on the features required to ensure universal accessibility, including, inter alia, for the elderly, for people with disabilities and for those who do not have a bank account, was also collected.

Participation in the consultation was high, with more than 8,000 responses received, reflecting the interest this initiative arouses.<sup>3</sup> These responses are currently being analysed and a detailed analysis of the findings is expected to be published in 2021 Q2.

1 A summary of all of these initiatives can be found at <https://www.bis.org/publ/work880.pdf>.

2 Available at: <https://www.ecb.europa.eu/euro/html/digitaleuro-report.en.html>.

3 Press release, available at: <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210113~ec9929f446.en.html>.



Although the Europa series banknotes maintain the “ages and styles” design of the first series and have the same dominant colours, they include enhanced security features.

of three years. First, changes were made to the requirements for banks to benefit from a reduced interest rate, which could be as low as the average deposit facility rate (currently at -0.50%), minus 50 basis points (bp) (it should suffice for banks not to reduce the supply of credit, rolling over the loans maturing during the reference period). In addition, the amount that banks are entitled to borrow was raised (from 30% to 50% of the stock of eligible loans). Under these new conditions, in 2020 more than €233 billion were allotted to Spanish banks under TLTRO-III (almost €1.65 trillion for all Eurosystem banks).

**In December**, the ECB announced **further easing of the conditions of TLTRO-III**, extending the reference period of reduced interest rates by an additional year, raising the borrowing allowance from 50% to 55% and adding three more quarterly operations to the series. These conditions will be applicable starting with the first quarterly operation in 2021, i.e. the TLTRO-III on 7 March.

Additionally, **in March a series of new longer-term refinancing operations** (LTROs), maturing on 24 June 2020, were announced, coinciding with the settlement date of the fourth operation of TLTRO-III, meaning that banks could shift their new LTRO amounts into the TLTRO-III. The interest rate applied was the average rate on the deposit facility (-0.50%). A total of 13 operations were conducted on a weekly basis, and the participation of Spanish banks amounted to slightly more than €46 billion (almost €400 billion for the Eurosystem as a whole).

Moreover, **in April, a series of longer-term refinancing operations** known as PELTROs (Pandemic Emergency Longer-Term Refinancing Operations) were announced. The interest rate is 25 bp below the average rate applied in the main refinancing operations (MROs), currently 0%. The first PELTRO was launched in May, with a tenor of 16 months. A total of seven PELTRO operations were announced in 2020. The participation of Spanish banks was negligible (€0.4 billion, compared with €26.6 billion for the Eurosystem as a whole). In December, the ECB decided to expand the PELTRO series with four additional operations, with a similar interest rate and a tenor of approximately one year.

The ECB kept its **key interest rates** unchanged throughout the year, with the interest-rate on the main refinancing operations at 0.00% and the rate on the marginal lending and deposit facilities at 0.25% and -0.50%, respectively. The new two-tier system for excess reserve remuneration introduced in 2019 also remained unchanged.

### 3.1.2 Collateral framework

As part of the monetary policy response to alleviate the impact of the pandemic, in April 2020 the ECB adopted **a set of easing measures for its framework of eligible**

**collateral in credit operations.** These temporary measures aim to smooth credit institutions' access to central bank financing, thus ensuring that any potential shortage of collateral does not reduce their capacity to obtain liquidity from their central bank and, consequently, does not limit the supply of credit to the real economy and undermine the transmission of monetary policy.

**These collateral easing measures focused essentially on three areas.**

- **First**, in order to support bank lending to the real economy, the conditions for the use of credit claims as collateral were eased. Accordingly, the Banco de España accepts as collateral State-guaranteed loans to large corporations, SMEs and self-employed individuals, pursuant to Article 29 of Royal Decree-Law 8/2020 of 17 March 2020 on urgent extraordinary measures to address the economic and social impact of COVID-19. The Banco de España complemented this measure by introducing a purely statistical system for the credit assessment of non-financial corporations, which has allowed for an increase in the number of debtors assessed and even the acceptance of SME loan portfolios.
- **Second**, the risk tolerance level in credit operations was increased by thereafter applying lower collateral valuation haircuts to assets pledged as collateral for the liquidity borrowed.
- **Third**, to mitigate the impact of possible rating downgrades on the availability of collateral, it was decided that the marketable securities eligible as collateral in monetary policy operations before the pandemic (at 7 April 2020) would continue to be so, as long as their credit rating did not drop below a certain threshold.

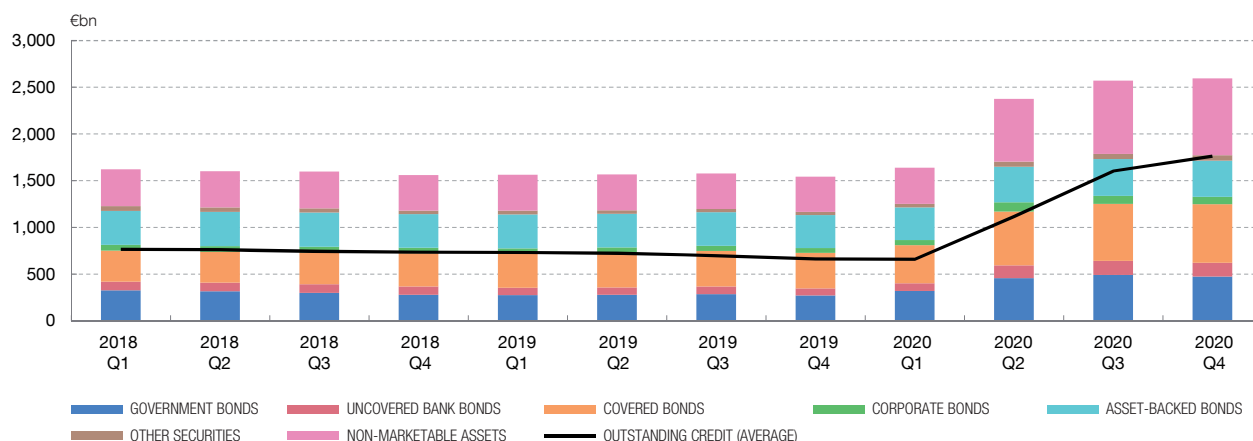
As Chart 2.2. Shows, **credit institutions increased their collateral positions vis-à-vis the Eurosystem by 68% during the year**, to address the greater recourse to credit. Worth noting in the eligible asset categories was the increase in the use of loans (non-marketable assets) as collateral.

### 3.1.3 Asset purchase programmes

The asset purchase programmes, which are part of the Eurosystem's non-standard monetary policy measures, provide monetary stimulus to the economy, in a setting in which the key ECB interest rates are at their lower bound. These programmes also further ease monetary and financial conditions, lowering funding costs for firms and households, thus supporting investment and consumption and ultimately contributing to returning inflation levels to close to 2%. The main features of these programmes are explained in Box 2.5.

Chart 2.2

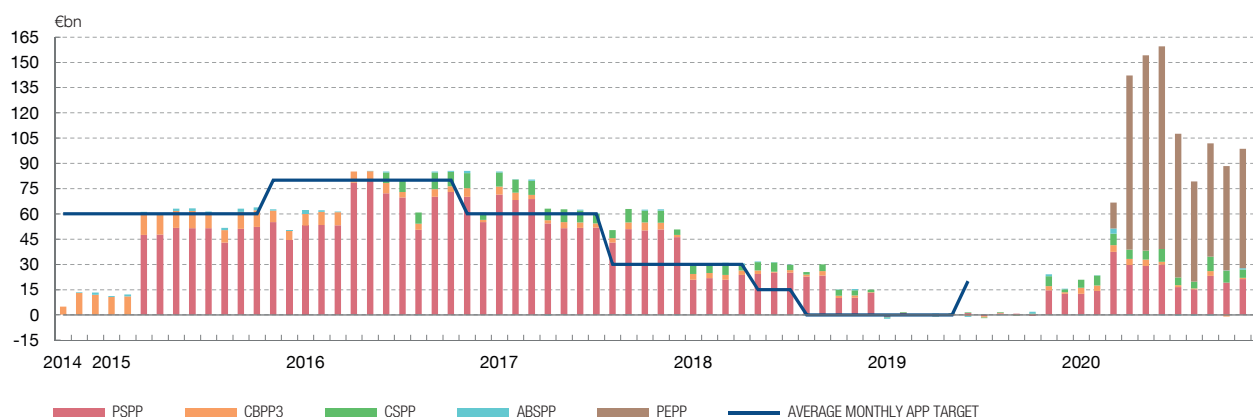
## USE OF COLLATERAL WITH THE EUROSISTEM



SOURCE: ECB.

Chart 2.3

## MONTHLY PURCHASES, BY PROGRAMME (APP AND PEPP)



SOURCE: ECB.

**The Governing Council will conduct net asset purchases under the PEPP until at least the end of March 2022** and, in any event, until it considers that the coronavirus crisis phase is over. The purchases under the PEPP will be conducted to preserve favourable financing conditions over the pandemic period. The principal payments from maturing securities purchased under the PEPP will continued to be reinvested until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

**ASSET PURCHASE PROGRAMMES**

In March 2020 the Governing Council of the ECB decided to launch a **new pandemic emergency purchase programme (PEPP)**. This programme has specific targets and supplements the existing **asset purchase programme (APP)**, which has been implemented since early 2015.<sup>1</sup>

**Asset purchase programme (APP)**

The APP is comprised of several sub-programmes, defined on the basis of the type of asset acquired (Public Sector Purchase Programme (PSPP), Covered Bond Purchase Program (CBPP3), Corporate Sector Purchase Programme (CSPP) and Asset-backed Securities Purchase Program (ABSPP)). Implementation of the APP continued in 2020 at a monthly pace of €20 billion in accordance with the September 2019 decisions. The Governing Council expects monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of policy rates, and to end shortly before the Governing Council starts raising the key ECB interest rates.

It is also intended to continue reinvesting, in full, the principal payments from maturing securities for an extended period of time past the date when the key ECB interest rates start to rise, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Additionally, on 12 March 2020 the Governing Council increased the volume of net asset purchases for the APP

as a whole with an additional envelope of €120 billion until December 2020, ensuring a strong contribution from the private sector purchase programme.

Within the monetary policy portfolios, the public sector (PSPP) portfolio continues to accumulate the largest volume. As regards the private sector programmes, the corporate sector purchase programme (CSPP) continues to gain 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 contain repo market tensions at quarter and year ends.

**Pandemic emergency purchase programme (PEPP)**

This programme was initiated in March 2020, with an initial envelope of €750 billion, to counter the impact on the monetary policy transmission mechanisms and the outlook for the euro area deriving from the outbreak and escalating spread of COVID-19. The Governing Council decided to increase the size of the PEPP by €600 billion in June 2020 and by an additional €500 billion in December 2020, bringing the total envelope to €1.85 trillion. The assets eligible under the PEPP are similar to those eligible under the APP, although the range was slightly expanded, to include public sector and private sector (commercial paper) instruments with a shorter maturity (in the latter case, the rule is extended to the CSPP of the APP).

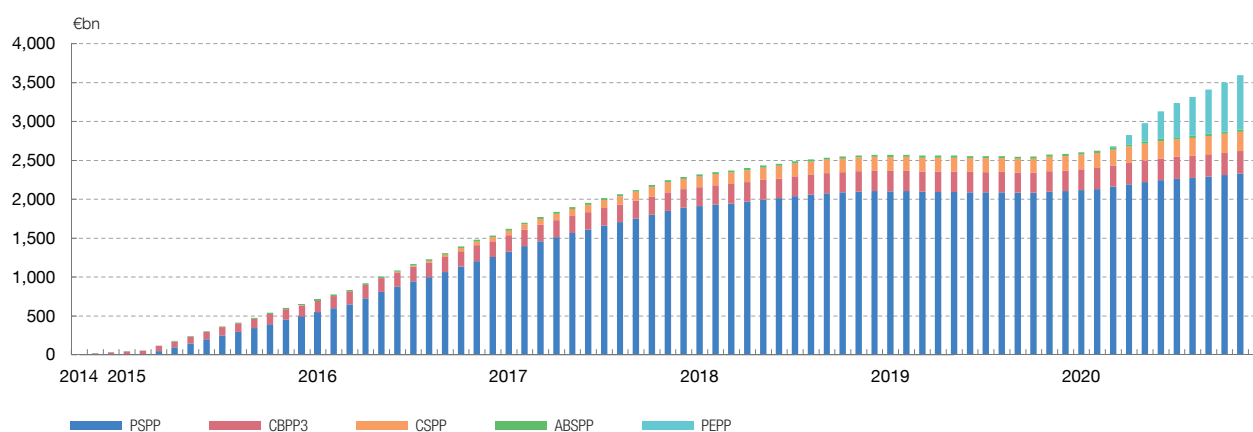
<sup>1</sup> The current purchase programmes started in October 2014, although they were initially restricted to covered bond purchases (from October 2014) and to securitisations (November 2014). In January 2015 the inclusion of public sector bonds (government bonds and supranational bonds) was announced, with purchases starting in March 2015. The monthly volume of purchases increased significantly and the joint programme (covered bonds, securitisations and public sector bonds) was called APP. In June 2016 corporate bonds were added to the APP.

**For purchases under the public sector purchase programme, the benchmark will be the capital key of the national central banks.** At the same time, the purchases will be conducted in a flexible manner over time, across asset classes and among jurisdictions, on the basis of market conditions and with a view to preventing a tightening of financial conditions that is inconsistent with the objective of countering the downward impact of the pandemic on the path of inflation.



Chart 2.4

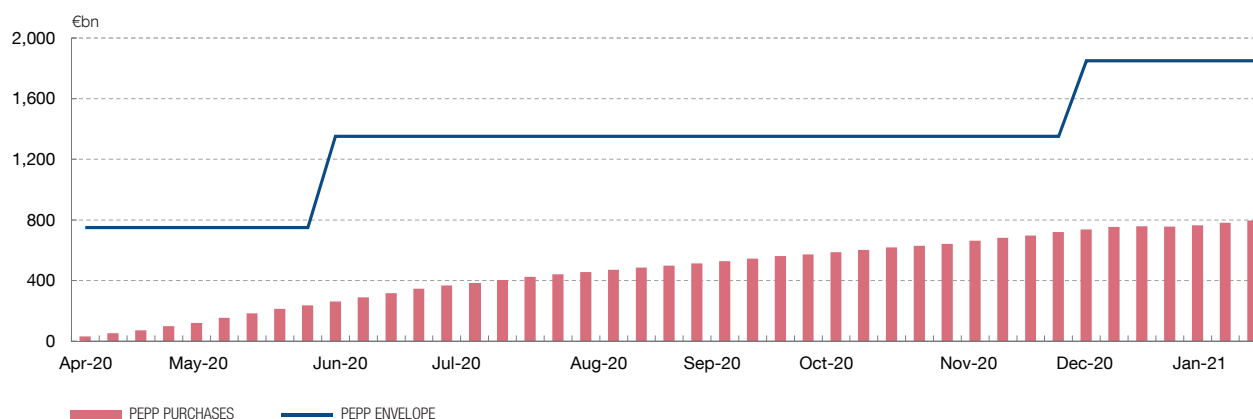
## CUMULATIVE PURCHASES UNDER THE APP AND THE PEPP



SOURCE: ECB.

Chart 2.5

## CUMULATIVE PURCHASES UNDER THE PEPP



SOURCE: ECB.

## 3.2 Financial asset and risk management

As regards the management of own portfolios, the **diversification of foreign currency-denominated portfolios and across issuers with high credit ratings continued** in 2020. In addition, an agent-brokered securities lending programme for the US dollar portfolio was established and 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.

For the second consecutive year, **sustainability and responsibility principles** continued to be applied **to own funds portfolio investment**, leading to an increase in the share of sustainable bonds (in particular, green bonds). This increase was due to direct green bond investments in different currencies and to the participation in the US dollar-denominated investment fund launched by the Bank for International Settlements (BIS) in 2019 to promote sustainable finance through investments in renewable energy and energy efficiency projects, inter alia, and to support the adoption of best practices to deepen the green bond market. In January 2021, the BIS launched a second euro-denominated green bond fund, in which the Banco de España also participates.

The incorporation by the Banco de España of sustainability criteria in the management of its own portfolios responds to the second of the recommendations published by the Network for Greening the Financial System (NGFS) in 2019<sup>2</sup>, and is in line with the commitment of this network, of which the Banco de España has been a member since April 2018, to contribute to fostering sustainable finance. Moreover, application of these criteria is aligned with the common stance agreed on by the Eurosystem in February 2021, to incorporate sustainable and responsible investment principles for euro-denominated non-monetary policy portfolios and to start disclosing information within two years. This common stance is the outcome of the work carried out by a high-level group within the Eurosystem, of which the Director General Operations, Markets and Payment Systems is a member, and by other Eurosystem working groups in which other members of the same Directorate General have participated.

**In 2020, strict control continued to be exercised over financial risks**, as described in Chapter 1 (Box 1.1). Notably, a new methodology was implemented for the measurement of the financial risks assumed in monetary policy and own portfolios. Financial risks increased in 2020, chiefly as a result of the asset purchase programmes, the main risk factor being the credit component. In parallel, the financial hedges to cover the risks assumed were increased.

Also, during the year, work was undertaken to incorporate sustainability and responsibility principles both in the measurement of the financial risks of own portfolios and in the solvency analyses of non-financial corporations conducted by the Banco de España's in-house credit assessment system.

### 3.3 Payment systems and market infrastructures

The actions undertaken by the Banco de España in 2020 in relation to the supervision of payment services and of payment service providers (PSPs) notably included

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<sup>2</sup> For more details, see NGFS (2019), *A call for action – Climate change as a source of financial risk*, April. [https://www.ngfs.net/sites/default/files/medias/documents/ngfs\\_first\\_comprehensive\\_report\\_-\\_17042019\\_0.pdf](https://www.ngfs.net/sites/default/files/medias/documents/ngfs_first_comprehensive_report_-_17042019_0.pdf).

**strong customer authentication in card-based e-commerce transactions;** in particular, the monitoring of the migration plans agreed individually with Spanish issuing and acquiring PSPs as part of a comprehensive plan, and the tasks relating to the publication in June of the *EBA Opinion on obstacles under Article 32(3) of the RTS on SCA and CSC*, which led to the removal of the obstacles identified therein still present in some specific access interfaces provided by payment service providers.

**With respect to financial market infrastructures,** oversight tasks were carried out in relation to the Spanish retail payment 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, the Banco de España continued to participate in the groups exercising cooperative oversight of pan-European payment systems, of SEPA payment instruments and of the VISA Europe card scheme. In relation to the oversight of pan-European payment systems, the Banco de España joined the group responsible for overseeing the Mastercard Clearing Management System (MCMS), under the leadership of the ECB and the National Bank of Belgium as primary overseers. In addition, 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), the Banco de España undertook 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 2020, TARGET2-BE settled a total of **5,868,141 transactions, with a value of close to €14 trillion**. With respect to 2019, these figures represented a decrease of 6.59% in the number of transactions and of 14.96% in their total value.

The Banco de España also plays a leading role in the provision of services to other ESCB central banks in relation to financial market infrastructures. In cooperation with the central banks of Germany, France and Italy, it operates the Eurosystem's **TARGET2-Securities (T2S)** settlement platform and is developing a unified system for managing the collateral in the monetary policy operations of Eurosystem central banks (ECMS), due to be launched in November 2023. With respect to market operations, the Banco de España, jointly with the Banque de France, manages and operates the **MAPS platform**, which includes services such as portfolio trading and management, risks, settlement, accounting and reports. In 2020, the central bank of the Netherlands (DNB) announced that it would join the MAPS platform as a user.

Lastly, it should be noted that, in general, the COVID-19 pandemic has required the Bank to make a considerable effort to adapt in order to continue exercising all these responsibilities, taking specific measures in areas such as the functioning of financial market infrastructures, T2S and MAPS platforms, and the provision of payment services to account holders at the Banco de España.

## 4 BANKNOTES AND COINS

### 4.1 Banknote and coin management

As a member of the ESCB, the Banco de España's functions include **issuing euro banknotes, together with the ECB and the other euro area NCBs**. It also **puts euro coins into circulation, on behalf of the Spanish State**. Its objectives in this area are twofold: to ensure that the demand for cash is met throughout Spain, and to safeguard the integrity of banknotes and coins, i.e. their quality and absence of counterfeits. These tasks all suffered the impact of the pandemic, as highlighted in this and other sections of this report.

#### 4.1.1 Banknote issuance

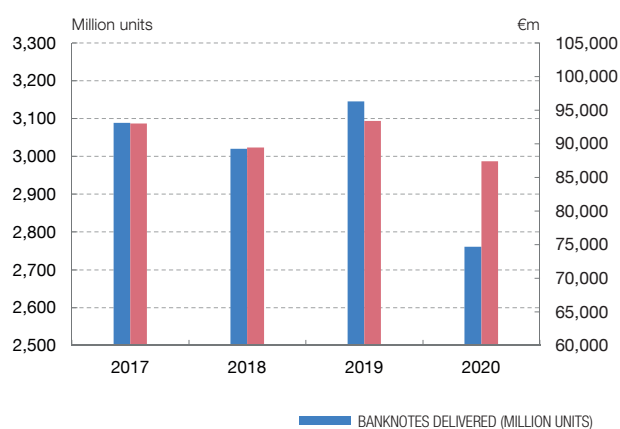
In 2020, the **Banco de España provided credit institutions with a total of 2,761 million banknotes, amounting to €87,395 million**. These banknotes were subsequently distributed by credit institutions over the counter and through ATMs, both to the general public and firms to meet their payment needs (see Chart 2.6).

The value of euro banknotes put into circulation by the Banco de España in 2020 decreased by 6.5% compared with 2019.

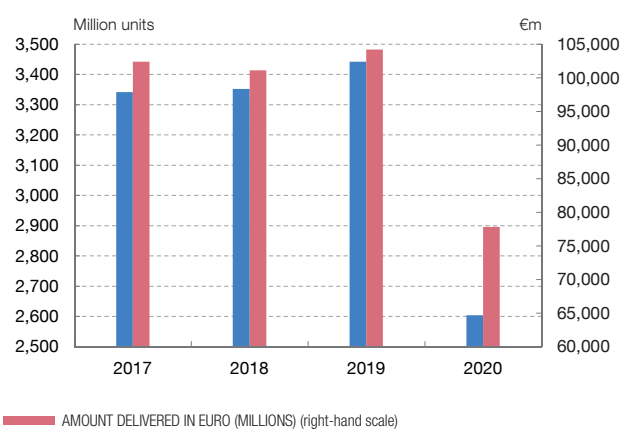
Chart 2.6

#### DEVELOPMENTS IN BANKNOTES. BANCO DE ESPAÑA

1 PUT INTO CIRCULATION



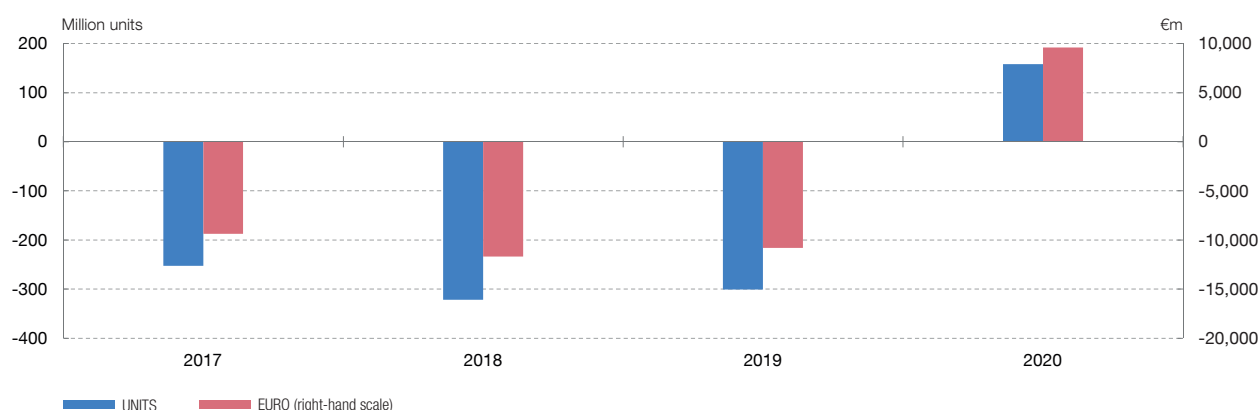
2 WITHDRAWN FROM CIRCULATION



SOURCE: Banco de España.

Chart 2.7

## NET BANKNOTE ISSUANCE BY THE BANCO DE ESPAÑA



SOURCE: Banco de España.

The number of banknotes withdrawn from circulation by the Banco de España also fell. During the year, the Bank **withdrew 2,603 million banknotes, amounting to €77,815 million**, 25.3% less than in the previous year (see Chart 2.6).

