

# Strategic Plan 2024

## Foreword

### Foreword by the Governor of the Banco de España

Together with the rest of Spanish society, the Banco de España faces a changing economic, social and technological environment. If we are to strengthen our institution's contribution to citizens' well-being, we must all partake in our central bank's **mission** and jointly embrace the challenges ahead by adopting the same defining **vision** and ensuring that our **values** are reflected in every decision we take. To this end, the **Strategic Plan 2024** takes an integrated and forward-looking approach. It sets out **the strategic objectives** and action plans necessary for the Banco de España to perform its functions better in the current European context. We must all work to become **an outstanding, more dynamic central bank that is committed to society**. We will need to become more flexible and efficient, and adopt independence, transparency, integrity, excellence and public-service vocation as our core values.

This is the first comprehensive strategic planning exercise undertaken at the institution, and it has been devised thanks to the **active participation and commitment of our staff**. On behalf of the Executive Commission and the Governing Council, I would like to thank everyone for their contribution to this Plan, which will enable us to become a better Banco de España.

Having been approved, the Plan will now be implemented and monitored, and should guide us towards meeting the objectives set for 2024. **A mid-term review is scheduled**, to take stock of the work performed and to enable adjustments to be made to reflect the experience gained and any changes that may have occurred.

The ambition to improve referred to in the Strategic Plan 2024 reflects the **commitment of all those working at the Banco de España to contribute to the future well-being of Spanish citizens**, within the scope of the functions assigned to the Bank.

## 1 Mission

### 1. 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**

An organisation's mission defines its rationale: who it is, what it does and for what purpose. As the Banco de España is a public body, its mission is largely determined by the functions attributed to it in legislation.

Moreover, given that the Banco de España performs its functions within the European institutional framework, its mission must be understood within the context of those of the Eurosystem, the Single Supervisory Mechanism and the Single Resolution Mechanism, of which it forms part.

## 2 Values

### 2. Values

Values are one of the key components of institutional culture. They guide the institution's behaviour, bring about its internal cohesion and forge a solid reputation with the outside world. The figure presents the five core values for the Banco de España in performing its functions.

Three related concepts are included within each value so as to define their meaning and encapsulate how to put them into practice in our day-to-day work:

#### Independence

- Autonomy
- Impartiality
- Objectivity

#### Transparency

- Clarity
- Communication
- Accountability

#### Public-service vocation

- Commitment to society
- The general interest
- Responsibility

#### Integrity

- Honesty
- Ethics
- Reliability

#### Excellence

- Quality
- Rigour
- Efficiency

## 3 Context analysis

### 3. Context analysis

In order to appropriately determine the vision and strategic objectives, the main trends in the external environment that will foreseeably influence the Banco de España's activities over the coming years must be identified.

One of the main current trends is **technological change**. This area stands out for its diversity, with multiple technologies evolving exponentially and combining to extend and maximise their possibilities. Mention can be made non-exhaustively of a number of new technologies with the potential to transform our environment: mass data processing (*Big Data*), new data analysis tools (*Data Analytics*), artificial intelligence, data storage and processing on the cloud (*Cloud*), new transaction recording tools (*Blockchain*) and robotisation. All of these new technologies are acting as a lever for the digital transformation of organisations.

For the financial sector, technological change represents an opportunity to enhance efficiency. However, technological change simultaneously poses new challenges derived from the

emergence of new intermediaries offering alternative sources of financing who have the potential to alter the market structure. This brings with it additional risks, such as those associated with cybersecurity, which is a major operational risk for organisations. The foregoing changes –which are both swift and far-reaching– also affect the Banco de España, both in its internal functioning and in its analytical and supervisory tasks.

Another trend of a different nature has been society's calls for **greater transparency and accountability**, resulting from the loss of reputation of institutions in general (and of central banks and supervisors in particular) over the last decade following the financial crisis. Improving trust in the Banco de España begins with making greater efforts in these areas, which requires enhancing the efficiency and effectiveness of our actions, and ensuring that the **information provided to the public** is pertinent, reliable, timely, and accessible through the **new communication channels** now available.

A new area to be taken into account is the growing social demand for **environmental sustainability and social responsibility** to be put on the public agenda. This is expected to lead to regulatory developments that affect the Banco de España and financial institutions, in terms of identifying and managing the new risks in this field.

Also relevant are the changes stemming from **European integration** (in particular, the Economic and Monetary Union). Although at a highly advanced stage, this process is yet to be completed, with the construction of the Banking Union, the development of a true Capital Markets Union and the creation of a Fiscal Union still pending. As regards the Banco de España, this has led to competences being gradually assigned and shared with European institutions. Looking ahead, these functions are expected to be increasingly performed through **shared mechanisms and structures**. These are present today in the areas of market infrastructures, supervision, economic analysis and research, and statistical data, under the aegis of the Eurosystem and the Single Supervisory Mechanism. This trend will demand an ongoing reassessment of the capabilities required by the Bank to perform its functions.

The financial crisis has also driven **significant changes in the global financial regulation and crisis management framework**. These include most notably the emergence of new early warning and intervention mechanisms, with the creation of macroprudential supervisory authorities and the development of preventive intervention instruments. As regards microprudential regulation, there have been major changes in solvency, liquidity and consumer protection requirements and new aspects have been incorporated for areas such as corporate governance at entities and recovery and resolution mechanisms. To address these challenges, the Banco de España must adapt its resources, procedures and capabilities.

Recent years have also seen the development of a number of **global trends in socio-political, economic and demographic areas**, the most significant being **population ageing, growing concerns over inequality and diversity management, and low productivity growth**. Moreover, **inflation has remained persistently low** in some of the leading advanced economies, particularly in the euro area, which in turn has prompted the main central banks, among them the European Central Bank, to adopt various non-standard monetary policy measures, such as negative interest rates, asset purchase programmes and forward guidance.

Finally, in a **highly globalised environment**, all of the foregoing factors have an amplifying effect because of the **interlinkages** between them.

## 4 Vision

### 4. Vision

#### **An outstanding and dynamic central bank committed to society**

Vision represents what the Banco de España wants to become in the future and how it wishes to be perceived.

## 5 Strategic objectives

### 5. Strategic objectives, action plans and initiatives

The strategic objectives that will enable us to achieve our vision by 2024 and fulfil our mission are:

1. To improve the capacity to identify and react promptly to risks to economic and financial stability
2. To modernise the Banco de España in order to make it more efficient, flexible and innovative
3. To promote excellence through talent management and commitment to employees
4. To increase the Bank's influence over its areas of activity
5. To generate greater confidence in the Banco de España and greater value for society

To achieve these strategic objectives, 19 **action plans** have been devised. These action plans are grouped on the basis of the objective to which they bear the closest relation. They may well, however, contribute to the achievement of other objectives.

The action plans combine the specific **initiatives** that will make it possible