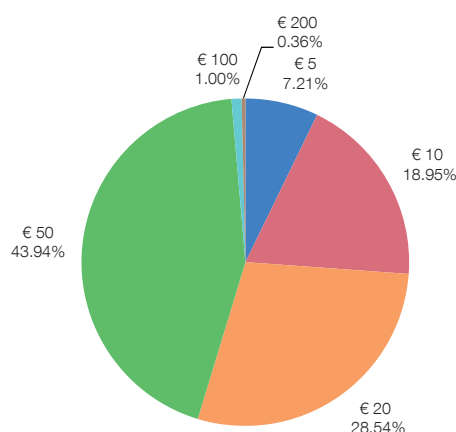
All this was directly affected by the fall in consumption and business activity, and by the mobility restrictions which led to the use of other means of payment. Compounding this was the severe decline in tourism, which affected the flow of cash, since tourists who had previously visited Spain with money from their countries of origin contributed to increasing money flows, amply exceeding domestic demand.

Net issuance in Spain, defined as the difference between banknotes put into circulation and those withdrawn from circulation, was positive in 2020, reversing the negative net issuance trend of recent years. In addition to the reasons which have changed the use of banknotes in commercial transactions, cash plays a role as a store of value or precautionary saving, which means that it is in greater demand at times of crisis. Thus, a portion of the banknotes put into circulation by the Banco de España was not returned following the usual procedures, but was retained by those participating in the cash cycle, for various reasons.

Indeed, this dual effect led to the paradox of **net issuance growing significantly (by 459 million banknotes and €20,402 million)**, compared with 2019, showing positive figures for the first time since 2007 (see Chart 2.7).

Analysis of gross issuance (banknotes put into circulation) in terms of **the most demanded banknote denomination in 2020** shows that this was the €50 banknote (43.9%), followed by the €20 banknote (28.5% of the total) (see Chart 2.8).

Chart 2.8

**BREAKDOWN OF BANKNOTE DEMAND IN 2020, BY DENOMINATION**

SOURCE: Banco de España.

To protect the integrity of the banknotes in circulation, in 2020 **the Banco de España examined approximately 2,449 million banknotes**, using automated processing systems. This process examines the authenticity and fitness of banknotes from deposits made by credit institutions. Of these banknotes, 82.5% were fit for recirculation and the rest were destroyed.

Also with a view to protecting the integrity of banknotes, the Banco de España continued its oversight of banknote handling activities by the private sector. It also made 560 visits to the facilities of cash-in-transit companies, fewer than in the previous year, owing to the restrictions imposed as a result of the COVID-19 pandemic, and 68 visits to bank branches to monitor the application of the new regulations for the oversight of cash handling activities at credit institutions, which came into force in 2020. The on-site visits verified, *inter alia*, compliance with the security requirements and procedures established for checking the authenticity of euro banknotes and their fitness for recirculation.

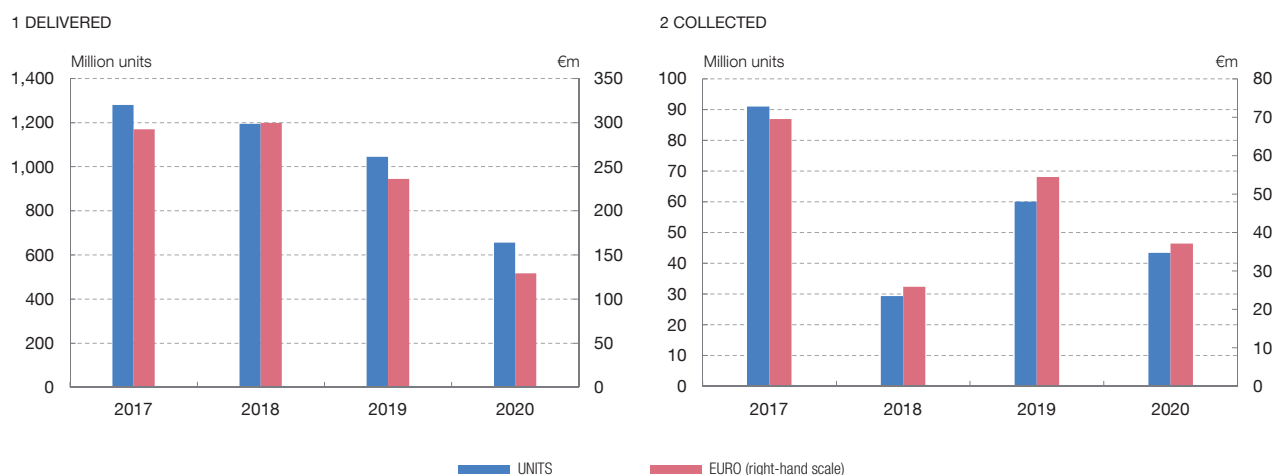
#### 4.1.2 Coin issuance

**The Banco de España provided credit institutions with 656 million coins**, for a total of €129 million. This was **37% lower than in 2019**, and the lowest recorded figure in the historical series (see Chart 2.9).

**A total of 43 million coins, amounting to €37 million, were withdrawn from circulation.** The withdrawn coins were mainly those with a higher denomination, representing a small share of gross issuance (6.6% in terms of the number of units, but 28.7% of the value, see Chart 2.9).

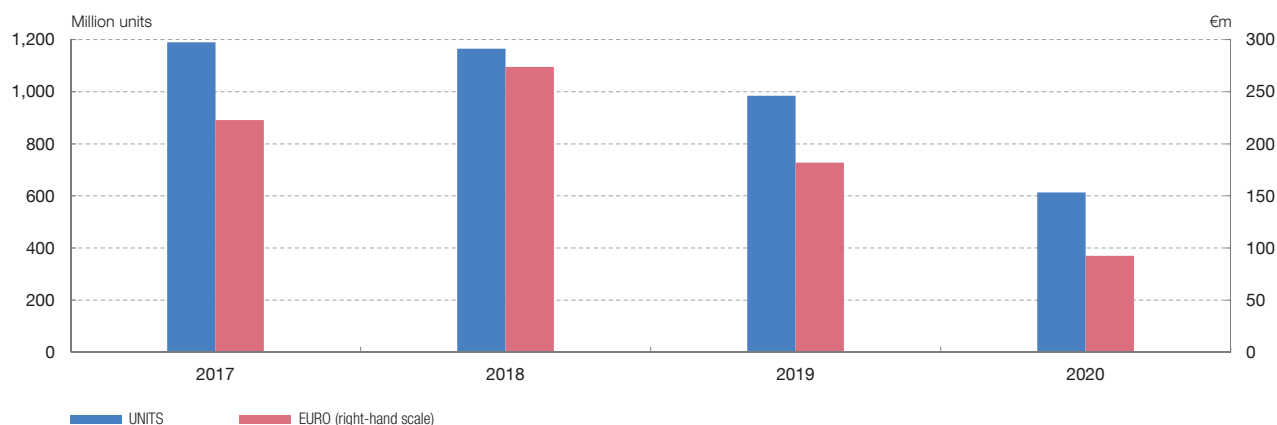


Chart 2.9

**COINS DELIVERED AND COLLECTED BY THE BANCO DE ESPAÑA**

SOURCE: Banco de España.

Chart 2.10

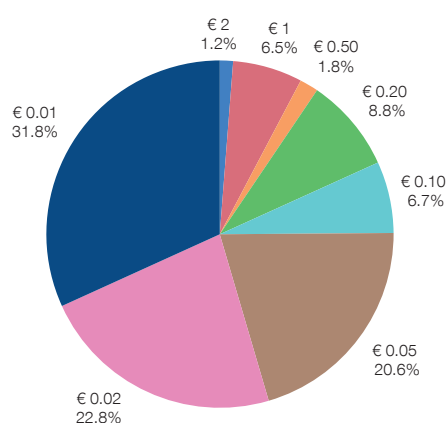
**NET COIN ISSUANCE BY THE BANCO DE ESPAÑA**

SOURCE: Banco de España.

In order to optimise the coin cycle, work continued on various initiatives aimed at encouraging the mobilisation of coin stocks in Spain and their return to the Banco de España.

The difference between the coins delivered and collected by the Banco de España (net issuance) was 612 million units and €92 million, 38% and 49%, respectively, below the 2019 figures.

Chart 2.11

**BREAKDOWN OF COIN DEMAND IN 2020, BY DENOMINATION**

SOURCE: Banco de España

Three-quarters of net demand for coins was concentrated in small denominations (5, 2 and 1 cent coins). The most demanded coin (among those with the highest denomination) in Spain was the €1 coin (6.5%), unlike other Eurosystem countries, which prefer the €2 coin (see Chart 2.11).

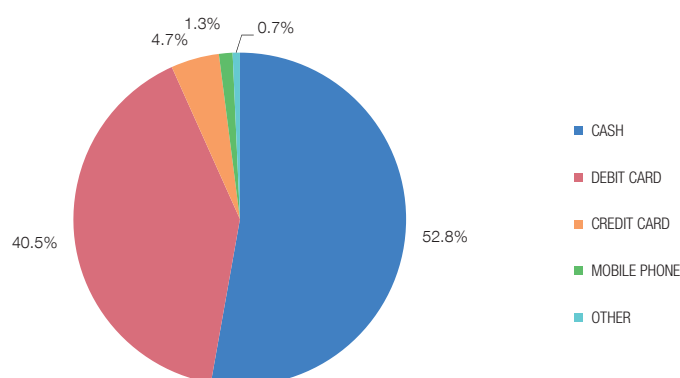
In order to ensure the authenticity and optimal fitness of the coins in circulation, in 2020 the Banco de España made inspection visits to 22% of coin processing centres, checking the correct functioning of the coin processing machines which, overall, handled around 997 million units of coins with the three highest denominations (€2, €1 and €0.50 coins).

## 4.2 Cash and other means of payment

Since 2005, **the Banco de España has conducted an annual cash survey**, targeting the general public, the hospitality sector, and small and large retailers, in order to assess their use of cash and views on banknotes and coins circulating in Spain. Further field work was carried out in 2020, the results of which will be obtained in the first quarter of 2021.

According to the **results of the survey** at the end of 2019, 53% of citizens responded that cash is the means of payment they used most frequently, while 41% preferred using credit cards as their first choice. The main reasons for preferring cash were better expenditure control, followed by lower costs (see Chart 2.12).

Chart 2.12

**PUBLIC PREFERENCE FOR MEANS OF PAYMENT**

SOURCE: Banco de España

Satisfaction with the quality of banknotes obtained using over the-counter bank services or ATMs is high. Specifically, 56% of members of the general public interviewed considered that the cleanliness and conservation of banknotes in circulation had improved in the last twelve months. As regards the other groups, 49% of the hospitality sector and small retailers and 39% of large retailers considered that the quality of the banknotes in circulation was adequate (see Chart 2.13).

According to the survey, members of the general public do not generally verify the banknotes they receive, trusting that they are authentic. Conversely, 73% of those interviewed in the hospitality sector and retailers declared that they checked the authenticity of the banknotes they receive (see Chart 2.14).

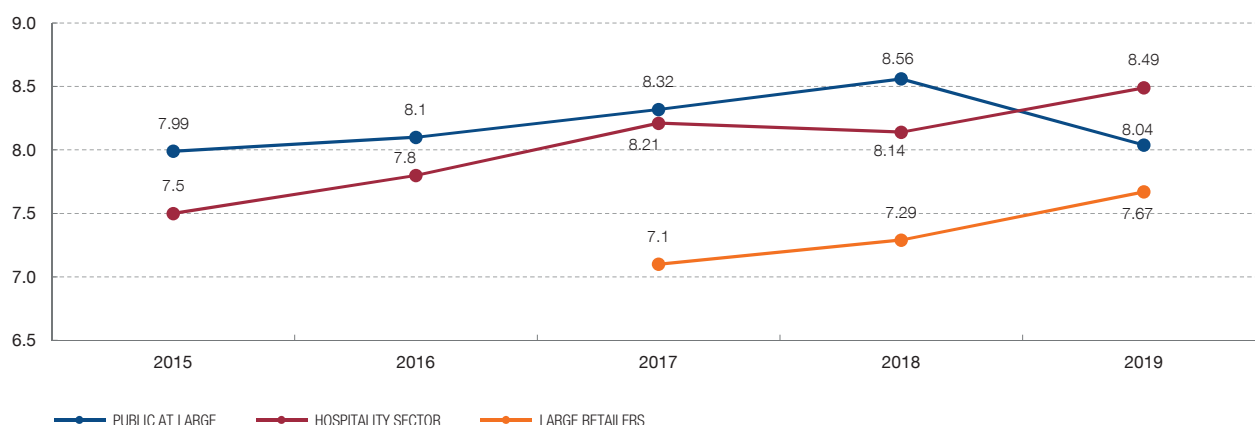
The survey also found that **ATMs** are increasingly becoming the main source of cash for the public at large. ATMs are commonly used to withdraw cash by 82% of the population, while only 24% prefer over-the-counter services. In contrast, almost 50% of establishments in the hospitality and retail sectors go to the bank regularly to obtain sufficient cash for change.

Drawing on a study on access to cash in Spain conducted in September 2020, there are **4,378 branchless municipalities, affecting 3.1% of the Spanish population**. On average, residents in these municipalities need to travel seven kilometres to reach the nearest branch. Castile-Leon and Extremadura are the regions with the highest percentage of the population without access to a bank branch in their locality.

Internet facilitates banking transactions and prevents financial exclusion, but the closure of branches hinders access to cash by the population segment which uses it as the only or main means of payment.

Chart 2.13

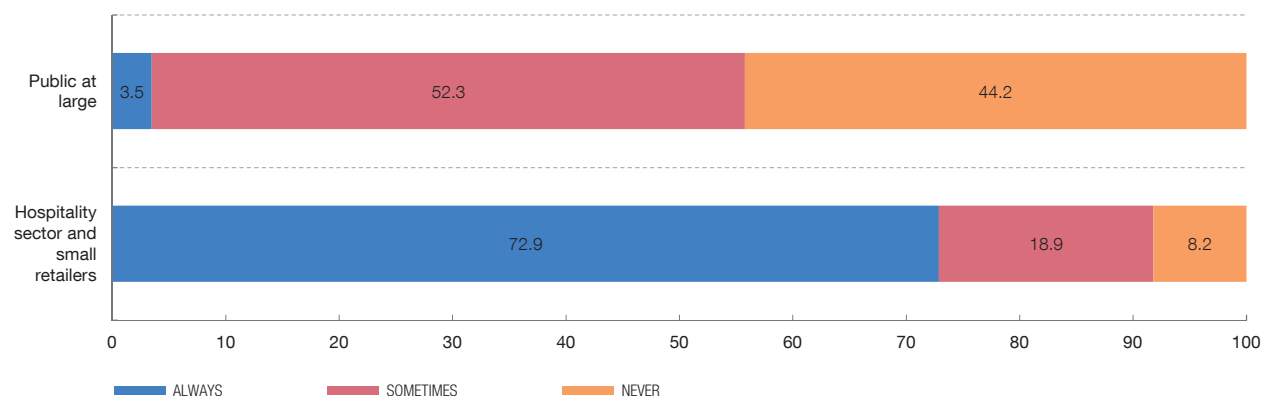
## AVERAGE LEVEL OF SATISFACTION WITH BANKNOTE QUALITY



SOURCE: Banco de España

Chart 2.14

## VERIFICATION OF BANKNOTE AUTHENTICITY



SOURCE: Banco de España

Credit institutions supplement their cash distribution through the use of ATMs and other facilities such as “mobile branches” in rural areas or agreements with the public postal service network. In addition, there are private-sector initiatives such as companies that supply stand-alone ATMs, usually located in areas with high customer traffic, such as shopping centres or transit stations and, to a lesser extent, rural areas. Also, FinTech companies offering solutions such as “cashback” or “cash-in-shop” are increasing their presence in Spain, although the use of such services remains marginal.

## 4.3 Combating banknote and coin counterfeiting

Under Spanish law, the Banco de España is deemed to be the competent national authority for the protection of the euro against counterfeiting and is designated as Spain's **National Analysis Centre (NAC) and Coin National Analysis Centre (CNAC)**.

Work to detect counterfeit banknotes and coins is carried out in coordination with the Banco de España Monetary Offences Investigation Brigade (BIBE, by its Spanish abbreviation), a police unit attached to the Banco de España responsible for the investigation and prosecution of offences relating to national or foreign currency counterfeiting. Its activity in 2020 was not significant.

### 4.3.1 Banknote counterfeiting

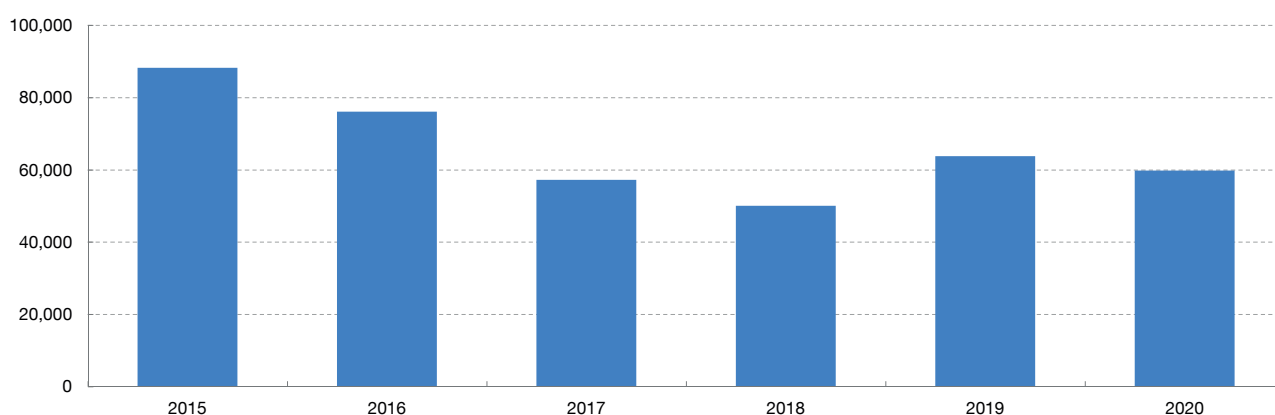
**A total of 59,793 counterfeit euro banknotes were withdrawn from circulation in Spain in 2020, 6% down on the 2019 figure.**

The bulk of the counterfeits in the period were unlawful reproductions of euro banknotes. These are low-quality counterfeits which the general public may mistake for genuine banknotes. They usually include poor imitations of security features and sometimes bear indications that they are “copies”, “not legal tender” or should “only be used as movie money or props”.

Charts 2.15 and 2.16 show developments in euro counterfeits withdrawn from circulation since 2015, and a breakdown by denomination in 2020.

Chart 2.15

#### COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN

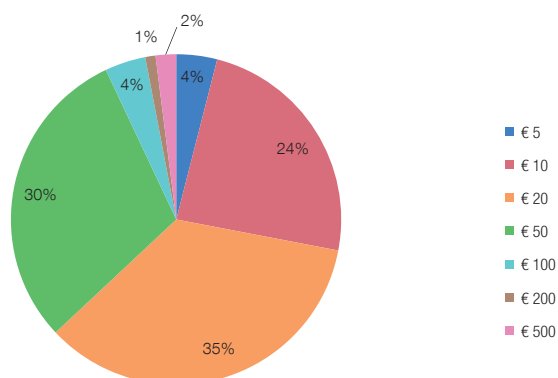


SOURCE: Banco de España

Chart 2.16

# COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN IN 2020

## Breakdown by denomination



SOURCE: Banco de España.

The €20 denomination is the most counterfeited banknote, followed by the €50 and €10 denominations, jointly accounting for approximately 90% of all counterfeits withdrawn from circulation.

The likelihood of receiving a counterfeit note is very small, with only 19 counterfeits detected per one million genuine banknotes in circulation (ppm). Spain ranked third in the detection of suspected counterfeit banknotes withdrawn from circulation in the euro area in 2020.



Information about euro banknotes can be found in the "Banknotes and coins" section of the Banco de España's website.



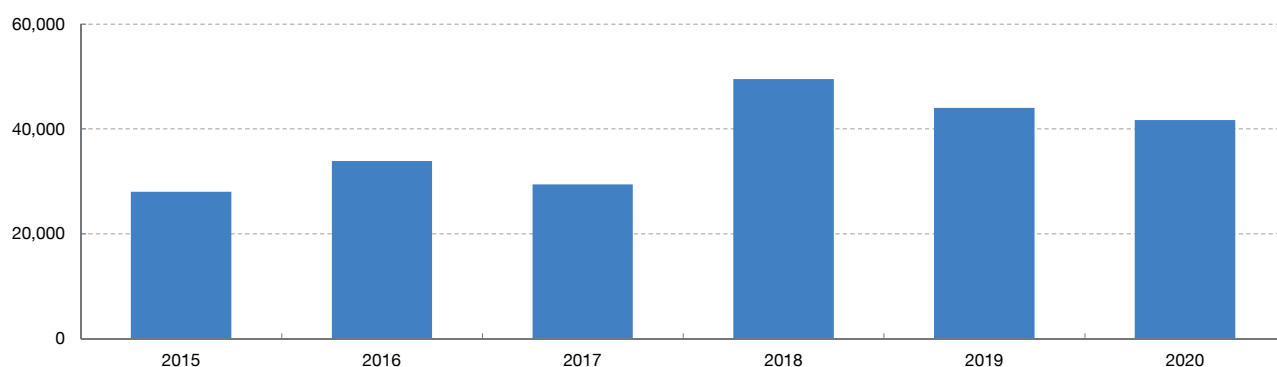
### 4.3.2 Coin counterfeiting

In 2020, some **41,700 counterfeit coins were registered by the CNAC**, compared with almost 44,000 in 2019, representing a decline of 5%. Charts 2.17 and 2.18 show the developments since 2015 and a breakdown by denomination in 2020.

The €2 euro coin is the most counterfeited denomination, accounting for more than 95% of all counterfeit coins withdrawn from circulation in Spain. As with banknotes, the likelihood of receiving counterfeit coins is very low, with 11.01 counterfeits per million coins in circulation of the three highest denominations (ppm).

Chart 2.17

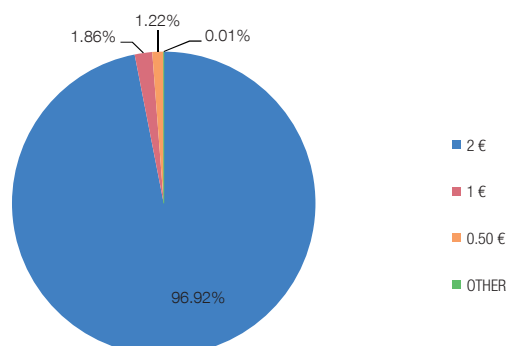
#### COUNTERFEIT COINS WITHDRAWN FROM CIRCULATION IN SPAIN



SOURCE: Banco de España.

Chart 2.18

#### COUNTERFEIT COINS WITHDRAWN FROM CIRCULATION IN SPAIN IN 2020 Breakdown by denomination



SOURCE: Banco de España.

## EXCHANGE OF PESETAS FOR EURO

In November 2020 the Council of Ministers decided to extend the **period for exchanging the old peseta banknotes and coins for euro** by a further six months, **until 30 June 2021**, postponing the deadline originally set as a result of mobility restrictions arising from the impact of the pandemic. Thus, all interested members of the public will have the chance to exchange their pesetas for euro until 30 June 2021. After that date, the exchange will no longer be possible. At end-2020 there were still pesetas in circulation with an equivalent value of €1.59 billion (€804 million in banknotes and €786 million in coins).

These figures have encouraged various foundations and NGOs to launch campaigns to collect pesetas as donations for their charitable purposes (medical research, welfare projects, etc.). The Banco de España has collaborated in these campaigns by facilitating the logistics and exchange of these large volumes of banknotes and coins.

To inform the general public about the end of the peseta exchange period, the Banco de España launched a major communication campaign with over 30 appearances in various media, publications on the

website about the [exchangeable peseta banknotes and coins](#), [tweets](#) and [posts](#) on the @BancoDeEspaña Twitter account and on LinkedIn, and information material, both electronic (poster, leaflets and video) and physical (posters, leaflets).

These materials were distributed to credit institutions and some thirty social agents and collaborators, who helped disseminate them throughout Spain, both electronically via their communication channels, and through the distribution of more than 154,000 leaflets and approximately 8,000 posters.

In 2020, peseta banknotes and coins were exchanged for an equivalent value of €14.5 and €4.4 million euro, respectively.

At 31 December 2020 peseta banknotes and coins for an equivalent value of €804 and €786 million euro, respectively, were yet to be exchanged.

### What pesetas can be exchanged?

- All banknotes issued after 1939.



The exchange of pesetas for euro can be made both at the Banco de España central headquarters in Madrid (C/ Alcalá 48) and at its branches.

**EXCHANGE OF PESETAS FOR EURO** (cont'd)

- In some cases, banknotes issued between 1936 and 1939, after analysis by Banco de España experts.
- All coins in circulation in January 2002, including 2,000-peseta coins, as well as collector, commemorative and special coins.

**What is the exchange value?**

- Regardless of their date of issue, the following exchange rate will be used: 1 euro = 166.386 pesetas.

The hypothetical numismatic value will not be taken into account.

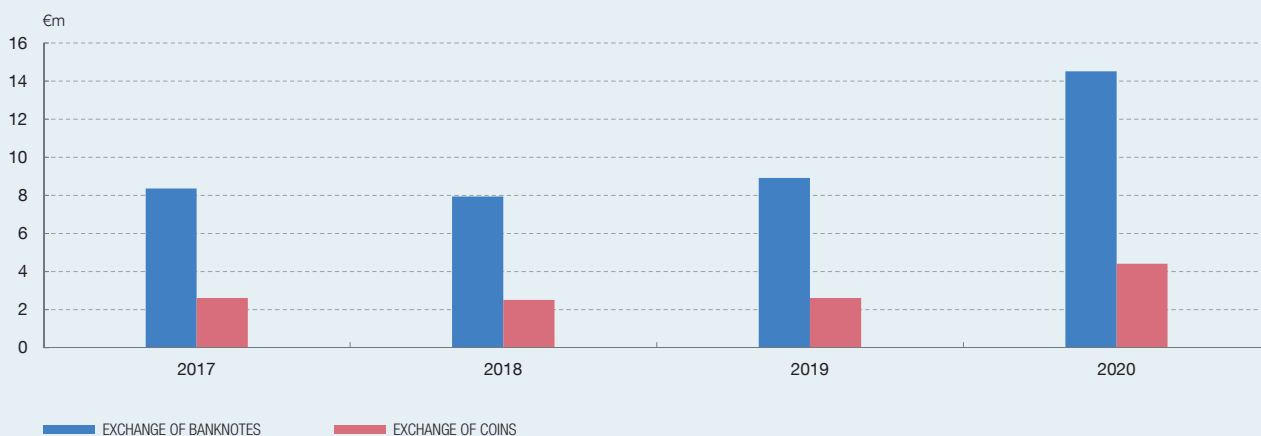
**Where can they be exchanged?**

- At the Banco de España central headquarters in Madrid (C/ Alcalá 48) or at any of its 15 branches located throughout the country.

**When can they be exchanged?**

- The deadline is 30 June 2021. After that date, it will no longer be possible to exchange pesetas for euro.

Chart 2.19

**EXCHANGE OF PESETAS FOR EURO**

SOURCE: Banco de España.

### 5.1 Prudential supervision

Since November 2014, credit institutions of countries participating in the banking union have been supervised by the **Single Supervisory Mechanism (SSM)**, which comprises the **ECB** and the **different national supervisory authorities (NSAs)**. The ECB is responsible 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 2020, there are **12 Spanish groups of significant institutions**,<sup>3</sup> which account for 90.7% of the total assets of the Spanish banking system, and **59 Spanish institutions or groups classified as less significant**, which account for 5.1%. The remaining 4.2% are held by subsidiaries and branches of foreign credit institutions.

In 2020, supervisory activity was conditioned by the crisis prompted by COVID-19, which forced the supervisory priorities and actions to be refocused in order to address the main risks arising from the pandemic. First, like the ECB, the Banco de España urgently adopted the measures required to ensure that prudential supervision remained in full effect, with remote working promptly becoming the norm.

Second, central banks, governments, regulators and supervisors adopted and published a broad set of measures and recommendations to mitigate **the impact of COVID-19 on the economy and the financial system** and minimise its effects in the medium and long term. Aside from the monetary policy measures adopted by the ECB, which have allowed institutions broad access to liquidity, notable among the financial and fiscal initiatives in Spain are the legislative moratoria and the public guarantee schemes. European regulators conducted an urgent review of capital requirement regulations, and the supervisory authorities eased capital and liquidity requirements, fostered the flexible application of accounting standards and reduced the operational burden of supervisory activity to encourage institutions to concentrate efforts on ensuring their operational continuity and on performing their critical economic functions (see Box 2.7).

**The activities comprising the microprudential supervision of credit institutions are grouped into two distinct areas: ongoing off-site supervision and on-site**

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<sup>3</sup> Santander, BBVA, Caixabank, Bankia, Sabadell, Unicaja, Bankinter, Kutxabank, Ibercaja, Abanca, Liberbank and Banco de Crédito Social Cooperativo.

## MEASURES TO MITIGATE THE IMPACT OF THE PANDEMIC ON THE ECONOMY AND THE FINANCIAL SYSTEM. MORATORIA. GUARANTEES. CAPITAL REQUIREMENTS

In response to the extraordinary situation prompted by the pandemic, the authorities swiftly adopted a raft of monetary, fiscal and financial policy measures aimed at mitigating the impact of the crisis.

**Notable among the measures adopted in Spain are moratoria and public guarantee facilities.** A moratorium temporarily defers loan repayments for a set period. Initially, legislative moratoria were established (Royal Decree-Laws 8/2020 and 11/2020) for mortgage loans and non-mortgage loans to vulnerable individuals affected by the pandemic. Specific legislative moratoria were subsequently approved for firms in the tourism and transportation sectors (Royal Decree-Laws 25/2020 and 26/2020). In addition to the legislative moratoria, financial institutions voluntarily implemented via their associations agreements to widen the group of eligible beneficiaries and extend the grace periods. Through the public guarantee facilities, the central government provides guarantees on a certain percentage (up to 80% of the principal) of financing extended by financial institutions to firms and the self-employed to cover liquidity needs and for new investments. To be eligible, the borrowers have to be domiciled in Spain and not be in default nor subject to insolvency proceedings. Two guarantee facilities have been implemented for a total of up to €140 billion (Royal Decree-Laws 8/2020 and 25/2020).

Spanish institutions have very actively extended these State-guaranteed loans, enabling a large number of firms to access such financing and helping to sustain the business sector.

Meanwhile, European regulators conducted **an urgent review of capital requirement regulations.** These so-called “quick fix” amendments are intended to maintain institutions’ capacity to lend and to absorb pandemic-related losses, while simultaneously preserving their resilience.

Supervisory authorities eased capital and liquidity requirements, allowing institutions to temporarily operate below the levels set in the Pillar 2 Guidance (P2G), the capital conservation buffer and the liquidity coverage ratio. Supervisors also fostered the flexible application of accounting standards.

Overall, these measures are geared towards forestalling the potential procyclical effects of capital and liquidity requirements, and the application of the accounting framework, such that the institutions remain unfettered in their capacity to lend to the overall economy, at a time when this is an essential function to mitigate the impact of the crisis.



Legislative moratoria were established for mortgage loans and for non-mortgage loans to vulnerable individuals affected by the pandemic.

**MEASURES TO MITIGATE THE IMPACT OF THE PANDEMIC ON THE ECONOMY AND THE FINANCIAL SYSTEM.  
MORATORIA. GUARANTEES. CAPITAL REQUIREMENTS (cont'd)**

Further, **supervisors eased the operational burden of supervisory activity** to encourage institutions to concentrate efforts on ensuring their operational continuity and on performing their critical economic functions. For example, the EBA and ECB stress tests due to take place in 2020 were postponed until 2021, certain deadlines to implement action plans ensuing from recent on-site inspections were extended and some of the planned on-site actions were postponed.

Alongside these relief measures, supervisors (the ECB and the Banco de España, within their respective remits) have recommended that institutions refrain from, or limit, the distribution of dividends to shareholders, so as to ensure that they can have the maximum possible capital available to provide financing to economic agents and to absorb potential losses. They also reiterated their expectations that banks adopt extreme moderation with regard to the payment of variable remuneration.

**supervision.** Ongoing off-site supervision assesses the institutions' **situation and risk profile** in order to adopt, on a timely basis, the appropriate supervisory measures and plan the work and the depth thereof. In turn, on-site exercises comprise two types of action: **inspections and model investigations**. Model investigations specifically review capital requirement calculation models, while inspections serve to analyse, in depth, any other area relating to the institutions. Besides being tasked with the direct supervision of Spanish less significant institutions, the Banco de España makes an essential contribution to the supervision of Spain's significant institutions, carrying out ongoing off-site supervision through the joint supervisory teams (JSTs) and on-site inspections and investigations of significant institutions' models.

Lastly, **ongoing supervision** has been refocused to conduct adequate monitoring of pandemic-related risks, prioritising their impact on institutions' risk profiles and operational continuity. In addition to the usual tasks, other monitoring encompassed the application of the moratoria and use of guarantees, the impact of the crisis on asset quality, contingency plans — especially cybersecurity and business continuity matters —, liquidity and the effects of the crisis on institutions' activity, earnings and capital levels.

**The supervisory review and evaluation process (SREP)** is one of the key tasks of ongoing off-site supervision, through which a supervisory assessment of the institution is obtained. Mindful of the difficulty of implementing the **SREP guidelines (EBA/GL/2014/13)** to the fullest extent owing to the heightened uncertainty prompted by the crisis, the European Banking Authority (EBA) stated that the principles of efficacy, flexibility and pragmatism should guide the 2020 SREP supervisory approach. With a view to identifying how such flexibility could be applied, the EBA published guidelines on a pragmatic approach to the SREP (EBA/GL/2020/10), establishing a special procedure for the 2020 SREP.





The Chair of the ECB's Supervisory Board, Andrea Enria, presenting the results of the 2019 SREP at a press conference held on 28 January 2020.

**Both the ECB and the Banco de España adopted these guidelines and applied a simplified SREP methodology in 2020.** Consequently, analysis was focused on the institutions' elements and risks that have been most affected by the crisis. As a rule, given the uncertainty of the current scenario, institutions' risk profile ratings and Pillar 2 capital surcharges were maintained from the previous year.

**On-site supervision** was initially suspended owing to the lockdown in Spain imposed by the state of alert. The decision was subsequently made to continue (online) only those inspections that were in advanced stages. As a result, of the 28 inspections initially planned for Spanish significant institutions in 2020, nine were carried out, of which six were headed by the Banco de España and three by the ECB. In addition, the Banco de España led the inspection of a foreign SSM institution. As regards the investigations of internal models at significant institutions, in 2020, nine were conducted on Spanish institutions, of which eight focused on internal credit risk models and one on market risk models. It should be noted that two of the investigations of Spanish institutions were performed by supervisors from the ECB and the National Bank of Belgium, respectively. In addition, the Banco de España led an investigation into counterparty risk in Italy. Six inspections were conducted at less significant institutions.

**The Executive Commission remained apprised of the 478 decisions and actions of the ECB's Supervisory Board,** on which the Banco de España is represented, which affected Spanish institutions in 2020: 263 supervisory decisions

Table 2.1

**CREDIT INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN**

	2020
Banks	51
Savings banks	2
Credit cooperatives	61
ICO	1
Branches of EU credit institutions	75
Branches of non-EU credit institutions	3

SOURCE: Banco de España.

addressed specifically to Spanish institutions (257 to significant institutions and six to less significant institutions) and a further 215 decisions on more general matters or SSM policy or organisational issues.

Following the different prudential supervisory tasks carried out on less significant credit institutions, the Banco de España issued 99 recommendation and requirement letters, of which 57 were on capital decisions, 33 on recovery plans and nine on inspections.

Regarding the **suitability assessment of senior officers** of supervised institutions, in 2020 the Banco de España processed a total of **368 files**: 195 relating to credit institutions, 52 to payment institutions, 33 to specialised lending institutions, 48 to mutual guarantee companies, 22 to electronic money institutions, 17 to appraisal companies and one to a currency-exchange bureau.

Table 2.1 lists the different **credit institutions operating “with an establishment” in Spain** that make up the Spanish banking system in 2020.

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 2020, a total of 380 ongoing off-site supervision actions and three inspections were performed at these institutions. Following the supervisory actions, four recommendation and requirement letters (two in connection with ongoing supervisory actions and two in relation to inspections) were sent to four institutions.

Table 2.2 lists the institutions other than credit institutions operating “with an establishment” in Spain that are entered in the registers of the Banco de España in 2020, grouped by type and area of activity.

The Banco de España cooperates closely with the Commission for the Prevention of Money Laundering and Monetary Offences (CPMLMO) and its Executive Service

Table 2.2

**INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN OTHER THAN CREDIT INSTITUTIONS**

	2020
Institutions operating with an establishment other than credit institutions	534
Specialised lending institutions	26
Specialised lending institutions - Payment institutions	8
Branches of financial institution subsidiaries of EU credit institutions	1
Real estate lenders	99
Real estate credit intermediaries	234
Branches of EU real estate credit intermediaries	1
Mutual guarantee companies	18
Reguarantee companies	1
Appraisal companies	32
Currency-exchange bureaux (a)	17
Payment institutions	47
Payment institutions exempt under Article 14 of Royal Decree-Law 19/2018	1
Payment service providers excluded under Article 4 of Royal Decree-Law 19/2018	3
Account information service providers	1
Branches of EU payment institutions	14
Electronic money institutions	9
Branches of EU electronic money institutions	8
Banking foundations (b)	13
Sareb (c)	1

**SOURCE:** Banco de España.

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

**b** Banking foundations are not entered in the Register of Institutions of the Banco de España. As at 31 December 2020, the Banco de España has powers over five of the 13 banking foundations.

**c** Sareb is not entered in the Register of Institutions of the Banco de España.

(SEPBLAC) in **the supervision and inspection of compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations by institutions supervised by the Banco de España**, pursuant to Spanish legislation and the cooperation and coordination agreement entered into with the CPMLMO. The Banco de España further strengthened this function in 2020. Two inspections, focused on reviewing compliance with AML/CFT obligations, were launched, as was a monitoring action to check the implementation of an AML/CFT action plan. These were performed remotely owing to the restrictions prompted by the COVID-19 pandemic. The methodology for assessing money laundering and terrorist financing (ML/TF) risk for credit institutions was also updated.

## 5.2 Supervision of institutions' conduct

The situation ensuing from the pandemic marked the pursuit of conduct-related supervisory activity in 2020 and made clear the relevant role played by the banking

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.
	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 or hybrid electronic money institutions, respectively.	
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, information on accounts, etc.) with minimum initial capital and own funds requirements according to the payment services provided.	
MUTUAL GUARANTEE COMPANIES	Business entities with variable capital established by small and medium-sized enterprises 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 COMPANIES	Companies whose purpose consists of reguaranteeing guarantees furnished by mutual guarantee companies, 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.

sector, through which some of the measures aimed at alleviating the financial situation of households and firms have been implemented.

A critical part of supervisory work in 2020 focused on **monitoring the actions taken by institutions to respond to the needs arising from the pandemic** and comply with the measures adopted to counter its economic impact. This supervisory work is described in Box 2.8.

## SUPERVISION OF THE IMPLEMENTATION OF FINANCIAL MEASURES TO ADDRESS THE ECONOMIC IMPACT OF COVID-19

From the onset of the COVID-19 pandemic, the Banco de España has worked: i) to ensure that banks provide citizens with the necessary information and that their relations are conducted in a climate of trust, and ii) to support institutions in the implementation of the above-mentioned measures.

In addition, since the state of alert was declared in March 2020, the main supervised institutions were contacted to ascertain and analyse the measures that were being adopted to ensure continuity in the provision of their services to their customers (including the temporary opening or closure of branches, ATM operability or the strengthening of online banking channels).

Institutions' implementation of the **measures approved to address the economic fallout of the pandemic** was also monitored by analysing: i) the specific reporting on

moratoria by the institutions; ii) claims and telephone and written enquiries submitted to the Banco de España; and iii) information provided by the institutions via their websites. Although administrative procedures were suspended during the state of alert, **the Banco de España reactivated the claims mechanism** to support institutions, which had to continue handling customers' claims, and customers.

In any event, considering the severe disruption wrought by COVID-19 on Spanish society and the Spanish economy, the Banco de España, in cooperation with the other national and international supervisory authorities, will continue to supervise institutions' conduct in relation to these measures or others that may be adopted, thus contributing to maintaining the stability of the financial system.

Further, during 2020 the Banco de España worked on drawing up a circular on confidential conduct-related information, which will result in better information being available for more efficient supervision.

**Supervision of consumer credit** also took on an important role during 2020. This essentially entailed verifying the degree of compliance with the organisational and disciplinary rules of Law 16/2011 of 24 June 2011 on credit agreements for consumers. In particular, work has been completed on the verification of the marketing of revolving credit cards, financing for car purchase, credit linked to the supply of goods or the provision of services and other consumer financing with no specific purpose, and loans granted in the form of overdrafts on sight deposits. Responsible lending practices and policies in this financing area have also been reviewed.

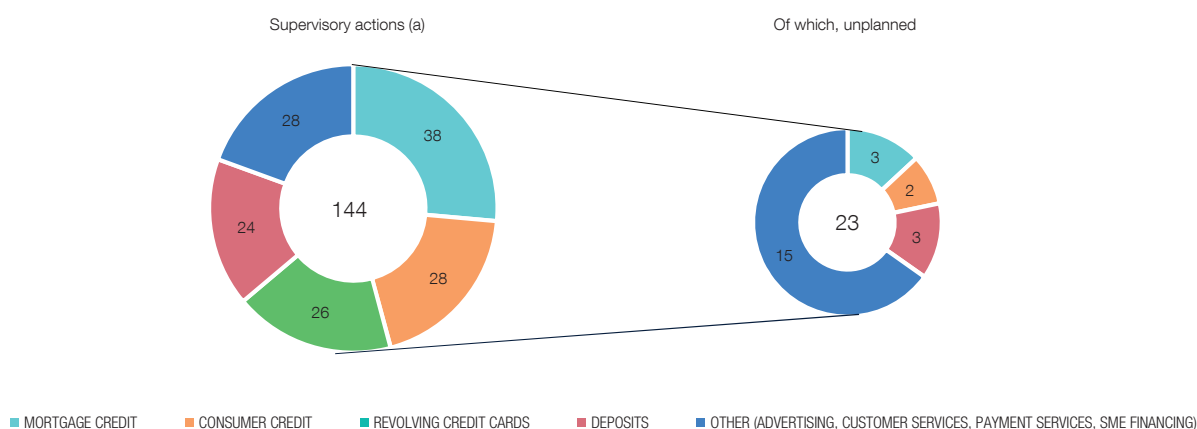
Given its particular importance, **mortgage lending** has been the focus of much of the annual supervisory effort. The Banco de España is aware of the importance of institutions ensuring transparency both in the marketing of such loans and over their life. Thus, work has continued to verify that "floor clauses", i.e. clauses that set a lower limit on changes in interest rates, are properly applied in accordance with regulations and the provisions of mortgage loan agreements. The information provided on interest rates and the measures applied to protect mortgagors in serious economic difficulties were also checked.

As regards the review of **advertising of banking products and services**, Banco de España Circular 4/2020 of 26 June 2020 on such advertising was approved. This

Chart 2.20

### SUPERVISORY ACTIONS RELATING TO CONDUCT IN 2020 BY TYPE

In addition to the work to monitor the measures adopted by institutions as a result of the COVID-19 pandemic, supervisory activity relating to conduct in 2020 was chiefly focused on the areas of activity pertaining to mortgage credit, consumer credit, revolving credit cards and deposits.



SOURCE: Banco de España.

a A total of 103 of these supervisory actions were initiated before the start of 2020.

new Circular constitutes an essential regulatory framework for institutions to pursue this activity and a useful tool for its proper supervision.

The **activity of institutions' customer service departments (CSDs)** was also supervised to verify the suitability of their head officers, the content of their operating rules and overall compliance with transparency obligations. Another aspect that received particular attention was the digitalisation of supervised institutions.

Chart 2.20 summarises the supervisory actions carried out in 2020, by area and type.

## 5.3 Sanctioning activity

Sanctioning activities continued in a year marked by COVID-19, in which the time limits for sanctioning proceedings were suspended from 14 March to 1 June, owing to the declaration of the state of alert.

Nevertheless, proceedings continued to be initiated and resolved in 2020: **three proceedings were initiated; eight were concluded**, having been initiated in 2019; and **one proceeding was resumed** against a savings bank, its directors and management and the members of its audit committee, having been suspended for



several years due to the concurrence with criminal proceedings in relation to the same facts.

**Transparency and consumer protection** continue to account for the highest number of sanctioning proceedings. Of the 12 proceedings under way during 2020, five were in this area (against three banks, one credit cooperative and one specialised lending institution). For instance, in the area of pre-contractual and contractual information offered to customers, conduct such as failing to provide the pre-contractual information in novations was sanctioned. Likewise, in the area of the Code of Good Practice (CGP) set out in the annex to Royal Decree-Law 6/2012 of 9 March 2012 on urgent measures to protect mortgagors experiencing financial hardship, actions sanctioned included the failure to duly provide information on the CGP and the possibility of requesting it be applied, not only *ab initio*, but also throughout the processing of the request for restructuring, and the application of a restructuring term other than 40 years where there is no record of the customer requesting a different term.

**Sanctioning activities involving supervised institutions other than credit institutions and their shareholders** also continued. Proceedings notably included those brought against one payment institution and its officers (including the de facto director), an electronic money institution's shareholders, who acquired a qualifying holding in concert without previously notifying the Banco de España, and two appraisal companies and their officers. Sanctions were imposed on one appraisal company and its officers for having insufficient human resources, shortfalls in its procedure for monitoring incompatibilities, and valuation methodologies that did not fully comply with the requirements of sector-specific legislation.

**Companies not authorised by the Banco de España were also sanctioned**, either for conducting activities reserved to credit institutions or for failing to provide the information requested during an inspection.

## 6 COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

**In 2020, 21,337 complaints were made by users of bank services, 45.8% more than the 14,638 received in the previous year.**

The number of complaints received in the last ten years is shown in the charts (see Chart 2.21). The large fluctuations in the number of complaints have been closely linked to the marketing of mortgage loans and, specifically, the expectations generated by several national and European court decisions. However, as shown in Chart 2.22, the significant increase in complaints in 2020 is more closely related to matters other than mortgage loans.

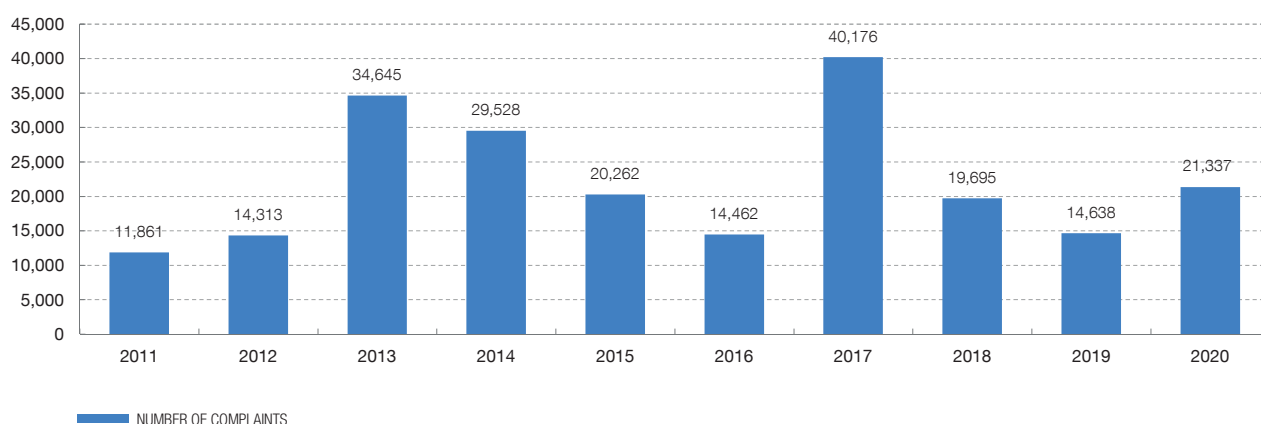
**In 2020, 6,699 more complaints were received than in 2019.** This increase was largely attributable to the number of complaints made in relation to: i) cards; ii) accounts and deposits; and iii) mortgage loans. See Chart 2.24 for a breakdown of complaints.

As the breakdown shows, the categories where complaints have most increased are **cards**, mainly owing to fraudulent transactions deriving from e-commerce (which has grown on account of the impact of the COVID-19 pandemic), and the marketing of revolving credit cards. Most complaints associated with **accounts and deposits** were about the charging of fees and blocked accounts (see Chart 2.24).

Turning to **enquiries**, 40,623 telephone enquiries and 6,262 written enquiries were received in 2020, up 51.9% and 68.4%, respectively, on 2019 (see Chart 2.25).

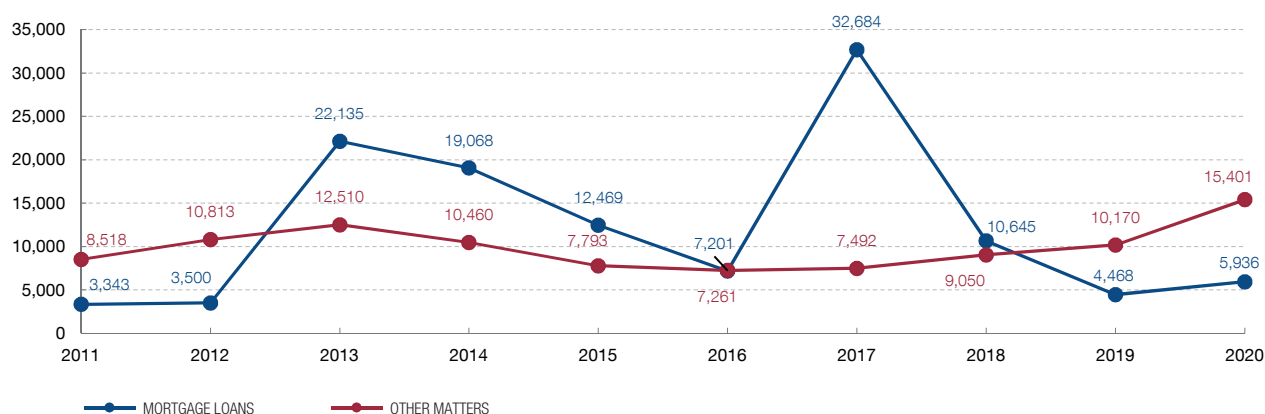
Chart 2.21

### COMPLAINTS FILED IN THE LAST TEN YEARS



SOURCE: Banco de España.

Chart 2.22

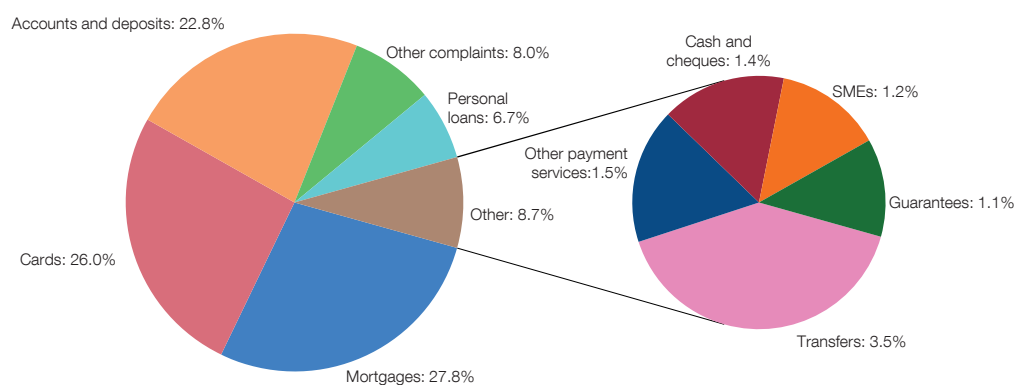
**COMPLAINTS ABOUT MORTGAGE LOANS AND OTHER MATTERS IN THE LAST TEN YEARS**

SOURCE: Banco de España.

Chart 2.23

**TYPES OF COMPLAINTS**

Provisional data as at 31 December 2020



SOURCE: Banco de España.

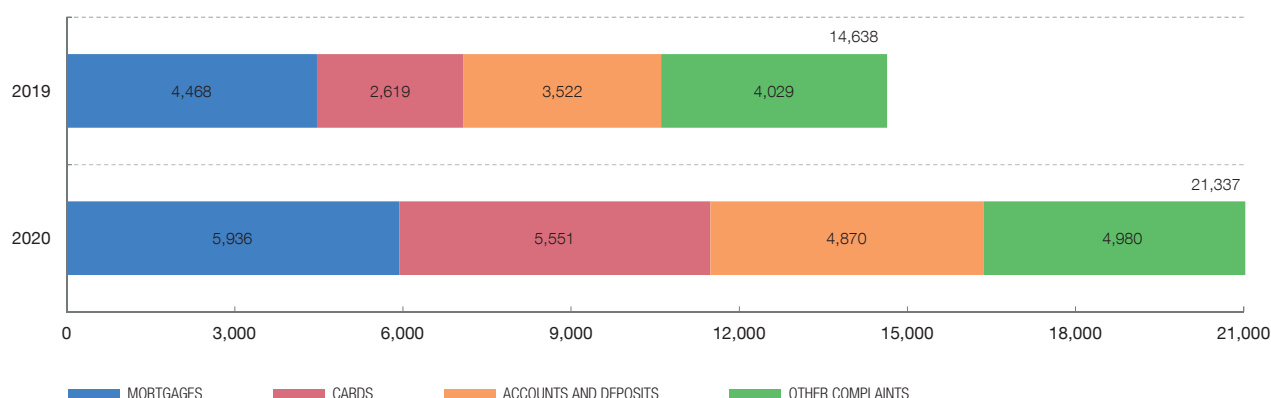
Part of the increase in **telephone enquiries** stemmed from those made about the economic measures approved by the Government during the pandemic, such as the moratoria on loan payments and the ICO guarantees for small and medium-sized enterprises. Historically, the number of telephone enquiries received has tended to be related to the number of complaints made.

**Written enquiries** continued to rise steadily, from 1,672 in 2018, to 3,719 in 2019, and 6,262 in 2020. This significant increase has occurred in parallel to the improved online positioning of the Bank Customer Portal, which has established itself as one

Chart 2.24

### MOST FREQUENT TYPES OF COMPLAINT IN 2019 AND 2020

Provisional data as at 31 December 2020

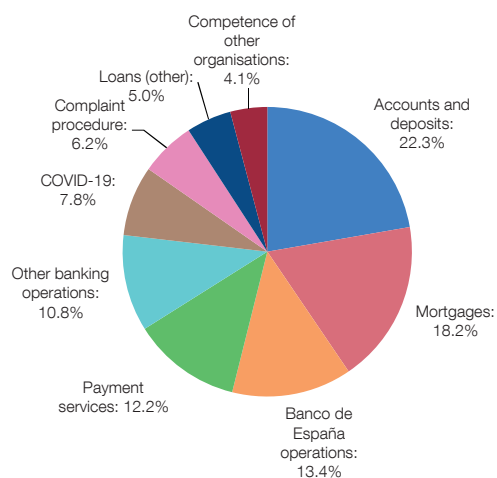


SOURCE: Banco de España.

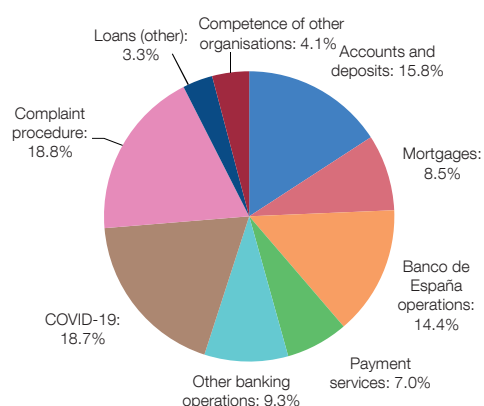
Chart 2.25

### WRITTEN ENQUIRIES AND TELEPHONE ENQUIRIES RECEIVED IN 2020

#### 1 WRITTEN ENQUIRIES



#### 2 TELEPHONE ENQUIRIES



SOURCE: Banco de España.

of the resources most used by the public for learning about their rights in their relationships with institutions and for channelling their ensuing enquiries.

As shown in Chart 2.25, there are striking differences between the **most frequent types of enquiries** in 2020, depending on whether they are made in writing or by telephone. Notable among written enquiries were those on mortgage loans and

matters related to accounts and deposits, in addition to various Banco de España operations (chiefly statistics and interest rates, the Central Credit Register, and the exchange of pesetas).

In turn, the most frequent types of telephone enquiry were about the complaint procedure (about how to file and check the status of a complaint), followed by the economic measures taken by the Government in the context of the COVID-19 pandemic, operational matters of the Banco de España, and payment services.

### 7.1 Macroprudential policy

In 2020, the Banco de España once again conducted **the annual review of the list of Spain's systemically important credit institutions**. There were no changes with respect to the previous year: five were designated as other systemically important institutions (O-SIIs) for 2021, including one global systemically important institution (G-SII), and the calibration of each associated macroprudential capital buffer remained unchanged.<sup>4</sup>

As regards **macroprudential analysis**, the Banco de España's work has focused chiefly on adapting the analytical framework underpinning the quarterly decisions on the countercyclical capital buffer (CCyB) to the new crisis environment prompted by the COVID-19 pandemic. To this end, the indicators of the degree of materialisation and severity of the crisis-induced impact on the financial system (systemic risk indicator) and the real economy (output gap) were more closely monitored, and econometric models were used to analyse the pandemic's macro-financial impact and the effectiveness of the alternative macroprudential measures. In 2020, the Banco de España held the CCyB applicable to credit exposures in Spain at 0%, in coordination with the authorities in other countries,<sup>5</sup> and announced its intention to maintain this rate for a prolonged period, until the main economic and financial effects arising from the pandemic have been overcome.

**The Forward Looking Exercise on Spanish Banks (FLESB)** conducted by the Banco de España on Spanish credit institutions in 2020 was conditioned by the significant uncertainty surrounding the course of the COVID-19 pandemic. Two macroeconomic scenarios were used: a baseline scenario, in line with the most likely projections of economic activity following the outbreak of the pandemic, and an adverse scenario, to test the banking sector's resilience to an additional hypothetical materialisation of the existing downside risks to the real and financial sectors in 2020.

A key aspect of the **2020 FLESB was the incorporation of the effects of the support measures introduced in response to COVID-19**, namely the public guarantees for loans to firms, the moratoria on mortgage and consumer loan repayments for individuals, the restrictions on dividend distributions and the ECB's longer-term refinancing operations. Substantial developments in the modelling of the risks of Spanish banks' main foreign subsidiaries were also incorporated into the stress-testing framework.<sup>6</sup> In 2020, work was also carried out on the development of

<sup>4</sup> See the press release of 27 November 2020 "[Banco de España updates the list of systemically important institutions and sets their macroprudential capital buffers](#)".

<sup>5</sup> See the press release of 21 December 2020 "[The Banco de España holds the countercyclical capital buffer at 0%](#)".

<sup>6</sup> For a summary of the stress tests, see Chapter 2 of the *Financial Stability Report*, Banco de España, Autumn 2020.





AMCESFI's new website is geared to serve as a platform for disseminating information on its activities and publications.

models for use in future exercises that enable a further breakdown of credit risk by sector of activity, in order to analyse climate change-related risks.

As regards **the coordination of macroprudential policy at national level**, it should be noted that 2020 was the **first full year of activity for the Spanish macroprudential authority (AMCESFI)**. This collegiate body is attached to the Ministry of Economic Affairs and Digital Transformation, and the Governor of the Banco de España is the vice-chair of its Board. The establishment of AMCESFI in 2019 has helped coordinate the Banco de España's work with the Ministry of Economic Affairs and Digital Transformation and the other sectoral supervisory authorities (the CNMV and the Directorate General of Insurance and Pension Funds) in managing the crisis triggered by the COVID-19 pandemic. **In 2020 AMCESFI published its first annual report<sup>7</sup>** and launched its own website ([www.amcesfi.es/wam/en/](http://www.amcesfi.es/wam/en/)), geared to serve as a platform for disseminating information about its activities and publications.

## 7.2 Preventive resolution

**In 2020, resolution plans were drafted for a total of 42 Spanish credit institutions<sup>8</sup> and five foreign groups with Spanish subsidiaries**, in close collaboration with the Single Resolution Board (SRB) and other resolution authorities in the euro area, in accordance with the distribution of responsibilities established under the Single Resolution Mechanism Regulation (SRMR). Within this collaboration framework, **48 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 institutions' resolvability.

<sup>7</sup> AMCESFI *2019 Annual Report* published on 31 July 2020.

<sup>8</sup> 12 significant institutions and 30 less significant institutions.

In addition, **every year the Banco de España participates in the resolution colleges and crisis management groups** that are organised on a regular basis for the most internationally active institutions to discuss resolution planning matters. In this regard, in 2020 the Banco de España participated as a preventive resolution authority in the crisis management group of one Spanish significant institution, two resolution colleges of foreign significant institutions with subsidiaries in Spain, and one resolution college of a foreign less significant institution with a subsidiary in Spain.

The SRB and the EU resolution authorities outside the euro area signed joint decisions relating to the resolution plans and decisions on the minimum requirement for own funds and eligible liabilities (MREL) of three foreign significant institutions with significant subsidiaries or branches in Spain, in whose colleges they participate as observers. A joint decision was also signed between a group-level resolution authority and the Banco de España, as the preventive resolution authority of the Spanish subsidiary of the group concerned.

As regards **resolution planning**, the following was noteworthy in 2020:

- 52 credit institutions were informed of their MREL.
- The recovery plans of 12 Spanish significant credit institutions were reviewed (in collaboration with the SRB), as were those of 35 Spanish less significant credit institutions.

Furthermore, to promote the effective implementation of resolution legislation, in 2020 the Banco de España participated actively in the development of **preventive resolution criteria and strategies**. Among the actions that, on account of their significance, warrant special mention are: i) the further analysis of resolution strategies other than bail-in (specifically, the sale of business and bridge bank tools); ii) the monitoring of the degree of fulfilment of the MREL targets approved in the previous resolution cycle and analysis of possible deviations; iii) the participation in the committees of the FROB, the Deposit Guarantee Scheme and Sareb (asset management company for assets arising from bank restructuring); and iv) the research and analysis of matters relating to financial continuity in resolution, the bail-in playbook and potential contagion from regional markets to the national market, among others, in collaboration with the SRB.

## 7.3 Financial reporting and reporting to the Central Credit Register

In crisis situations such as that caused by COVID-19, having accurate, quality and timely financial data takes on even greater importance, bearing in mind the operational challenges faced by both regulators and institutions in meeting the different reporting requirements.

As a result of these conflicting needs, various measures have been adopted by all the authorities concerned – the EBA and ECB at European level, and the Banco de España in its field of competence – to concentrate on those reporting requirements considered to be more informative for this crisis.

First, and to **alleviate institutions' reporting burden** as far as possible, **the EBA agreed that national competent authorities (NCAs)** could extend the submission deadline for supervisory reporting requirements. In accordance with this agreement, the **ECB** extended the reporting deadline for significant institutions by one month, and the **Banco de España**, in a letter from the Director General Financial Stability, Regulation and Resolution, granted the same extension to less significant institutions. As regards national reporting requirements, the Director General Financial Stability, Regulation and Resolution eased the deadline for some financial statements.

Moreover, the EBA requested additional reporting and disclosure ([Guidelines 2020/07 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis](#)). These guidelines were adopted by the SSM for significant groups and by the Banco de España for less significant institutions.

In the **national arena**, the Government has implemented **various measures**, through different royal decree-laws, to mitigate the economic impact of the pandemic. In particular, to ease the financing conditions of economic agents, it has established moratoria and set up various State guarantee facilities, as described in this report.

To facilitate compliance with the **reporting obligations derived from these measures** and smooth the **monitoring of the related operations**, the Banco de España has set in place the procedures needed for institutions to send this information in a timely manner. Thus, every day institutions submit data on the legislative moratoria (on mortgage debts and non-mortgage loans, for the tourism and transport sectors) and on the loan moratoria granted under the sector-wide framework agreements established by different banking associations (which may be consulted on the [Banco de España's website](#)). The data gathered from institutions are published each month on the Bank's website.

Additionally, in the regular information submitted each month to the Central Credit Register (CCR), institutions must identify the loans benefiting from moratorium measures or for which State guarantees have been requested, to enable the monitoring of these transactions and facilitate an analysis of the situation. Institutions were notified of these new reporting requirements on 8 April, in a letter from the Director General Financial Stability, Regulation and Resolution.

In this regard, **the CCR data are playing a crucial role during this crisis**. First, they help with designing and assessing the effectiveness of the measures. Second, they allow for verifying the correct application of these measures by institutions.

## PUBLICATION BY THE BANCO DE ESPAÑA OF THE PRIMARY PUBLIC FINANCIAL STATEMENTS OF CREDIT INSTITUTIONS

In September 2020 the Banco de España began the quarterly publication of the **individual and consolidated primary public financial statements of credit institutions on an institution-by-institution basis**, in accordance with the provisions of Circular 2/2020 of 11 June 2020. Until the entry into force of this circular, the Banco de España sent this information to the associations representing credit institutions, which were in charge of disseminating them. Following the regulatory change, the Banco de España, as part of its commitment to

enhancing the transparency of information on credit institutions in Spain, publishes them quarterly on its website.

Primary financial statements comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement. The publication began with the data for 2020 Q2 and includes the retrospective series of these statements since March 2018.<sup>1</sup>

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<sup>1</sup> The information is directly available on the Supervision section, at <https://www.bde.es/bde/en/areas/supervision/estados-financieros-publicos-primarios-de-las-entidades-de-credito-2b306d3fa9e4471.html> or on the website's Statistics section, at [https://www.bde.es/webbde/en/estadis/infoest/temas/te\\_ifycir.html](https://www.bde.es/webbde/en/estadis/infoest/temas/te_ifycir.html). The release calendar for this information can be found at [https://www.bde.es/bde/en/areas/estadis/relacionados/Calendarios/Calendarios\\_de\\_\\_1931fa955514921.html](https://www.bde.es/bde/en/areas/estadis/relacionados/Calendarios/Calendarios_de__1931fa955514921.html).

Third, they make it easier for the Banco de España analysts to study changes in transactions and their impact on economic activity.

Lastly, mention should be made of the use of the CCR data for determining loans' eligibility for the ICO guarantee facility. The Resolution of the State Secretariat for Economic Affairs and Support to Enterprise provides that, when assessing the eligibility of loans helping firms and the self-employed mitigate the economic effects of COVID-19, borrowers should not be listed as in default according to consultations of the CCR files at 31 December 2019.



## 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

The Banco de España's involvement in the ESCB's activities was noteworthy in 2020. Owing, inter alia, to the extraordinary situation prompted by the COVID-19 crisis, the activity of the **Governing Council** and **General Council of the ECB** stepped up significantly. **There was an increase in the number of meetings held by these bodies (which are attended by the Governor)**, where decisions are adopted on monetary policy and the functioning of the Eurosystem. Likewise, more decisions were taken through written procedures. In addition, the **Deputy Governor continued to attend the meetings of the Supervisory Board of the SSM**, which discusses, plans and executes the supervisory tasks of the ECB and submits draft decisions to the Governing Council on matters of prudential supervision of credit institutions.

The Banco de España also continued to be actively involved in the work of the **different ECB committees** (Monetary Policy, Market Operations, Market Infrastructure and Payments, Financial Stability, Statistics, Banknotes, Legal, Risk Management and International Relations, among others) and in their working groups.



Central meeting room of the Europa building, the main seat of the European Council and Council of the European Union.

With respect to other EU institutions, as in previous years the Banco de España collaborated in various working groups and committees. It was represented at the informal **Ecofin** meeting in April and participated in the meetings of the **Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC)**. Among other matters, these fora discussed the management of, and recovery from, the crisis triggered by the COVID-19 pandemic. This led to the EU Council giving its approval in April to an initial package of €540 billion in new loan instruments to provide liquidity to countries where needed. These new instruments notably include the creation of a specific credit line within the European Stability Mechanism (ESM), to finance the expenditure increases derived from the pandemic, and of the temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Moreover, July saw the approval of Next Generation EU, a sizeable, temporary €750 billion recovery plan for Europe. This instrument, the largest ever jointly funded stimulus package at European level, will raise funds in the form of loans and grants through the issuance of common supranational debt and is in addition to the EU's standard budget (the Multiannual Financial Framework for the period 2021-2027, approved on 17 December). Another milestone reached was the adoption of the EU-UK Trade and Cooperation Agreement on 30 December, governing relations between the two from 1 January 2021, following the end of the transition period envisaged in the Withdrawal Agreement. In addition, other key matters on the European agenda, such as the European Green Deal, the European Digital Strategy and the digital finance package, were addressed during the year. Work also continued on deepening the EMU, strengthening the banking union and adopting a new and ambitious action plan to drive forward the capital markets union over the coming years. Lastly, the need to define an agenda for measures to strengthen the Union's strategic autonomy was addressed for the first time.

## 8.2 European Banking Authority

**The EBA's activity in 2020 was also notably impacted by the COVID-19 crisis.**

The EBA reacted swiftly to the outbreak of the pandemic, adopting a series of measures, in coordination with other European institutions, to make use of the flexibility embedded in the regulatory and supervisory framework, so as to maintain the flow of credit to the economy and reduce institutions' operational burden.

Noteworthy in this regard were the publication of guidelines on legislative and non-legislative moratoria, the postponement to 2021 of the 2020 stress test exercise, and an extraordinary transparency exercise, mentioned elsewhere in this report.

Meanwhile, **Brexit** has also greatly influenced the work of the EBA, which released various statements encouraging institutions to get ready for the change and calling on financial institutions to ensure appropriate communication with their customers.



In prudential regulation matters, the **EBA** continued working on the numerous mandates under the risk reduction package, including most notably the development of a regulatory technical standard on the prudential treatment of software assets.

Moreover, and at the request of the European Commission, the EBA updated its 2019 impact study on the implementation of Basel III in European banks with the latest data. The updated report also included an analysis of the impact of the different alternatives for implementation in Europe and an assessment of the effects of COVID-19. In its December 2020 report, the EBA continues to take a favourable view of the implementation of Basel III in Europe.

**Other noteworthy work by the EBA included:** i) in the reporting and transparency area, the progress made in the EUCLID project and the cost-benefit study on applying proportionality to the reporting requirements of supervised institutions; ii) in the market conduct and consumer protection area, the continued focus on achieving greater supervisory convergence; iii) as regards payment services, the work on access to payment accounts by third-party payment service providers and on the migration to strong customer authentication solutions in line with PSD2 in e-commerce card-based payment transactions; and iv) in the resolution area, the work to develop the mandates set out in the Second Bank Recovery and Resolution Directive (BRRD II).

Lastly, in 2020 the EBA bolstered the **work on sustainable finance and the digitalisation of the banking sector**, in addition to that related to **money laundering and terrorism financing**. As regards the latter, it is worth noting that the mandate of the three European supervisory authorities (ESAs) to contribute to preventing the use of the financial system for ML/TF purposes was consolidated within the EBA in 2020, and a new AML/CFT Standing Committee (AMLSC) was set up, in which both SEPBLAC and the Banco de España are represented.

## 8.3 European Systemic Risk Board

In 2020, the European Systemic Risk Board (ESRB) gave priority in its work to **five areas of activity** to address the main risks and systemic vulnerabilities linked to the COVID-19 emergency.

Under the coordination of its **Advisory Technical Committee (chaired by the Governor of the Banco de España)**, the ESRB focused its efforts on the analysis of: i) implications for the stability of the financial system of public guarantee schemes and other fiscal measures to protect the real economy; ii) market illiquidity and implications for asset managers and insurers; iii) the procyclical impact of external ratings downgrades; iv) restraints on the payment of dividends and variable remuneration by financial institutions; and v) liquidity risks arising from margin calls.

As a result of this work, in 2020 the ESRB issued a **set of recommendations** addressed to the supervisory and macroprudential authorities of all EU Member States. These recommendations were adopted by the Banco de España, within its scope of responsibility as designated authority and competent authority for less significant credit institutions.<sup>9</sup>

Lastly, at organisational level, in September 2020 Javier Suárez, lecturer at CEMFI (a special-purpose entity of the Banco de España), was reappointed as Chair of the ESRB Advisory Scientific Committee, replacing Richard Portes (London Business School).

## 8.4 Single Resolution Board

**The SRB, along with the national resolution authorities (NRAs), forms the Single Resolution Mechanism (SRM)**, whose mission is to ensure an orderly resolution of failing banks in the banking union to prevent adverse impacts on the real economy, the financial system, and the public finances of Member States. It is worth noting that in 2020 Jesús Saurina (Director General of Financial Stability, Regulation and Resolution at the Banco de España until February 2020) was appointed as a member of the SRB and Director of Resolution Planning and Decisions.

In 2020, the SRB, in collaboration with the NRAs, focused its greatest efforts on **completing and adapting its internal policies**, attaching particular importance to the requirements of the new banking package (SRMR II, BRRD II, CRR II and CRD V). In the area of resolution planning, the following documents are particularly noteworthy: i) the new MREL policy, to which the MREL decisions of the 2020-2021 cycle have been adapted; ii) the “Expectations for Banks” document, which determines the actions that institutions are expected to undertake in the planning phase to guarantee their resolvability; and iii) the “LSI guidelines”, which set harmonised criteria that institutions under the aegis of the NRAs must observe in their resolution planning.

In response to COVID-19, the SRB, in cooperation with the NRAs, supervisory authorities and the European Commission, has adopted **flexibility measures to mitigate the effects of the pandemic** and monitored its impact on euro area banks. In a letter issued on 25 April, the SRB allowed banks to postpone the requirement to submit “less urgent” information related to the 2020 resolution planning cycle. As regards the MREL, it stated its intention to: i) bring the 2020 MREL decisions into line with the latest information adjusted for the adverse impact of the pandemic; ii) reflect,

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<sup>9</sup> For more details, see the [Legislation - Guidelines and recommendations](#) section of the Banco de España's website.

in these decisions, the capital requirement changes adopted by the supervisor on account of the pandemic; and iii) take a flexible approach for those institutions that face difficulties meeting the binding MREL targets set in the 2018 and 2019 cycles, taking into consideration that the first binding target is now set for 2022, in accordance with BRRD II.

In 2020, again in collaboration with the NRAs, the SRB approved **operational guidance for banks in various areas**, including: i) operational continuity in resolution; ii) access to financial market infrastructures (FMIs), and iii) the bail-in tool. This guidance offers advice on how to implement the SRB's expectations in these areas. Turning to banking consolidation processes, which stepped up in 2020, the SRB has also published a document setting out its expectations for institutions involved in merger and acquisition processes, in order to ensure the resolvability of the resulting groups.

Lastly, in 2020, the SRB approved its **2021-2023 Multi-Annual Programme**, setting out a roadmap for the next three years, with a clear focus on improving bank resolvability. In this regard, the SRB will continue to work on matters relating to the operationalisation of transfer tools, separability, liquidity and funding in resolution, on-site inspections, and the review of the operating conditions of the Single Resolution Fund.

## 8.5 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 of the Banco de España**. During 2020, the FSB adapted its work programme to prioritise the international coordination of the response to COVID-19. As part of its work, it drew up general principles to guide national responses, including most notably recognising and using the flexibility built into standards and coordinating on the timely unwinding of the measures taken. It also analysed and monitored the effects of the pandemic on the financial system, for which it prepared a report reviewing the risks related to non-bank financial intermediation, underscoring the need to strengthen the resilience of the sector.

**The FSB also continued to carry out its agenda**, publishing, inter alia, reports on enhancing cross-border payments, the regulatory, supervisory and oversight challenges raised by stablecoins, effective practices to respond to, and recover from, cyber incidents, and the implications of climate change for financial stability. It also continued monitoring the implementation of reforms and published a progress report on the reforms to interest rate benchmarks, focused on the transition away from LIBOR. As part of its assessment programme, the FSB published a consultation report on the effects of the too-big-to-fail reforms. This report concluded that banks

are now more resilient and resolvable than in the 2008-09 crisis, that the benefits of the financial reforms adopted significantly outweigh the costs, and that there are some gaps that need to be addressed in order to remove certain obstacles to resolution.

The Banco de España also forms part of the **Basel Committee on Banking Supervision (BCBS)**, which is **chaired by the Governor of the Banco de España**. The Committee's activity in 2020 was marked by COVID-19 and it worked, from the outset, to coordinate the international response to its effects on the banking sector.

**Among other objectives, the Committee's response has aimed to safeguard the resilience of the global banking system and to ensure financing for creditworthy households and firms.** To this end, a series of technical clarifications and public statements have been issued on the regulatory framework and the usability of the capital and liquidity buffers. In addition, the Group of Central Bank Governors and Heads of Supervision (GHOS) agreed to defer the implementation of the outstanding Basel III standards by one year, so as to increase the operational capacity of banks and supervisors to respond to the immediate impact of the pandemic. Moreover, the GHOS once again reaffirmed their expectation of full, timely and consistent implementation of the Basel III standards.

The BCBS has also made **progress in other areas**. In 2020, the Committee completed the review of the credit valuation adjustment framework and approved a technical adjustment to the prudential treatment of NPL securitisations. Similarly, the Committee released an update of its guidance on the sound management of risks related to money laundering and financing of terrorism, and it published for public consultation the principles for operational resilience and risk.

Lastly, in late 2020, a strategic review was conducted of the BCBS's structure and internal processes, aimed at giving greater focus to the emerging risks and vulnerabilities of the banking sector. This shift marks an end to the post-crisis regulatory agenda of the last decade, opening up a new stage of monitoring and evaluating its implementation.

As in previous years, the Banco de España has continued to contribute actively to different activities and initiatives driven by the Basel Committee and the FSB and participates in discussions and in significant technical analyses.

In addition to the foregoing, the Banco de España participates in the **three committees of the Bank for International Settlements (BIS)** that analyse the global economy and international financial markets: the Global Economy Meeting (attended by the Governor on a bimonthly basis), the Committee on the Global Financial System (attended by the Deputy Governor on a quarterly basis) and the Markets Committee (in which the Director General Operations, Markets and Payment

Systems participates). During the year, these committees published various reports, drawn up with the active participation of Banco de España staff. These reports enable relevant aspects of the functioning of financial markets, including the impact of financial innovation, to become more generally known. Notable publications included a report on the international perspective of US dollar funding and another on the impact of the growing use of execution algorithms on the foreign exchange market.

Within the BIS, the Banco de España also participates in the **Committee on Payments and Market Infrastructures (CPMI)**, which in 2020 was focused on developing an ambitious programme for enhancing cross-border payments, in liaison with the FSB. The CPMI has closely monitored market infrastructures (payment systems, security settlement systems, and central counterparties) to verify their smooth functioning and the appropriate management of risks in stress situations.

## 8.6 The International Monetary Fund and the G-20

The Banco de España organises, in coordination with the General Secretariat of the Treasury of 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 attendant risks are discussed and economic policies are assessed at these meetings. The foregoing is finally reflected in the publication of the corresponding report. **In 2020, the IMF's visits took place in March and September and were virtual (partially, in the case of the March visit). The final report was published in November.** Additionally, every five years, the Bank participates in the preparatory visits of the Financial System Assessment Programme (FSAP). The Banco de España's senior management also participates actively in the IMF's spring and annual meetings, at which its three main reports (*World Economic Outlook*, *Global Financial Stability Report* and *Fiscal Monitor*) are presented and discussed. During 2020 these meetings had to be held online, owing to the pandemic. 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 and 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 (New Arrangements to

Borrow, or NAB) and its bilateral borrowing agreements with the IMF. The IMF approved the doubling of the NAB in 2020 (in which Spain has participated in an amount of up to SDR 6,810 million since 1 January 2021) and a simultaneous reduction in the volume of bilateral borrowing agreements by one-half. Spain is also a loan account holder of the Poverty Reduction and Growth Trust (PRGT) administered by the Fund. In 2020, the Banco de España augmented its loan to the PRGT by SDR 750 million (equivalent to around €1 billion). The augmented borrowing agreement provides for a total amount of SDR 1.2 billion to end-2029, earmarked for concessional financing to low-income countries.

**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. Face-to-face meetings of all working groups ended in March, and work schedules were redirected in response to the priorities arising from the pandemic. The central plank of the work schedule was the Action Plan to support the global economy, which was approved by ministers and governors in April. The Action Plan was mainly founded on the work by the Framework Working Group, in collaboration with other groups, and has been continuously updated. Mention should also be



Senior management of the Banco de España participate in the IMF meetings, which had to be held in virtual format in 2020.



made of the Debt Service Suspension Initiative (DSSI), which is based on the joint work by the IFA Working Group and the Paris Club. The DSSI temporarily suspended the financial obligations of the poorest countries during the pandemic. It remains in force and is currently being re-assessed, in conjunction with the IMF. Towards the end of the year, Italy assumed the G-20 Presidency, replacing Saudi Arabia.

## 9 INTERNATIONAL COOPERATION

The outbreak of the COVID-19 pandemic dramatically affected the Banco de España's international cooperation activity. As travel was impossible from March, regular face-to-face fora and encounters were inevitably suspended, and visits and missions were cancelled. Thus, the number of regular activities fell from 17 to eight, with some being carried out virtually, and six visits and five missions were carried out in 2020 compared with 46 and 43, respectively, in 2019. However, it should be highlighted that, **thanks to the use of IT tools and digital platforms, many face-to-face fora and encounters could be held in virtual format**, and many missions and visits were held via videoconference. As a result, the overall number of activities in 2020 was very close to those carried out in 2019 and, more significantly, they reached a greater number of beneficiaries than in previous years. In 2020, over 3,880 professionals directly benefited from these activities, 73% more than the 2,231 in 2019.

Taking into account the geographical areas of activity and continuing the trend of previous years, Latin America accounted for the highest number of cooperation activities and initiatives in 2020, with the highest number of beneficiaries and greatest effort invested. Over 135 activities were undertaken in this region, primarily in Chile, Colombia, Mexico, Costa Rica and Uruguay.

Additionally, as a member of the Working Group on International Cooperation, under the auspices of the ESCB's International Relations Committee, since 2019 the Banco



Signing of the memorandum of understanding with the Andean Development Corporation (CAF)-Development Bank of Latin America in the Executive Commission boardroom at the Banco de España (left). 15th Forum on the Analysis of the Latin American Economy, held in the Banco de España central headquarters (right).

### THE BANCO DE ESPAÑA'S INTERNATIONAL COOPERATION WITH LATIN AMERICA THROUGH MEMORANDA OF UNDERSTANDING

The Banco de España has close cooperation ties with numerous central banks and other international institutions. In recent years, these relations have been strengthened by **entering into cooperative agreements with several institutions, with the aim of further pursuing joint activities which result in the dissemination of best practices in the various areas of central banking.** Of particular note in 2020 were the memoranda of understanding signed with CAF-Development Bank of

Latin America in August, and with the Banco Central de la República Argentina and the Latin American Reserve Fund **in 2020 Q4. These agreements, coupled with the close collaboration between the Banco de España and CEMLA, SECMCA, ASBA and IIMV, contribute to strengthening the Banco de España's presence and leadership in Latin America.** Figure 2.4 summarises the agreements signed to date with various Latin American countries and organisations.

Figure 2.4

#### MEMORANDA OF UNDERSTANDING WITH LATIN AMERICA

Central bank / Institution	Signing of the agreement
Banco de México	January 2014
Banco Central do Brasil	April 2014
CEMLA (Center for Latin American Monetary Studies)	November 2016
Banco Central de Chile	November 2017
Banco Central de Reserva del Perú	April 2018
Banco de la República (Colombia)	April 2019
SECMCA (Executive Secretariat of the Central American Monetary Council)	October 2019
CAF-Development Bank of Latin America	August 2020
Banco Central de la República Argentina	November 2020
FLAR (Latin American Reserve Fund)	December 2020

SOURCE: Banco de España.

de España has participated, together with the ECB and another 20 NCBs in the ESCB, in the Regional Programme of Strengthening Central Bank Competences and Banking Supervisors of the Western Balkans, financed by the European Commission. Further, as part of the Task Force for Africa, which includes the Banco de España together with the central banks of Portugal, Germany, France, Belgium and Italy, work has been carried out to achieve coordinated action for this continent. This initiative is aimed at designing a pilot cooperation programme with a group of African countries, similar to the EU's Twinning projects,<sup>10</sup> in which a very positive balance has been struck in terms of efficiency and impact that is typical of the joint cooperation actions under the ESCB.

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10 Twinning projects are aimed at providing technical support and fostering reforms and public policy changes in partner, neighbouring or EU candidate countries, thereby contributing to their security, stability and growth. These projects, which are funded through the EU budget, share a common purpose to provide support to the public sector and public administrations of other countries.

The following Banco de España circulars were approved in 2020, in the exercise of the regulatory powers set out in its Internal Rules:

- **Circular 1/2020 of 28 January 2020** amending Circular 1/2013 of 24 May 2013 on the Central Credit Register.
- **Circular 2/2020 of 11 June 2020** amending Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats, and **Circular 3/2020 of 11 June 2020** amending Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats.

These two Circulars, which were approved on the same day, both amended Circular 4/2017. However, the purpose of the amendment set out in Circular 2/2020 was to incorporate the changes in international regulations on the reporting requirements of credit institutions, while in the case of Circular 3/2020 (which was processed more quickly), the reform was aimed at granting greater flexibility in the context of the COVID-19 crisis.

- **Circular 4/2020 of 26 June 2020** on the advertising of banking products and services.
- **Circular 5/2020 of 25 November 2020** to payment institutions and electronic money institutions on public and confidential reporting standards and financial statement formats and amending Circular 6/2001 of 29 October 2001 on owners of currency-exchange bureaux and Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats.

As regards State legislation approved in 2020, mention should be made of Law 7/2020 of 13 November 2020 on the digital transformation of the financial system (also known as the “Sandbox Law”), which regulates a controlled testing environment for IT innovation projects in the financial system, under which functions are conferred on the Banco de España as one of the supervisory authorities. 2020 also saw the approval of Royal Decree 309/2020 of 11 February 2020, implementing the legal regime of specialised lending institutions. This Royal Decree consolidates the regime for the control and inspection of such entities by the Banco de España and empowers the latter to prepare certain implementing regulations.







# 3

HOW THE BANCO DE ESPAÑA INTERACTS WITH THE PUBLIC

## HOW THE BANCO DE ESPAÑA INTERACTS WITH THE PUBLIC



### E-ADMINISTRATION

Fostering electronic and digital means of communication with institutions and the public



### FINANCIAL EDUCATION

An initiative included in the Strategic Plan to enhance the general public's knowledge of the financial world



### BANK CUSTOMER PORTAL

5,490,379 visits in 2020,  
41.8% more than in 2019



### EXCHANGE OF PESETAS FOR EUROS

The deadline ends on 30 June 2021: a moment to recall the peseta's introduction in 1868 and look back at its history



### ENVIRONMENTAL SUSTAINABILITY

Boosting various measures to foster sustainability in its activity



### ART COLLECTION

Presentation of the *catalogue raisonné* and our art collection portal

## 1 SERVICES TO THE GENERAL PUBLIC: ON-SITE AND REMOTE

### 1.1 Implementation of the appointment system for on-site services owing to COVID-19

**Providing the general public with continued service has been a priority for the Banco de España**, especially during the health crisis prompted by COVID-19. On 16 March 2020, following the declaration of the state of alert, the Banco de España had to suspend on-site services to the general public at all of its offices.

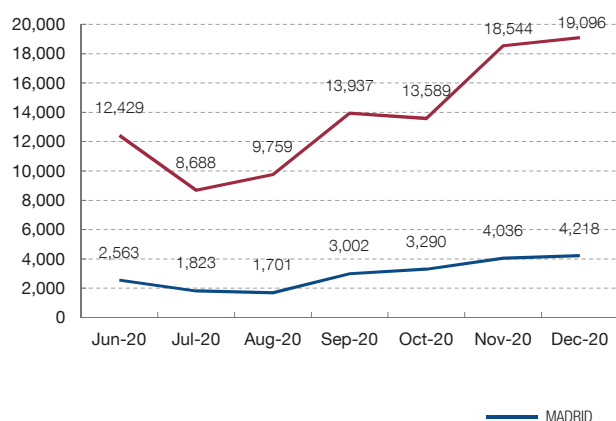
From 8 June 2020, **on-site services** gradually resumed at the Banco de España's premises, observing the safety measures recommended by health authorities and via an **appointment system**, allowing users to arrange appointments over the telephone or through an online application.

Chart 3.1 shows the number of people assisted on-site and by telephone between June and end-2020.

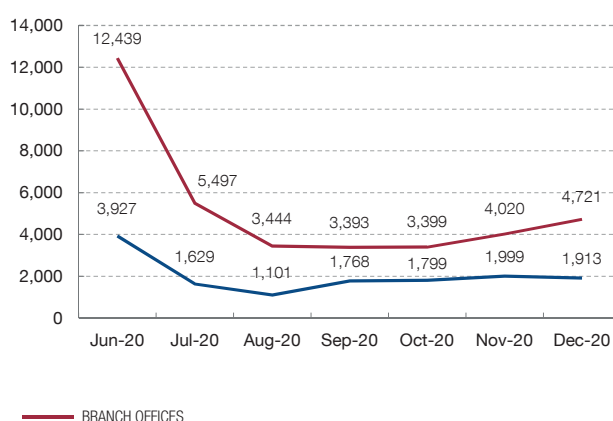
Chart 3.1

#### SERVICE TO THE PUBLIC DURING THE COVID-19 PANDEMIC

1 PEOPLE ASSISTED ON-SITE



2 CALLS ATTENDED



SOURCE: Banco de España



## 1.2 Website

The website ([www.bde.es](http://www.bde.es)) is the Banco de España's main channel of communication, as evidenced by the more than **35 million page views** and close to **30 million file downloads** in 2020. A website redesign is currently under way, pursuant to the principles set out in the Banco de España's Strategic Plan. Owing to its scale and scope, the redesign will continue over the next two years.

The Banco de España website offers the general public access to a broad range of information and documents which, in terms of both quantity and useful content, represent a major source of economic and financial information.

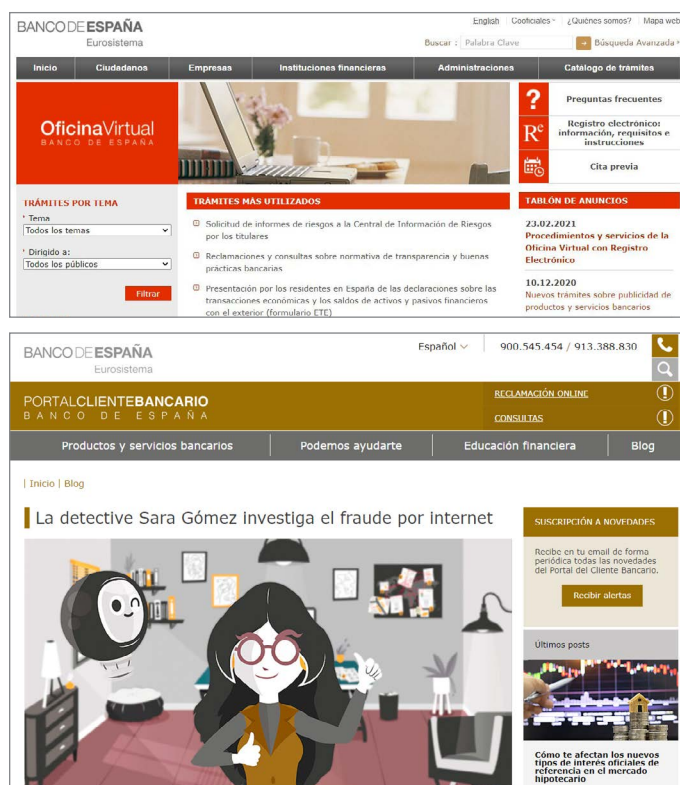
The website provides information on the Banco de España's main areas of activity: economic analysis, banknotes and coins, Central Balance Sheet Data Office, public debt, financial stability, statistics, monetary policy, payment systems and supervision.

In addition to information on the institution and the services it provides, the website offers access to the main economic and financial indicators and the most important Banco de España news. A database of sectoral legislation and electronic versions of the Banco de España's publications are also available. In addition, website users have access to full information on the Banco de España's job vacancies and scholarships. They can also visit the press room and learn about the events in which the Banco de España participates.

Since 2003 the Banco de España has implemented numerous **digital accessibility** initiatives, resulting in the current high standards of website accessibility. In addition, since 2019 digital accessibility has been the responsibility of a specific unit which the public can contact with any queries.

It is worth noting that digital accessibility refers to the principles and techniques that must inform website design, construction, maintenance and updates to **ensure equal access for all users, in particular for disabled users**. Incorporating these principles and techniques ensures, among other things, that websites are compatible with the assistive technologies that disabled users may need in order to browse those sites. In short, accessibility refers to the ability of all individuals to access a website and its contents, regardless of any visual, auditory, motor, cognitive or any other kind of disability.

The Banco de España launched various initiatives in 2020 geared towards making its website more accessible. Prominent among these are in-depth reviews of the main website and the drafting of annual monitoring reports on various aspects relating to the accessibility regulations laid down in Royal Decree 1112/2018.



The Banco de España website provides access to various portals of interest to the general public.

## 1.3 Banco de España internet portals

The Banco de España website also provides access to various specialised portals of unquestionable interest to the general public. These include the Virtual Office, the Bank Customer Portal, the Transparency Portal, the Education Portal, the Finance for All portal, the Fundación CEMFI portal and the Economic Research Portal, which is only available in English. The Banco de España's art collection portal was launched in 2020, which makes the institution's artistic heritage available to the general public and will act as a communication channel for future cultural activities.

Figure 3.1 describes the content of each of these portals.

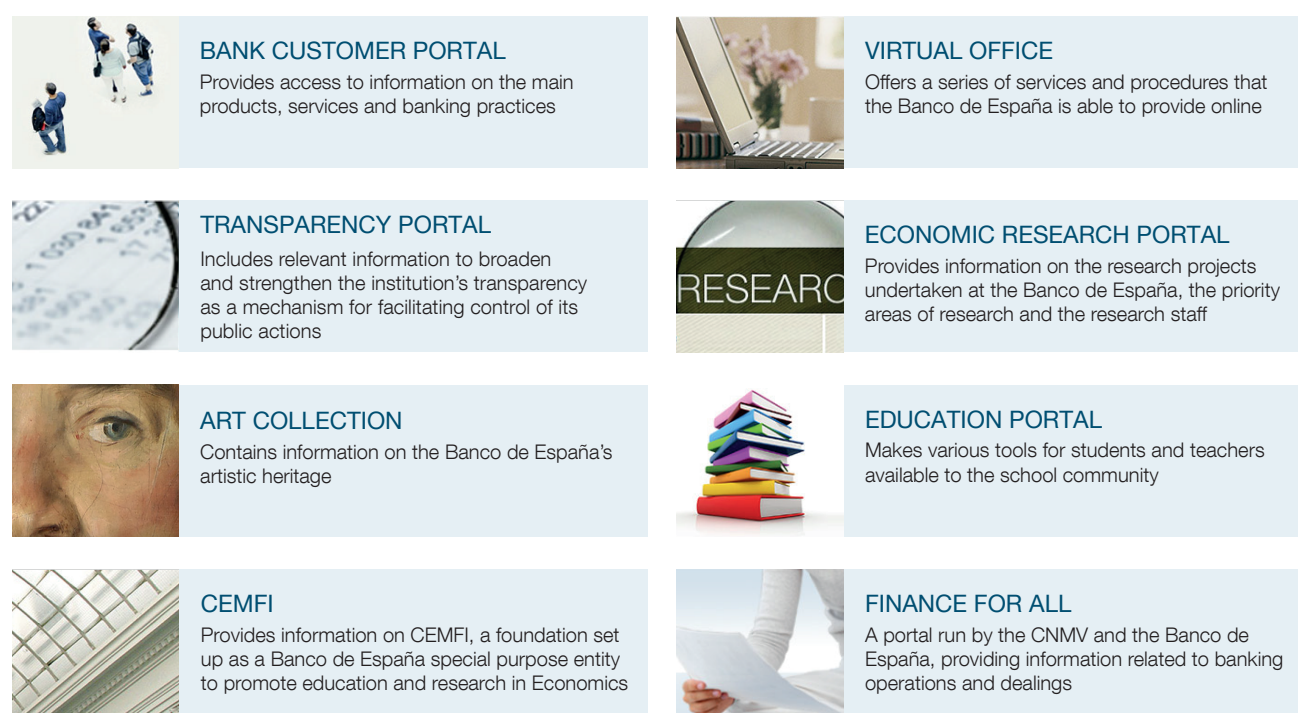
### 1.3.1 The Bank Customer Portal

The Banco de España's **Bank Customer Portal** is a **source of information and financial education intended specifically to help the public in their dealings with banks**. It offers information on the main banking products, services and practices, and provides very helpful tools and resources for the most common banking procedures.



Figure 3.1

## THE BANCO DE ESPAÑA'S PORTALS



SOURCE: Banco de España.

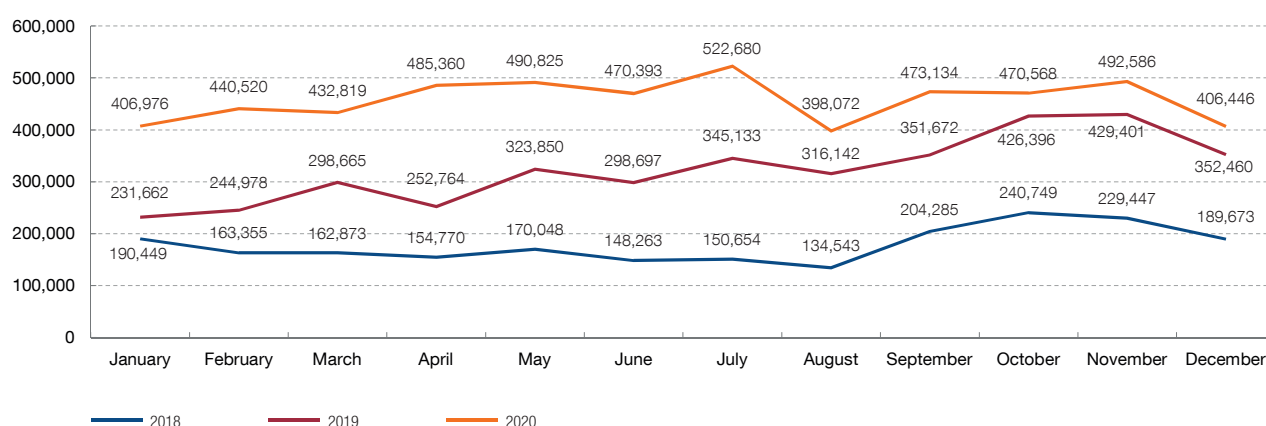
The portal is currently split into **four sections**. The first includes information on the characteristics of the most common banking products and services, and features two specific sub-sections: one for SMEs and the self-employed and another for inheritances. It also includes information relating to, among other things, fees and interest rates. The second section, “We can help you”, is designed to assist the public, helping them to channel any enquiries or complaints and equipping them with tools, such as calculators and financial simulators. The third section is dedicated to financial education and related initiatives, with various multimedia resources. Lastly, the fourth section covers particularly topical issues in blog format, with a variety of frequently updated posts.

The redesign of the portal continued in 2020, incorporating the latest technology, while the sections and content were also restructured. For instance, the interest rate tables, the various sections (inheritances, fees, etc.) and simulators were all updated. The **production of brief informational videos** continued, as did use of **the blog (132 posts in 2020)** to bring the banking world closer to the general public in straightforward and user-friendly language.

All of which kept **visitor traffic to the portal on a rising path**, reaching a record of over **five million visits in 2020 (5,490,379; up 41.80% on the previous year)** (see Chart 3.2).

Chart 3.2

## VISITS TO THE BANK CUSTOMER PORTAL



SOURCE: Banco de España.

The most popular pages were those containing the simulators (mortgage loans, personal loans, instalment calculator, rate of return, APR, etc.) and the legal interest rate tables. In the “Blog” section, the most popular posts during the year concerned day-to-day banking operations in relation to the pandemic: “What happens if an account holder dies?”, “COVID-19 Loans: Moratorium on payment of fees” and “How to cash a cheque”.

The projects for 2021 aim to increase the visibility of the portal, including more prominent access from the Banco de España [website](#), the development of two new simulators, ramping up the use of interactive content and automating data uploads to the interest rate tables. The aim is to keep the portal on the growth trajectory of previous years and to consolidate its standing as a benchmark for all banking service users.

### 1.3.2 The Transparency Portal

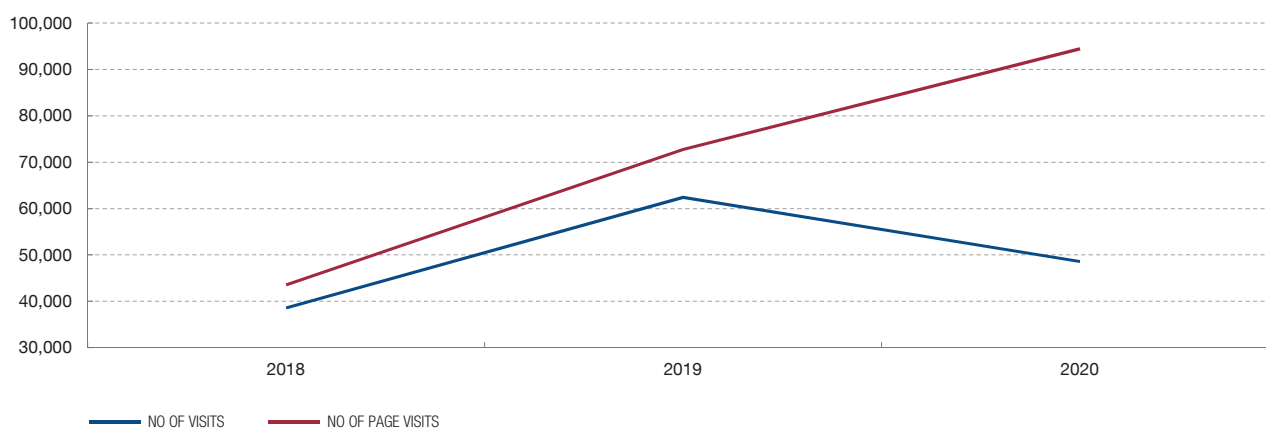
The [Transparency Portal](#) is where the Banco de España regularly publishes up-to-date and relevant information with a view to boosting and fostering access to public information for all citizens.

In addition to the information stipulated in the Law on Transparency, the Banco de España’s Transparency Portal also publishes other content deemed to be of interest to the public. This information is structured into the following sections:

- **Institutional and planning information:** this section provides essential information on the Banco de España, what it does, how it is organised and

Chart 3.3.

## VISITS TO THE TRANSPARENCY PORTAL



SOURCE: Banco de España.

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.

- **Legally relevant information:** this section aims to facilitate 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, and documents issued by international organisations within the framework of collaboration with the Banco de España.
- **Economic information:** this section deals with economic, budgetary and statistical information and the use of public funds. It contains information relating to contracts, agreements, management delegation agreements, cultural and social work, budget management, annual accounts, salaries of members of governing bodies and senior directors, conflicts of interest of public employees, fixed assets, official vehicles and the institution's historical and artistic heritage.

Chart 3.3 shows developments in the number of visits to the Transparency Portal, along with the number of page views.

Table 3.1

**MOST VIEWED PROCEDURES AND CONTENTS**

Requests for credit reports from the CCR	1,471,998 page views (40% of the total)
Reporting by residents in Spain on cross-border economic transactions and balance of external financial assets and liabilities (ETE form)	174,487 page views (5% of the total)
Exchanging pesetas for euro	163,606 page views (4% of the total)
Submitting claims, complaints and enquiries	158,956 page views (4% of the total)
Certificates and electronic access	66,887 page views (2% of the total)
Service to the general public during the COVID-19 crisis. Appointments	55,138 page views (1% of the total)
Electronic register: general information, technical requirements and instructions	47,456 page views (1% of the total)
Complaint against an institution over information reported to the CCR	32,105 page views (1% of the total)
Changing euro banknotes and coins for other denominations	24,137 page views (1% of the total)
Obtaining electronic certificates for dealings with the Banco de España	16,876 page views (0.5% of the total)
Registration of real estate credit intermediaries and real estate lenders	14,277 page views (0.4% of the total)
Submission of documentation through the Electronic Register	12,028 page views (0.3% of the total)
Checking suspected counterfeit banknotes and coins	11,029 page views (0.3% of the total)

**SOURCE:** Banco de España.

## 1.4 The Virtual Office

**The Banco de España's Virtual Office is available to all users wishing to conduct business with the Bank online.** Each year the range of business that may be conducted online has broadened (requests for reports, filing of declarations, claims, complaints, enquiries, etc.). Likewise, the services offered have improved and developed. The Virtual Office provides members of the public, businesses, financial institutions and administrations with a secure digital environment in which to conduct their business swiftly, effectively and efficiently.

In 2020, **24 new procedures** were added to the Virtual Office, bringing the total number of electronic procedures to **105**. This significant increase in the number of

procedures available to citizens owed largely to the health crisis prompted by COVID-19, which necessitated greater facilities for conducting business online.

The **number of visits** to the Virtual Office rose by 43% in 2020, up to a total of **1,744,101**.

Among the **most-visited sections of the Virtual Office** are: Procedures (containing an alphabetical list of all of the processes and services offered), with 55% of visits; Citizens, with 29%; Public Authorities, with 9%; Companies, with 5% and Financial Institutions, with 3%. During 2020 a total of 491,368 files were downloaded from the website. In addition, 3,706 general enquiries relating to the website were handled via e-mail.

## 1.5 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 3.2 and Chart 3.4 show, in 2020 the total number of documents submitted in-person to the Banco de España's registers declined on account of the lockdown and other restrictions prompted by the COVID-19 crisis. However, excluding those documents, the total number of filings in the Electronic Register was significantly higher in 2020 than in previous years, doubling the figure recorded in 2019. In addition, the Electronic Register was adapted to support the submission of documents through general webpage access and to allow all procedures appearing in the Virtual Office to be completed online.

In recent years, the volume of outgoing documentation from the Electronic Register has been very high (see Table 3.3 and Chart 3.5).

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

Over the course of 2020, the Banco de España's **general information desk handled 1,791 enquiries**. This represented a decline on previous years since the service was suspended from 16 March to 8 June as a result of the lockdown (see Table 3.4).

Following the introduction of certified digitisation in the Central General Register and at the branch offices, in 2020 a total of **99,677 documents (571,301 pages) were**

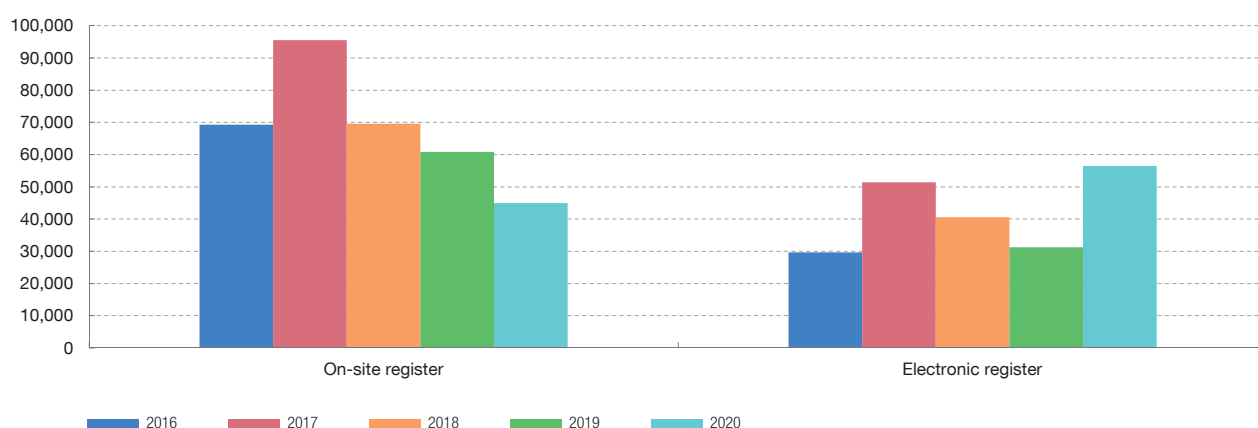
Table 3.2

**REGISTERS, INCOMING**

	2016	2017	2018	2019	2020	Year-on-year change (2019-2020) (%)
On-site register	69,232	95,427	69,539	60,786	44,865	-26
Electronic register	29,539	51,342	40,505	31,170	56,392	81
<b>TOTAL</b>	<b>98,771</b>	<b>146,769</b>	<b>110,044</b>	<b>91,956</b>	<b>101,257</b>	<b>10</b>

SOURCE: Banco de España.

Chart 3.4

**REGISTERS, INCOMING**

SOURCE: Banco de España.

**digitised.** In addition, this work process optimisation makes it possible to identify, catalogue and include in the corporate document manager all documentation that is frequently used by the different administrative units. The aim is to create electronic records, thereby eliminating the use of paper documents and driving progress towards the paperless office.

**Migration to a new document management platform (COSMOS)** was concluded in 2020. This single repository allows documents to be processed according to uniform criteria. The deployment of COSMOS achieved the objective of streamlining the number of applications required to manage documents. It allows users to work in a single environment and enhances day-to-day operations for the administrative units, in terms of both internal processes and most of the procedures relating to third parties, thanks to its integration with the Electronic Register. This integration and its technological infrastructure mean that the Banco de España can conduct procedures more swiftly, while also facilitating its day-to-day activity and helping to drive its digital transformation.



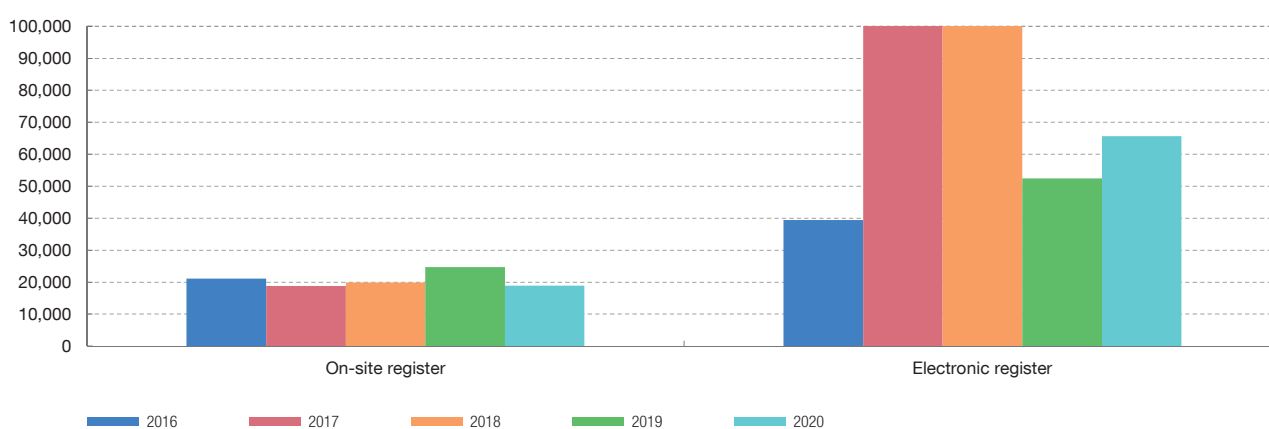
Table 3.3

**REGISTERS, OUTGOING**

	2016	2017	2018	2019	2020	Year-on-year change (2019-2020) (%)
On-site register	21,024	18,763	19,817	24,705	18,898	-24
Electronic register	39,430	102,249	102,598	52,398	65,644	25
<b>TOTAL</b>	<b>60,454</b>	<b>121,012</b>	<b>122,415</b>	<b>77,103</b>	<b>84,542</b>	<b>10</b>

SOURCE: Banco de España.

Chart 3.5

**REGISTERS, OUTGOING**

SOURCE: Banco de España.

Table 3.4

**ON-SITE INFORMATION DESK**

	2016	2017	2018	2019	2020	Year-on-year change (2019-2020) (%)
Information requests	5,092	4,054	3,275	3,955	1,791	-55

SOURCE: Banco de España.

## 1.6 Other services to the public

This section sets out various aspects relating to the rights that citizens may exercise in their dealings with our institution, such as the right to access public information and those concerning personal data protection.

### 1.6.1 Citizens' right of access to public information

Any individual may request access to the **public information held by the Banco de España**. In other words, citizens can request access to the content or documents, whatever their format or medium (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. The procedure and requirements for requesting such information are explained in the [Virtual Office](#).

Notwithstanding the foregoing, the right of access to information is subject to certain limitations, regulated by the Law on Transparency, with the purpose of protecting other public or private interests or property. The Banco de España is also subject to a specific legal regime on secrecy,<sup>1</sup> pursuant to which the activities it performs in the exercise of its functions are confidential and may only be disclosed in certain circumstances.

It should be noted that not all requests end in a resolution granting or denying access to the requested information. The Banco de España is not always the competent authority to grant the requests, which are therefore referred to the pertinent authority. In other cases, the Banco de España does not possess the requested information and nor does it know which authority may hold it, and therefore it refuses the requests. Requests are also refused where any of the grounds for refusal set out in the Law on Transparency apply. Lastly, in other instances the applicant, for a variety of reasons, decides to abandon their request or fails to rectify shortcomings identified therein, and therefore the request is closed (withdrawn).

Figure 3.2 sets out the main steps in the processing of requests for access to information.

In 2020, members of the public submitted **45 requests for access to information** held by the Banco de España, representing a decline in the number of requests processed compared with the two previous years (see Chart 3.6).

A wide variety of information was requested by the public, most notably information on contracts entered into by the institution and supervisory matters, such as penalties imposed and the resolution of institutions. Of the 45 requests submitted, in 28 instances the Banco de España issued a decision to grant or refuse access:<sup>2</sup> ten requests were accepted in full (36% of the resolutions analysing the merits of the request), seven were partially accepted (25%) and 11 were rejected (39%). The main reason for refusing access was the confidential nature of the information requested,

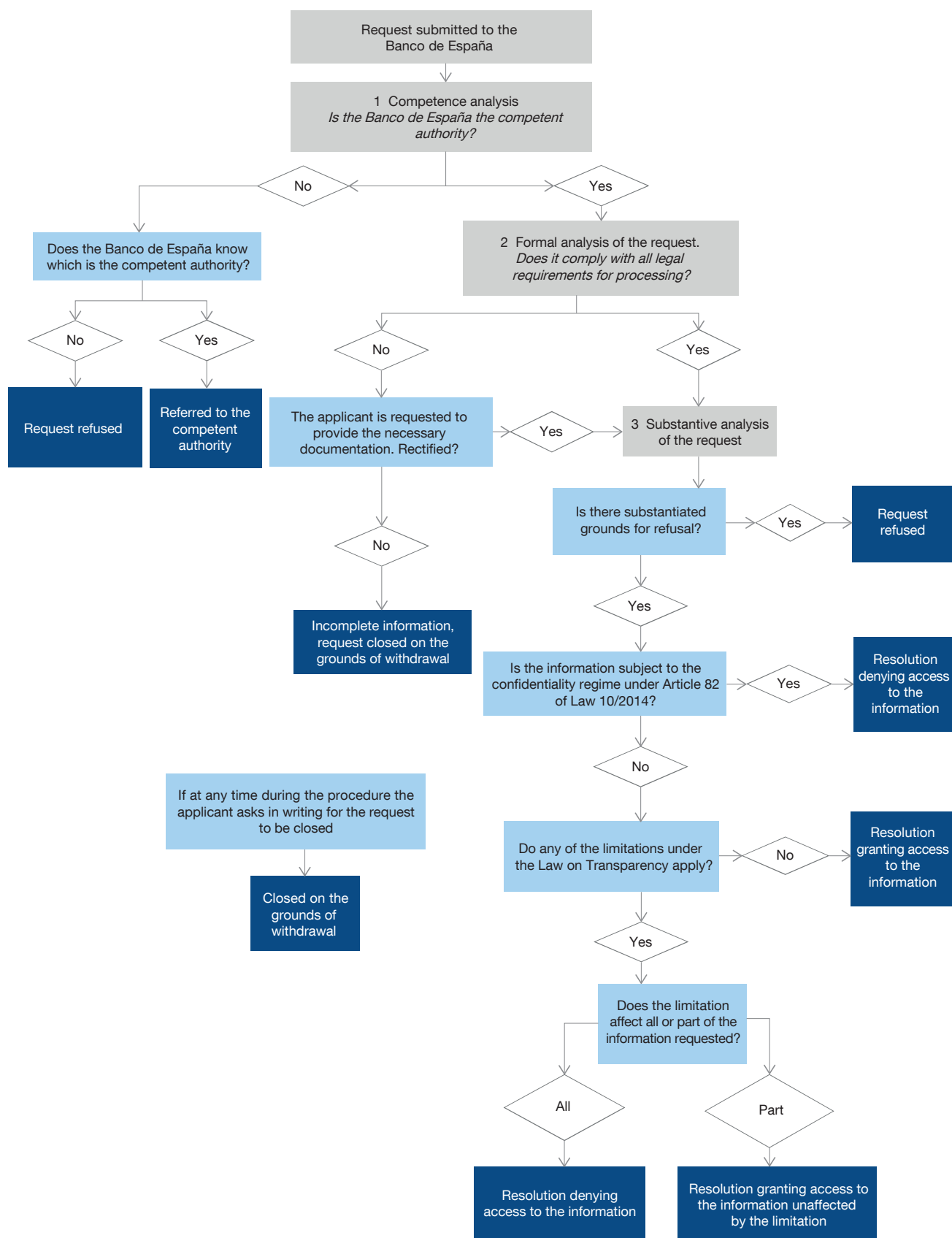
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1 Article 82 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions.

2 At the time of publication of this report, two requests were pending resolution.

Figure 3.2

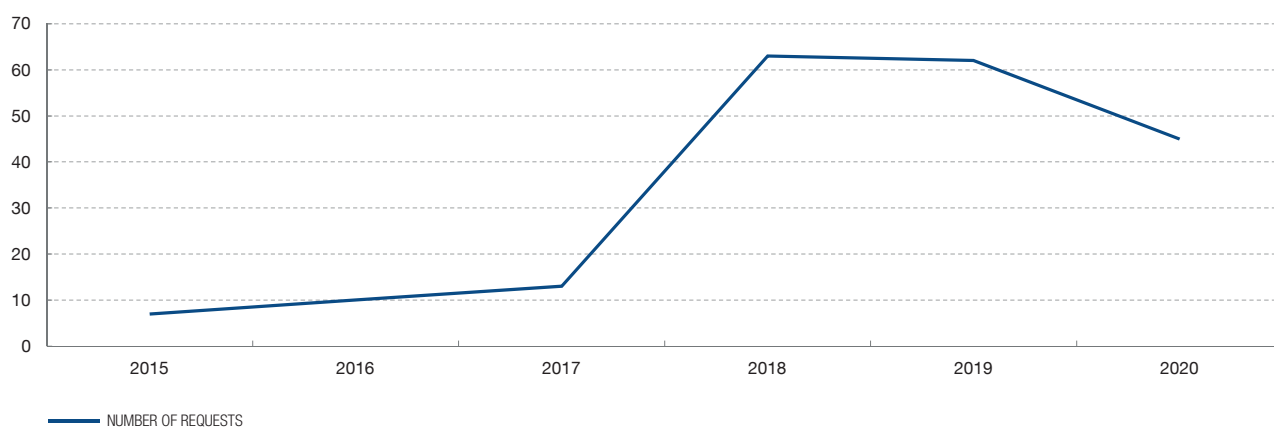
## MAIN STEPS IN THE PROCESSING OF REQUESTS FOR ACCESS TO INFORMATION



SOURCE: Banco de España.

Chart 3.6

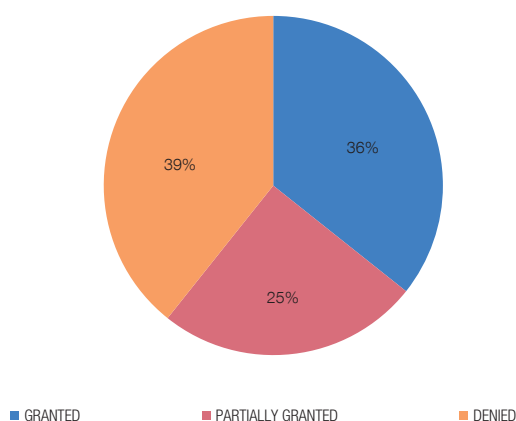
### REQUESTS TO ACCESS PUBLIC INFORMATION



SOURCE: Banco de España.

Chart 3.7

### RESOLUTIONS GRANTING OR DENYING ACCESS



SOURCE: Banco de España

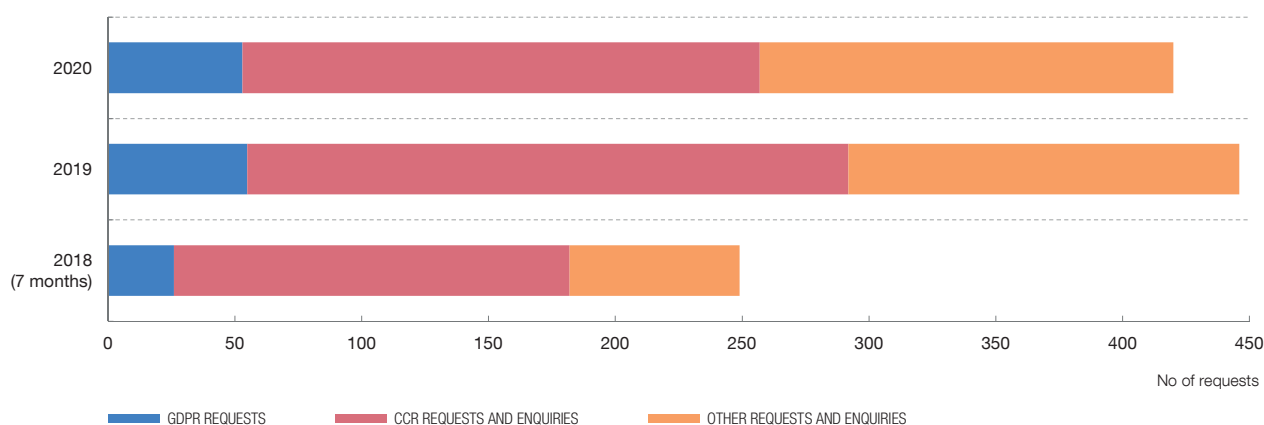
typically owing to the documentation being obtained by the Banco de España in the exercise of its supervisory function (see Chart 3.7).

## 1.6.2 Personal data protection

The Banco de España has a data protection officer. Acting as such, this officer advises on and supervises personal data processing by the Banco de España, in addition to handling and settling [applications for the exercise of rights](#) with respect to the personal data processed by the institution (except for the data processed by

Chart 3.8

## REQUESTS RELATING TO DATA PROTECTION



SOURCE: Banco de España.

the Central Credit Register (CCR)). This officer likewise acts as the liaison with both the Spanish Data Protection Agency and the general public.

In 2020, **420 requests were received through the channels provided** by the Banco de España for exercising data protection rights, consolidating the high number of requests processed in 2019 (446) and from 25 May 2018 (249), when the General Data Protection Regulation (GDPR) came into force. However, most of the requests referred to personal data recorded in the CCR. Accordingly, it was explained to the requesting parties that rights relating to such data should be exercised pursuant to the sectoral legislation applicable to the CCR,<sup>3</sup> and not under the general procedure provided for in the GDPR. General enquiries unrelated to data protection were also received, in relation to the services provided by the institution.

Chart 3.8 details the requests received through the channels enabled by the Banco de España for the exercise of data protection rights since the entry into force of GDPR.

Since May 2018, when the GDPR came into effect, **citizens have filed nine complaints with the AEPD** in relation to alleged breaches of data protection legislation in the Banco de España's processing of personal data. **All resolutions issued by the Agency have been in the Banco de España's favour.**

<sup>3</sup> Article 65 of Law 44/2002 of 22 November 2002 on financial system reform measures, implemented by Banco de España Circular 1/2013 of 24 May 2013 on the Central Credit Register.

## 2 FINANCIAL EDUCATION

International organisations increasingly argue that public authorities need to engage in promoting financial education. **Financial education is perceived as a pillar of consumer protection and, ultimately, of the stability of the financial system, enhancing the relationship between the suppliers and users of financial products.**

From this standpoint, the **interaction between the supervision of conduct**, financial education and efforts to drive financial inclusion must guarantee comprehensive protection for the consumers of banking products, while laying the foundations for sustainable growth. Accordingly, financial education is unquestionably a core component of the handling of citizens' enquiries and the resolution of complaints addressed in Section 6 of Chapter 2 of this Report.

This is factored into the Banco de España's Strategic Plan, which includes an ambitious financial education initiative aiming to: enhance the structures through which the Banco de España pursues its activity; extend the scope of its educational outreach to include groups such as primary school pupils, university students not studying finance or economics and vulnerable groups; and bring its financial education closer to opinion formers and journalists.

To this end, the Banco de España coordinates the efforts of various areas that have a financial education component, leading to initiatives such as the Financial Education Plan, the Bank Customer Portal, the Central Banking and Supervision Programme and training courses on banknotes and coins.

### 2.1 Financial Education Plan

A significant share of the Banco de España's financial education activity continues to be organised as part of the **Financial Education Plan, which has been run jointly with the National Securities Market Commission (CNMV, by its Spanish acronym) since 2008**, alongside a good many public and private partners.

In 2020, the restrictions on movement and on public events heavily influenced the planning of educational and institutional activities, the bulk of which had been attendance-based events. Conducting this activity virtually meant that there was barely any impact on the quality or quantity of the events. Further, and this is excellent news, it has demonstrated that these virtual events are able to reach a greater number of citizens and, as a result, they have now been included as operational components of the plan itself.





The final of the Financial Literacy Competition was broadcast live, together with the other events programmed to celebrate Financial Education Day.

The **School Programme**, which provides secondary schools with a series of educational resources and learning materials, has remained fully operational. For instance, the support and guidance manuals provided to teachers were comprehensively revised in 2020. A total of **517 schools registered** for the latest edition (2019/2020 school year), continuing the upward trend of recent years. This was a particularly significant figure in an academic year that was badly disrupted by health recommendations that forced schools to close. By region, the highest levels of participation were in Madrid, Andalusia and Aragon.

The **Financial Literacy Competition** also attracted a great deal of interest, with **433 schools** signing up. The competition had to be redesigned given that travel was impossible and to accommodate the health recommendations and limitations on attendance. The dates were therefore changed to coincide with the reopening of schools for the 2020/2021 academic year and the competition was held online, all while maintaining the quality of the competition and keeping the contestants motivated.

The final was broadcast via live-streaming, together with the rest of the main event to celebrate **Financial Education Day** on **7 October 2020**. More than 350 viewers followed the event live, which included speeches from the Third Deputy Prime Minister and Minister for Economic Affairs and Digital Transformation, the Minister for Education and Vocational Training, the Governor of the Banco de España and the Chair of the CNMV. The event has now been viewed more than 3,400 times.

The central theme of Financial Education Day was “**Responsible finance, finance for all**”, following the Organisation for Economic Co-operation and Development’s recommendation to national authorities to raise awareness among the general public of the importance of managing personal finances through budgeting, proper debt management and protection against scams and fraud.

The 260 activities programmed for Financial Education Day were organised by both the institutions behind the plan (the Banco de España and the CNMV) and their increasingly numerous partners. There were also awareness-raising initiatives on social networks, on the radio and in the written media, while the free telephone helpline (900 545 454) was reinforced.

The **Finance for All awards** were presented as part of the main event to celebrate Financial Education Day. The Institute for Financial Studies (Instituto de Estudios Financieros) deservedly received the Finance for All award for the implementation of the Financial Education Plan, based on the merits of several of its projects and its important educational work. The Barcelona City Council won the Finance for All award for the best financial education initiative, in recognition of a basic economics course aimed at vulnerable groups.

In terms of communication, in 2020 the logo of **Finance for All** (the Financial Education Plan’s flagship initiative) was redesigned to make it more dynamic and modern.

Work is also ongoing to renovate the [www.finanzasparatodos.es](http://www.finanzasparatodos.es) website. In addition to the usual content, such as the latest news and developments, a new set of useful tools will be made available to users, such as budgeting applications and simulators to help manage personal finances.

Another major milestone for the Financial Education Plan in 2020 was the signing of **new and significant cooperation agreements**. First, in the general government



The Finance for All image was redesigned for a more modern and dynamic look.



The Governor of the Banco de España, Pablo Hernández de Cos; the Minister for Education, Isabel Celaá; and the Chair of the CNMV, Sebastián Albella, at the signing of the renewal of the Ministry of Education and Vocational Training's accession to the Financial Education Plan.

sphere, the existing agreement with the Ministry of Education and Vocational Training was renewed, which will undoubtedly ensure the continued advancement of education for young people. Second, in 2021 a cooperation agreement was entered into with the Ministry of Consumer Affairs, which will ensure the wider dissemination of financial education among consumers, particularly among the most vulnerable groups. Lastly, the range of partners grew further to include, among others, the Complutense University of Madrid and the Red Cross, which will undoubtedly mean that financial education will reach a wider audience. A total of 44 public and private institutions are now participants in the Financial Education Plan.

## 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. In 2020, these educational initiatives organised by the Banco de España reached more than **15,000 members of the general public** who participated in the different educational programmes on central banking.

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** which are run 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 dialogue and, as the statistics show, help reinforce their trust in the Banco de España.

Another important pillar of this programme is the **Generation €uro Students' Award** competition on monetary policy, organised by the Banco de España and ten other euro area central banks for students in upper-level secondary education and vocational training. Despite the exceptional public health circumstances that schools have had to face, **1,830 students** took part in the tenth edition of the competition, consolidating registration for Generation €uro as an annual academic tradition for some schools.

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 2020 it recorded 34,605 visits and more than 388,254 page views**, doubling the figures of the previous year owing to COVID-19 driving up the use of online information.

Lastly, the Central Banking and Supervision Programme includes **institutional and school visits**. In March 2020 the Banco de España decided to temporarily suspend visits to its head office and its regional branch offices until further notice, as a preventive measure in response to the spread of COVID-19. Despite that interruption, which took place in the middle of the 2019/2020 academic year, it welcomed **more than 11,000 visitors**. As part of an undertaking to open its doors to the general public, the Banco de España offers these guided tours free of charge.



Teachers' day, organised as part of the ninth edition of the Generation €uro Students' Award.

## 2.3 Euro banknotes and coins training programme

One of the objectives of financial education is to boost knowledge of the characteristics and security features of banknotes and coins, contributing to the fight against counterfeiting. In 2020 the Banco de España continued its awareness-raising work in this area, providing training to nearly 6,000 specialist agents and members of the education community.

Among the most prominent attendance-based courses aimed at professional cash handlers, merchants and other professionals are “Manual cash selection”, “Get to know the euro” and “The euro: security features and legal safeguards”. Most notable among those aimed at the education community are “Educational workshops on euro banknotes and coins”, which are intended primarily for secondary education students.

In addition, owing to COVID-19 ruling out the possibility of classroom training, for the first time the Banco de España provided this **training through videoconferencing**. **More than 500 external users** followed the courses, half of whom belonged to the education community, in addition to professional cash handlers and others.

Various online activities were run through the Banco de España’s training platform and via training content provision agreements. Also noteworthy in 2020 was the first agreement entered into with a leading firm in the Spanish distribution sector, under which the online course “Get to know the euro” (on the security features of banknotes and coins) was included in the catalogue of training available to its more than 80,000 employees.

### 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**, which are publicised in detail on its website.

Thus, as part of the **Banco de España's Research Plan**, in 2020 four research fellows in economics and finance joined the institution: three in the Directorate General Economics, Statistics and Research and one in the Directorate General Financial Stability, Regulation and Resolution.

In addition, in 2020 11 research assistants joined the following areas: International Economics and Euro Area (one), Macroeconomic Analysis and Monetary Policy (two), Structural Analysis and Microeconomic Studies (five), and Economic Developments (three).

Further, in October 2020 a new call was published for research fellows in economics and finance.

In 2020 the Banco de España granted five scholarships for further studies abroad and for official master's degrees in Spain in the 2020/2021 academic year, with the possibility of renewal for a further year. These scholarships are intended for university graduates and, in exceptional cases, for students in their final degree year. In view of the success of recent rounds in terms of candidate quality and quantity, in December 2020 a new call was published for up to ten scholarships for the 2021/2022 academic year.

Lastly, for some time the Banco de España has run a set of initiatives aimed at **promoting economic history research**, especially in the areas of finance and banking, and particularly research conducted using the Banco de España's own documentary archive. To further this initiative, a new call for applications for research grants in economic history was published in December 2020. This is an annual programme and includes subsidies for activities that will commence in 2021.



## 4 ARTISTIC, HISTORICAL AND BIBLIOGRAPHIC HERITAGE

### 4.1 Art collection

The Banco de España's Strategic Plan 2024 envisages the need to design an institutional social responsibility plan with initiatives to make the institution's historical-artistic heritage available to society at large. Two initiatives that took place in 2020 were included in this framework: the joint presentation of the ***catalogue raisonné (annotated catalogue) of the Banco de España's art collection*** and the art collection portal. These two complementary projects have a common objective: to bring to light much of the extraordinary artistic heritage that our banking institution has assembled over its near 250-year history and to make it available to the public.

Both initiatives represent a substantial shift in how the Banco de España disseminates its artistic heritage; hitherto, access to the collection had largely been restricted to the major masterpieces and preferably through print-based media that, as specialist publications, had a small readership. The online presentation of the initiatives took place on 22 October 2020, attended by the Governor and the Director General Services. Nearly 200 people from the world of culture were also present, including artists, museum directors, specialist media and various institutional heads.

**The *catalogue raisonné* is the result of rigorous and meticulous study of much of the Banco de España's art collection** and provides comprehensive and reliable information on each of the comprising works.

**The new publication has been conceived as an extension and review of the catalogue of 322 paintings published in 1985.** The Banco de España collection has expanded over the past three decades, making it necessary to conduct in-depth and rigorous research into all of the new works acquired during that time. The catalogue was also extended to disciplines not previously included, while the findings of the last investigation conducted in 1988 were updated. In the current edition, the field of study has been broadened to encompass sculpture, drawings and photography, leaving the decorative arts and the collection of prints for future research.

**The end result is a three-volume catalogue with a total of 1,400 works by nearly 500 national and international artists.** The publication contains high-quality reproductions of each work accompanied by historical and artistic documentation and critical annotations made by a total of 22 experts, along with biographies of the portrait subjects and of the artists featured in each volume.



The digital version of the *catalogue raisonné*, which includes much of the Banco de España Collection, is available through the website.

A digital version has been created together with the print edition. Both have been distributed through specialist and professional media (museums, arts venues, libraries universities, etc.) to support the dissemination and study of this public collection and allowing it to be enjoyed by specialists, art lovers and the general public. To further the dissemination of this work, the Banco de España has made available a PDF version of all three volumes, which can be downloaded free of charge from its website. A summary of the catalogue contents is included in Box 3.1.

Another step forward in our commitment to opening the Banco de España's art collection to the general public was the launch of our **first art collection portal** (<https://coleccion.bde.es/wca/es/>), where visitors can find the full contents of the *catalogue raisonné*, together with new sections and information such as those on the Banco de España's architecture and history.

The art collection portal has been carefully designed and meets all accessibility requirements, allowing visitors to enjoy its abundant content simply, conveniently and intuitively. With around **1,700 works of art** (over 20% more than the *catalogue raisonné*), the website provides information on other disciplines represented in the Banco de España Collection, such as decorative arts and graphic arts. **Specific fact sheets** are available for each of the reproduced works, featuring high quality

### THE CATALOGUE RAISONNÉ OF THE BANCO DE ESPAÑA'S ART COLLECTION

The *catalogue raisonné* (annotated catalogue), which is available for free download from the art collection portal (<https://coleccion.bde.es/wca/es/secciones/publicaciones/Catalogo-razonado-Coleccion-Banco-de-Espana.html>), comes in three volumes:

**Volume I** includes the section on the classical art collection: 263 works of art dating from the 15th century until the early decades of the 20th century. This volume begins with the institutional portrait gallery, comprising more than 100 portraits of the directors, governors, monarchs and heads of State who have shaped the history of this banking institution from the end of the 18th century to the present day. In the words of Javier Portús, chief curator of Spanish Painting at the Prado Museum and author of the two essays included in this volume, it is “one of the finest collections in existence for studying developments in official portraiture in Spain since the end of the Modern Age and throughout the Contemporary Age”.

In addition to the portrait gallery, this volume contains more than 100 exceptional works of art, including paintings such as *The Virgin of the Lily*, the baroque still lifes by Juan Van der Hamen, the flower paintings by Juan de Arellano and the two architectural “caprices” by Vicente Giner. The last chapter of Volume I brings together

a varied set of works by artists who were largely active in the first half of the 20th century, most notably the landscape and still life works by Beruete, Casas, Rusiñol, Palencia and Cossío.

In addition to high-quality reproductions, cataloguing data and notes on the artworks, the volume includes contributions by Javier Portús, Yolanda Romero and Isabel Tejeda. The translations into English appear at the end of the volume.

**Volumes II and III** draw together the more than 1,100 works of art which currently make up the Banco de España's contemporary collection. These comprise 80% of the catalogued collection and largely consist of Spanish art produced from the 1950s to the present day. The transition to democracy in Spain coincided with a dramatic increase in the institution's collection, driven by a major acquisition programme focusing on contemporary Spanish art, which took place under Luis Ángel Rojo, first as Deputy Governor and then as Governor, and the curator of the collection José María Viñuela. In Volume II, readers will find a conversation with José María Viñuela, curator of the Banco de España between 1982 and 2015, which analyses the milestones marking the creation of the contemporary collection.

images and **explanatory texts** by various specialists, with a view to fulfilling the dissemination and research function for which the website was conceived. Among the portal's other features is the **Itineraries** section. Here, users can browse the collection through narratives created by different authors, who select the pieces and interrelate their content to create small-scale exhibitions or online itineraries.

The website also offers information on the institution's cultural activities through its **newsletter**, making this an open channel of communication between the Banco de España and users.

Completing the efforts to disseminate the Banco de España's artistic heritage are the **temporary loans of artworks**. This year just three artworks were loaned from our facilities, which went to two national exhibitions: *The God of the Fruits* by Gabriel Morcillo went to the “Orientalism” exhibition at the Institut Valencià d'Art Modern, and two photographs by José Guerrero were sent to the Vimcorsa Gallery in Cordoba for the “José Guerrero. 2002-2020” exhibition.

## ART COLLECTION PORTAL

The website, whose contents are optimised for all devices (computer, mobile or tablet), has five main sections:

**“About us”** examines the collection’s origins, history and characteristics, in addition to one of the Banco de España’s most valuable cultural assets: its architectural heritage.

**“Collection”** includes around 1,700 works by nearly 500 artists. Each of the pieces reproduced comes with specific fact sheets featuring high-quality images and explanatory texts. The zoom feature allows users to examine finer details with excellent image quality.

The works in this section are presented in seven main categories (“Artists”, “Sculpture”, “Painting”, “Drawing”, “Photography”, “Graphic arts” and “Decorative arts”) that will be constantly updated. There is also a more cross-disciplinary category, “Itineraries”, which presents carefully selected works from our collection in a series of unique and educational compilations. These itineraries are curated by external experts and function as “virtual exhibitions”, providing a fresh take on our collection.

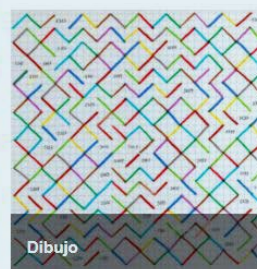
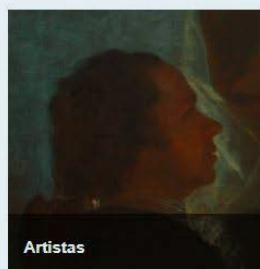
**“Exhibitions”** offers information on the different exhibitions – past, present and future – organised by the Banco de España Collection.

**“Publications”** provides information on the various Banco de España Collection publications, including the three volumes of its *Catalogue Raisonné*. Users can download PDF files of the publications free of charge.

The **“News”** section features the latest news on relatively unknown and interesting aspects of the Banco de España Collection. It also features a list of categories, allowing users to search news items by specific topics or themes. It functions as a blog of sorts, with the various posts appearing chronologically, from newest to oldest.

**General sections:** in addition to the dedicated sections, a series of general sections offers information on the services provided by the Banco de España Collection, along with the accessibility specifications of the website and other technical and legal aspects.

## Categorías



As part of an undertaking to bring its historical-artistic heritage within the public's reach, the Banco de España has launched its first art collection portal.





View of the “Orientalism” exhibition at the Institut Valencià d’Art Modern.

One of the Banco de España’s primary responsibilities with regard to its artistic heritage is **conservation**. In addition to the day-to-day preventive conservation to minimise potential risks, 23 restorations of varying scope were performed in 2020. Six of these restorations were performed under the cooperation agreements (renewed in 2020) with the Prado Museum and the Reina Sofia Museum. These included restorations of such renowned works as *Charles III* by Mariano Salvador Maella, restored at the Prado Museum’s studios, and *Homme couché et femme assise* (1942) by Pablo Picasso, restored at the Reina Sofia Museum’s studios.

The **cataloguing of the Banco de España’s collection of historic clocks** was completed in 2020. That research work was performed by Amelia Aranda, a curator at Patrimonio Nacional. Focusing on the history, technical characteristics and condition **of a total of 106 clocks**, the expert set each piece in context by means of explanations, technical datasheets and detailed information. Lastly, it should be noted here that all of this information has been digitised and disseminated through the art collection portal.

Finally, as part of its patronage of the arts, the Banco de España has **added 12 works of modern art to the collection**. The new additions include a tapestry by the artist Patricia Esquivias. To mark the centenary of the publication of the book *La Meseta. A Study in Spanish Economic History, 1273-1836*, by Julius Klein, a copy of which is available in the Banco de España Library, Esquivias composed a piece that



*Charles III, by Mariano Salvador Maella, in the Prado Museum's restoration studio.*

connects the Banking Hall's Maumejean stained-glass skylight (in which a shepherd appears in one corner) alongside the Transhumance Festival that has been held in Madrid since 1994.

The tapestry was weaved from Spanish wool and gold thread at the Royal Tapestry Factory, in keeping with tradition for the Banco de España's art commissions and with its long-standing relationship with this institution. The Banco de España's textiles collection was also increased with the acquisition of pieces by Teresa Lanceta and Antonio Pichillá. Work by artists not hitherto included in the collection were acquired (Erlea Maneros, Rubén Grilo, Xabier Ribas, Miguel Ángel Tornero, Alejandro Campins and Leopoldo), while additional works by Berta Cáccamo, Antonio Ballester and Sara Ramo (already featured in the collection) were also added.

## 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 indispensable for understanding Spain's economic and monetary history over the last three centuries.





Tapestry weaving at the Royal Tapestry Factory (left). *Forest* (2010), by Antonio Ballester (right).

Our understanding of the Banco de España's history is deepened and enriched by the analysis and study conducted each year of its documentary heritage. This knowledge can subsequently be disseminated for use by the Bank itself and by any interested researcher or the general public. The COVID-19 pandemic had an unavoidable impact on the work and activities of the Bank's Archive during 2020, which had to be adapted to the new circumstances.

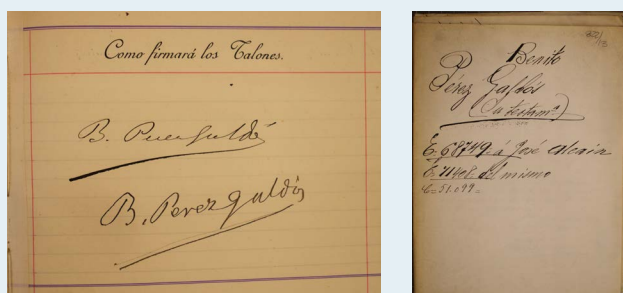
The traditional **events** organised by the Historical Archive had to be suspended in March. However, the book ***Primeras fotografías del edificio del Banco de España (1891)*** was published in early January. It features six magnificent photos, recently discovered in the Historical Archive, that were taken in 1891 to mark the building's inauguration. These hitherto unpublished photographs are of great documentary and aesthetic value, as they capture the building in its earliest days, even before construction was complete. They were taken by one of Spain's most prominent 19th century photography studios, J. Laurent y Cía, and are part of a report commissioned in March and April 1891 by the magazine *La Ilustración Española y Americana*. To further promote the finding, the book's publication was complemented during February with an in-house exhibition organised in the Historical Archive reading room, which included a tour of the building to provide a visual comparison of the present and the past. The exhibition was a great success among employees and the invited archivists and documentalists.

### BENITO PÉREZ GALDÓS AT THE BANCO DE ESPAÑA

The Banco de España's Historical Archive is a valuable resource for the study of history, both economic history and that of many other specialisations and branches of the humanities and social sciences.

In 2020, to mark the **centenary of the death of Benito Pérez Galdós (1843-1920)**, the Historical Archive searched its records for any trace of the illustrious writer at this institution. The investigation discovered that Galdós was a customer of the Banco de España; he opened a current account on 20 July 1898 with account number 14,893. Among the archives is a ledger of authorised signatures for account holders which is signed by Galdós himself. There is also a file in his name containing a copy of his will, signed in March 1919 in Madrid, which names his daughter, María Pérez y Cobián, as sole heir to his property.

Many of us remember Galdós' face, thanks in part to the popular 1,000 peseta banknote in his honour, which



Detail of the Banco de España's authorised signature ledger for 1897 and 1898, bearing the signature of Benito Pérez Galdós for account number 14,893 (left). File in the name of Benito Pérez Galdós containing the copy of his will (right).

was issued on 23 October 1979. That note was part of a new series that satisfactorily covered banknote and coin circulation needs with fewer denominations. Further, the quality and format of the banknotes made them more durable and provided safeguards against counterfeiting. Their design, which modernised the image of the banknotes, was the work of José María Cruz Novillo, the designer responsible for some of Spain's most iconic logos, including those of Correos (public postal service), Renfe (national railway company), the Treasury, the region of Madrid, the National Police and the PSOE (political party).



The 1,000 peseta banknote from 1979 features the head of Benito Pérez Galdós, based on a portrait by Sorolla, on the obverse side (left) and a landscape of the Canary Islands, the writer's homeland, on the reverse side.

During the months of lockdown the Historical Archive went to great lengths to continue providing **services to researchers**, maintaining contact with them and handling their requests for information and images whenever possible. In compliance with the Ministerial Order on the opening of archives to the public, published in the Official State Gazette of 3 May 2020, the Historical Archive reopened its doors for in-person research on 8 June. To this end, a protocol was enacted to ensure employees' safety, reducing the permitted capacity and establishing a ten-day quarantine period for documents handled by users. Since then, **more than 50 research studies** have been accommodated both online and in person. The subject areas that attracted the most interest from researchers were those relating to the

## THE HISTORY OF THE PESETA

**30 June 2021 is the official date on which pesetas will cease to be exchangeable for euros, ending the currency's more than three centuries of history.** Usage of the word “peseta” dates back to the 18th century, when it was a colloquial reference to *dos reales de plata* coins. In fact, it was probably used even longer ago than that. However, no coins bearing the name “peseta” would appear until the Peninsular War (1808-1814). The first of these, with “peseta” engraved on the obverse side, were minted in Catalonia during the French occupation of 1808-1813.

It would not be until **1868**, with the decree of 19 October, that the peseta would become the **basic unit of the Spanish monetary system** and rise to the rank of national currency. The 1868 decree aimed to establish a new system aligned with that of the Latin Monetary Union. France, Switzerland, Italy and Belgium had formed the Latin Monetary Union under a treaty signed in 1865, seeking to unify standards for the weight, fineness, diameter and exchange of the member countries' gold and silver coins. The peseta was a product of this Europeanist aspiration, but it is also inextricably linked to Spain's Glorious Revolution, which ended absolute monarchy and forced Queen Isabella II into exile in 1868. The revolution, led by progressive liberals, ushered in universal suffrage and the freedoms of religion, education, the press, assembly and association. The currency switch of 1868 was far more than an economic transition: the peseta embodied the dawn of a new era.

The image of the new currency therefore had to be representative of the incoming regime's values. An ad hoc committee was set up to design the peseta, which selected the motif of Hispania, **inspired by the Roman matrons featured on Hadrian coins**, to represent national sovereignty. The coat of arms was also altered to incorporate the ideas of liberal rationalism and to eradicate all symbols of the overthrown monarchy. Thus, the obverse side of the newly born pesetas portrayed Hispania holding an olive branch and seated, reclining or standing, depending on the metal from which the coin was stamped (copper, silver or gold, respectively). The Banco de España's **numismatic collection** holds a valuable gold medal commemorating the Provisional Government of 1868. It shows Hispania reclining against the Pyrenees, wearing a mural crown and holding an olive branch, the same motif that appears on silver coins from that period.

This impeccably crafted medal of fine delicacy was the work of the Spanish Royal National Mint engraver Luis Marchionni.

The 1868 peseta also marked the introduction of the decimal metric system, a further sign of the modernisation and standardisation of the currency. The peseta thus divided into 100 centime and 1, 2, 5 and 10 centime pieces were minted. The bronze 5 and 10 centime coins were minted two years after the decree that brought the peseta into being. Their reverse side bears a lion, whose unusual pose, with its two front paws resting on the Spanish coat of arms, prompted some confusion amongst the public, who took it for a dog. As a result, the two coins became popularly known as **perra gorda** (fat dog) and **perra chica** (small dog), respectively.



Commemorative medal of the Provisional Government, engraved by Luis Marchionni in 1868.

The first **peseta banknotes** did not come into circulation until six years after the 1868 decree had ushered in the new currency. Thus, the first peseta banknotes were issued in 1874, coinciding with another decree, in March of that year, granting the Banco de España the monopoly on the issuance of banknotes. Why it took so long for the first peseta banknotes to be issued is unknown. However, there is speculation that the technical means to make the change more quickly were lacking, and even that the Banco de España, in a gesture intended for the government, refused to issue banknotes in the new currency until it was awarded the issuance monopoly in 1874. This series of banknotes, the first ever in pesetas, bore images of the prominent Spanish artists Rafael Esteve, Juan de Herrera, Francisco de Goya and Alonso Cano.



**THE HISTORY OF THE PESETA** (cont'd)

The banknotes enjoyed a lengthy history from 1874. More than **50 different peseta banknote issuances** passed through Spaniards' hands before they were permanently withdrawn from circulation in 2002. Over the years the banknotes have borne witness and testament to the historical vicissitudes of our nation, including the Spanish Civil War, which split the country

in two. The Banco de España was likewise divided in two, with each side issuing different banknotes for the duration of the conflict.

The banknotes changed over time, in consonance with the economic and social context. The denominations and characteristics of the print series varied, as did the



100, 500 and 1,000 peseta banknotes of 1 July 1874, with the portraits of Juan de Herrera, Francisco de Goya and Alonso Cano, respectively. These belonged to the first issuance of peseta banknotes.

circulation and physical appearance of the banknotes, whose motifs reflected the shifts in political regimes, schools of thought, fashions and social trends. The materials and security features also underwent enormous change, in step with the unrelenting fight against counterfeiting.

The banknotes of the later issuances (from the 1970s and 1980s and dedicated to prominent figures from the arts, literature and politics) remain in living memory. Many will remember their parents or grandparents handing them a 100 peseta banknote bearing the face of Manuel de Falla or the 1,000 peseta bill featuring Echegaray. So too will they recall making countless

payments using the 1,000 peseta bill portraying Galdós, the 2,000 peseta note with Juan Ramón Jiménez and the 200 peseta note showing Clarín. Nor can we forget the 500 peseta banknote featuring Rosalía de Castro, both for its interesting design and as the first Spanish banknote to portray an illustrious woman who was not a member of the monarchy. The last issuance before the introduction of the euro was illustrated with American themes, commemorating the fifth centenary of the discovery of America in 1992. Hernán Cortés, Pizarro, Celestino Mutis, Jorge Juan and Christopher Columbus were the last personages to appear on peseta banknotes before their permanent withdrawal in 2002.

**THE HISTORY OF THE PESETA** (cont'd)

From left to right, starting with the top row: 100 peseta banknote of 17 November 1970, with the portrait of Manuel de Falla; 1,000 peseta banknote of 17 September 1971, with the portrait of José Echegaray; 500 peseta banknote of 23 October 1979, with the portrait of Rosalía de Castro; 2,000 peseta banknote of 22 July 1980, with the portrait of Juan Ramón Jiménez; 200 peseta banknote of 16 September 1980, with the portrait of Leopoldo Alas "Clarín".



1,000, 5,000 and 10,000 peseta banknotes of 12 October 1992, bearing the portraits of Hernán Cortés, Christopher Columbus and Jorge Juan, respectively.

banknote collection and to the Banco de España as an issuer; the history of private banks in Spain – on which the Historical Archive holds a wealth of documents – and business history in general; the history of the Banco de España itself as an economic player in Spain; prominent figures from politics and finance, which are always interconnected; employee records as a source of family history; the Bank's buildings across Spain; and matters relating to life and the Bank's activity during the Civil War of 1936-1939.

In addition, the **20,000 photographs** dated between 1880 and 2010 comprising the Historical Archive Photography Collection have been **digitised**, following their analysis, identification and description over the past three years. The aim was to preserve and promote the photographs. Work has begun on a catalogue of photographs, highlighting those with the most informational, documentary and heritage value. The full set of digitised photographs will be made available to the general public and researchers through their publication in the Institutional Repository. This work will conclude the project to create a collection of historical Banco de España photographs, which has saved heretofore unknown events, people and places from being lost to obscurity and has paved the way for fresh and always interesting avenues of historical research.

In 2020, the Historical Archive conducted a study and analysis of the **banknotes of the Banco Español de San Fernando (1829-1856)** and of **the Banco de España's earliest banknotes (1856-1874)**. In total, 418 banknotes and 39 issuances were studied. The materials, which will subsequently be digitised, will be subject to various dissemination initiatives to make the rich numismatic heritage of the Banco de España (which has had the monopoly over issuances since 1874) available to the public. In 2021, a catalogue featuring the banknotes studied, along with images of these and other banknotes, will be published in the Bank's Institutional Repository.

## 4.3 Bibliographic heritage

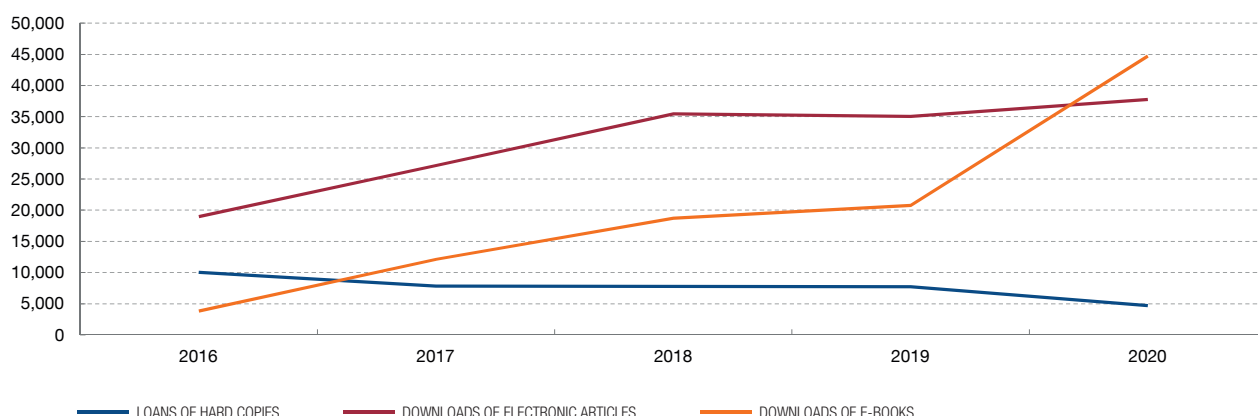
**The Banco de España Library provides a mixed service, catering to the institution's in-house needs and also offering a service open to the general public and other institutions** that may ask to use the bibliographic collections. Naturally, this latter service has been greatly affected by the COVID-19 pandemic.

Following the declaration of the state of alert in mid-March, the Banco de España decided to suspend all on-site services to the public. Until that time, the number of external users had increased slightly on the previous year. Up to 13 March 2020, the average number of external users per day the Library was open stood at 4.12, compared with 3.89 in 2019. Thereafter, external users could only be served remotely, chiefly online, since employees worked exclusively from home until September 2020.



Chart 3.9  
**LIBRARY**

LOANS VS DOWNLOADS



SOURCE: Banco de España.

The number of information requests received from the general public and external institutions declined by around 76% on the previous year. This far exceeded the drop in enquiries from employees, which were down by just 12%. Interlibrary loans, meanwhile, were down by around 46% on 2019.

**A total of 1,051 monographs were added to the collections, 43% of these in e-book format.** In 2020, in addition to acquiring perpetual access to 453 e-book titles, the Library subscribed to a collection of 14,629 mathematical titles under an evidence-based acquisition model. This permits access to the entire collection for one year and, at the end of that period, provides for definitive purchase of the titles most in demand.

Use of the collections changed considerably in 2020 owing to the pandemic-induced circumstances, with the on-site service closed between March and September and the majority of employees working remotely. Therefore, the number of hard copy book and journal loans declined by more than 40% as compared with the previous year. However, the use of electronic formats grew considerably, rising 8% in the case of electronic journals and as much as 115% for e-books (see Chart 3.9).

**As regards the Special Value Collection, an essential part of the Bank's bibliographic heritage, 33 new items were added in 2020.** Notable for their rarity and antiquity are copies of the *Book of algebra in arithmetic and geometry*, by the Portuguese astronomer and mathematician Pedro Nunes (Antwerp, 1567), and *Compilacion de todas las leyes y ordenanças del honrrado concejo de la Mesta general de Castilla y de Leon*, probably printed in Toledo around 1511. Restoration work on the Special Value Collection was delayed by the pandemic, such that work

could only be carried out on 120 copies rather than the 235 initially planned. The digitisation work was likewise affected, with 49,000 pages digitised of the envisaged 172,000. In both cases, the work commenced will be completed in the early months of 2021.

The **Institutional Repository** – a system launched by the Library to foster the conservation and dissemination of the Banco de España's publications and of the digitised works in its collection – completed its first year of operations and increased the number of publications available by more than 16% to 8,600. During this period it registered 44,716 visits and 395,811 downloads. The Repository publications are also accessible through aggregators such as Recolecta (<https://recolecta.fecyt.es/>), Open-AIRE (<https://www.openaire.eu/>) and Hispana (<https://hispana.mcu.es/>).

## 5 BENEFICENT-SOCIAL AND CULTURAL FUND

**The Banco de España's Beneficent-Social Fund (BSF) was created by virtue of Law 192/1964 of 24 December 1964 on the distribution of the Banco de España's annual profit**, which provides that the Bank may distribute certain amounts to the BSF after deducting overheads and administrative and financial expenses from its gross profit.

Under the Law's implementing regulations, the distribution to the BSF may not exceed 1% of the Bank's net profit for each year (in 2020 it amounted to 0.3%, in line with the figure adopted in recent years). Contributions made out of the BSF must go towards intellectual, cultural or social activities that are provided free of charge, in particular for economic research, financial education and socio-humanitarian purposes.

BSF support may take the form of acquisitions, contributions, donations, awards, subsidies or support of any kind, and the beneficiaries thereof may be individuals or, primarily, public or private legal entities of any kind.

This support is granted pursuant to a series of principles, namely: consistency with the aims of the BSF; the economic, social, cultural or multidimensional value of the projects; transparency; and the academic, social or cultural relevance of the beneficiaries. In the case of support for economic research, it must be awarded competitively.

The procedure for granting BSF support is as follows: applications are submitted to the Committee for the Assessment of BSF Financial Assistance, which evaluates the applications and reports on their consistency with the purposes of the BSF to the Executive Commission of the Banco de España, which is ultimately responsible for authorising the assistance.

In addition, the Committee for the Assessment of BSF Financial Assistance prepares an annual plan which details the amount available under the BSF and includes projections on aspects that should be taken into account when granting new assistance.

**In 2020, a total of €1,931,810.17 in assistance was granted.**

Information on the BSF contributions authorised and their amount is published on the **Banco de España's Transparency Portal**. Specifically, the assistance granted in 2020 was as follows:

- The heading **“support for economic analysis and research”** includes the scholarships awarded by the Banco de España to university graduates to further their studies abroad or to study official master’s degrees in Spain in subjects related to economics, along with support for research into economic history, particularly in the fields of finance and banking.

In addition, assistance was granted to the following organisations that engage in economic analysis and research: the Spanish Economic Association (AEE); the Free Association of Economics (ALdE) for its contribution to the 23rd Applied Economics Conference; the Foundation for the Study of Applied Economics (FEDEA); the British-Spanish Tertulias; and the Group of Thirty.

- Support in the **“educational and cultural activities”** category comprised contributions for the following purposes and institutions: the Spanish Royal Academy of Sciences, to sponsor the Echegaray Medal; the Carolina Foundation; the Albéniz Foundation, to continue the music studies provided at the Reina Sofía School of Music; and the Princesa de Asturias Foundation.
- The contributions to **“socio-humanitarian assistance”** in 2020 included those made to: the Spanish Red Cross; the Spanish Foundation for Combating Drug Abuse (FAD); the Spanish Cancer Association; the Association of Banco de España Retirees and Pensioners; the Spanish National Plan on Drugs; the Reina Sofía Foundation; and the Spanish Red Cross Foundation.

## 6 INTERNAL ENVIRONMENTAL SUSTAINABILITY INITIATIVES

2020 saw the launch of the Environmental Management Coordination function, which was announced by the Banco de España in 2019. The function began its cross-departmental operations with its initiative “Boosting the sustainability of the Banco de España’s activity”, as part of the Strategic Plan.

Prominent among the actions implemented in 2020 to promote the environmental sustainability of the Banco de España’s activities are:

- **Internal audit:** the internal audit report setting out the findings regarding environmental management in 2018 and 2019 was presented in May, and work began on preparing the corresponding action plans.
- **Reserve management:** the principles of sustainability and responsibility were factored into investment policy in respect of the Bank’s own investment portfolios, leading to an increase in holdings of green bonds. For further details, see Section 3.2 of Chapter 2 “Financial asset and risk management”.
- **Cash management:** the Banco de España continued taking action from multiple perspectives:
  - i) As part of the Eurosystem’s “Zero Waste” policy, a project was launched to ensure the optimal treatment of banknote waste through recycling or, failing that, incineration with energy recovery, thus eliminating less environmentally friendly alternatives, such as disposal in landfill sites.
  - ii) In line with the Eurosystem, the Bank continued to support increasing the percentage of sustainable cotton in euro banknote paper.
  - iii) The Bank is working actively with the Eurosystem to update the calculation of the environmental footprint of cash, using the European Commission’s Product Environmental Footprint methodology and the OpenLCA software.
- **Environmental consultancy:** a comprehensive environmental management assessment was conducted at all Banco de España sites and premises, to which end the Bank engaged the services of a specialist consultant. This assessment will serve as a starting point for implementing an environmental policy and a certifiable management system geared towards reducing the environmental footprint of all Banco de España activities.



An environmental policy and certifiable management system will be implemented to reduce the Banco de España's environmental footprint, based on a comprehensive environmental management assessment conducted at its premises.

— **Staff training and awareness-raising:**

- i) An awareness-raising campaign was run with employees in October, with a series of conferences involving experts in the fight against climate change.
- ii) A specific Intranet area on sustainability has been launched, with the dual purpose of establishing an accountability channel and raising awareness of sustainable environmental management.
- iii) A team of sustainability champions has been set up, with representatives from all Directorates General. This team is tasked with collaborating and promoting initiatives for environmental improvement.
- iv) A catalogue of sustainability and environmental knowledge has been compiled as a basis for a specific training plan, and technical programmes and seminars have been organised on topics including environmental footprint, eco-design and environmental management systems.

- **LED lighting:** the LED lighting replacement programme, implemented by the Maintenance and Works Service, is ongoing at the Madrid offices. LED technology is used for 95% of lighting at the building at Calle de Alcalá, 522. At the Cibeles building, where most of the exterior lighting is



already LED, 50% of the office space illumination has been replaced with LED systems, while that figure is 80% for common areas and technical rooms.

- **Other initiatives:** various initiatives have been implemented, such as cutting the use of disposable plastics, reducing the number of individual printers and replacing individual wastepaper bins with specific collective containers for paper and packaging.

## ACRONYMS AND ABBREVIATIONS

ABSPP	Asset-backed securities purchase programme
AMCESFI	Spanish macroprudential authority
AML/CFT	Anti-money laundering and countering the financing of terrorism
APP	Asset purchase programme
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRRD 2	Second Banking Recovery and Resolution Directive
BSF	Banco de España's Beneficent-Social Fund
CBPP3	Covered bond purchase programme
CCR	Central Credit Register of the Banco de España
CCyB	Countercyclical capital buffer
CEMFI	<i>Centro de Estudios Monetarios y Financieros</i>
CEMLA	Center for Latin American Monetary Studies
CNMV	Spanish National Securities Market Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSPP	Corporate sector purchase programme
EBA	European Banking Authority
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EFF	Spanish Survey of Household Finances
EMU	Economic and Monetary Union
ESAs	European supervisory authorities
ESCB	European System of Central Banks
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
EU	European Union
FinTech	Financial Technology
FLESB	Forward Looking Exercise on Spanish Banks
FROB	Spanish executive resolution authority
FSB	Financial Stability Board
GHOS	Group of Central Bank Governors and Heads of Supervision
GDPR	General Data Protection Regulation
G-SII	Global systemically important institution
ICO	Official Credit Institute
IMBISA	<i>Imprenta de Billetes, SA</i>
IMF	International Monetary Fund
INE	Spanish National Statistics Institute
IRBE	Internal Rules of the Banco de España (approved by a resolution of the Banco de España Governing Council on 28 March 2000)
IRTs	Internal Resolution Teams
JSTs	Joint Supervisory Teams
Law of Autonomy	Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España
LTROs	Longer-term refinancing operations
MAPS	Market Activities Processing System
ML/TF	Money laundering and terrorist financing
MREL	Minimum requirement for own funds and eligible liabilities
MROs	Main refinancing operations
NAB	New Arrangements to Borrow
NCA	National competent authority
NCB	National central bank
NGFS	Network for Greening the Financial System
NPL	Non-performing loan
NRAs	National resolution authorities
NSAs	National supervisory authorities
OECD	Organisation for Economic Co-Operation and Development

O-SIIs	Other systemically important institutions
PELTROs	Pandemic emergency longer-term refinancing operations
PEPP	Pandemic emergency purchase programme
PRGT	Poverty Reduction and Growth Trust
PSD2	Second Payment Services Directive
PSPP	Public sector purchase programme
PSPs	Payment service providers
Sareb	Asset management company for assets arising from bank restructuring
SDRs	Special drawing rights
SECMCA	Executive Secretariat of the Central American Monetary Council
Sepblac	Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences
SEPA	Single Euro Payments Area
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
TLTROs	Targeted longer-term refinancing operations
TLTRO-III	Third series of targeted longer-term refinancing operations
USMCA	United States–Mexico–Canada Agreement

## LIST OF PHOTOGRAPHS

Chamfered corner of the Cibeles building. Photo by: Luis Asín. © Banco de España COVER

Governor of the Banco de España. Photo by: Daniel Santamaría. © Banco de España

Deputy Governor of the Banco de España. Photo by: Daniel Santamaría. © Banco de España

Main façade of the Cibeles building, on Calle de Alcalá. Photo by: Daniel Santamaría. © Banco de España

Panoramic view of the central headquarters. Photo by: Daniel Santamaría. © Banco de España

View of the ECB's main building, Frankfurt am Main, Germany. Photo by: Robert Metsch © European Union 2017 – European Central Bank

Grand staircase and stained-glass skylight in the Cibeles building. © Banco de España

Banner on the Cibeles façade, part of the campaign to communicate the deadline for exchanging pesetas. Photo by: Daniel Santamaría. © Banco de España

Library reading room. Photo by: Pablo Moreno. © Banco de España

Central clock in the Banking Hall. © Banco de España

Construction of the new IMBISA facility. © IMBISA

Detail of the interior courtyard in the CEMFI head offices. Photo by: José Ulises Tineo Manso. © CEMFI

Appearance by the Governor of the Banco de España before the Parliamentary Committee for the Economic and Social Reconstruction of Spain. © Congreso de los Diputados

Appearance by the Governor of the Banco de España before the Parliamentary Economic Affairs and Digital Transformation Committee. © Congreso de los Diputados

Appearance by the Governor of the Banco de España before the Parliamentary Audit Committee on Democratic Quality, the Fight against Corruption, and Institutional and Legal Reforms. © Congreso de los Diputados

Appearance by the Deputy Governor of the Banco de España before the Parliamentary Ecological Transition and Demographic Challenge Committee. © Congreso de los Diputados

The Deputy Governor, giving a speech at the Madrid Stock Exchange. Photo by: Daniel Santamaría. © Banco de España

Launch of the Banco de España's Strategic Plan 2024. Photo by: Daniel Santamaría. © Banco de España

Hall of the building at Calle de Alcalá, 522. Photo by: Daniel Santamaría. © Banco de España

Meeting by videoconference. © Andrey Popov - stock.adobe.com

Meeting room in the Cibeles building. Photo by: Daniel Santamaría. © Banco de España

Main façade of the central headquarters. Photo by: Daniel Santamaría. © Banco de España

Information desk in the Cibeles building. Photo by: Daniel Santamaría. © Banco de España

Crown of the façade of the Banco de España's branch office building in A Coruña. Photo by: Carlos A. Lobato Barreira. © Banco de España

Oviedo branch office. © Banco de España

Las Palmas de Gran Canaria branch office. © Banco de España

Office at home. © Lana - stock.adobe.com

Mobile statistical information app. Photo by: Gema Sustaeta. © Banco de España

Euro banknotes. © European Central Bank

Euro banknotes. © European Central Bank

Poster informing about the exchange of pesetas for euro. Photo by: Daniel Santamaría. © Banco de España

Mortgage loans. © chinnarach - stock.adobe.com

Chair of the ECB's Supervisory Board, presenting the results of the 2019 SREP. © European Central Bank

Central meeting room of the Europa building, the main seat of the European Council and Council of the European Union. Photo by: Mario Salerno. © European Union

IMF Annual Meeting. Photo by: Cory Hancock. © International Monetary Fund

Signing of memorandum of understanding with the CAF. Photo by: Daniel Santamaría. © Banco de España

15th Forum on the Analysis of the Latin American Economy. Photo by: Daniel Santamaría. © Banco de España

The Goya Room. Photo from: Curatorship Archive. © Banco de España

Signing of the renewal of the Ministry's cooperation agreement for the Financial Education Plan. Photo by: Pablo Moreno. © Banco de España

Teachers' day, organised as part of the ninth edition of the Generation €uro Students' Award. Photo by: Pablo Moreno. © Banco de España

The *catalogue raisonné* of the Banco de España Collection. Photo from: Curatorship Archive. © Banco de España

"Orientalism" exhibition at the Institut Valencià d'Art Modern. Photo from: Curatorship Archive. © Banco de España

*Charles III*, by Mariano Salvador Maella, in the Prado Museum's restoration studio. Photo from: Curatorship Archive. © Banco de España

Tapestry weaving at the Royal Tapestry Factory. Photo from: Curatorship Archive. © Banco de España

*Forest* (2010), by Antonio Ballester. Photo by: Fernando Maquieira. © Banco de España

Detail of the Banco de España's ledger for authorised signatures of account holders for 1897 and 1898. Photo from: Historical Archive. © Banco de España

File in the name of Benito Pérez Galdós containing the copy of his will (right). Photo from: Historical Archive. © Banco de España

Front of the 1,000 peseta banknote from 1979. Photo from: Historical Archive. © Banco de España

Back of the 1,000 peseta banknote from 1979. Photo from: Historical Archive. © Banco de España

Commemorative medal of the Provisional Government, engraved by Luis Marchionni in 1868. Photo from: Historical Archive. © Banco de España

Environmental sustainability. © calypso77 - stock.adobe.com

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

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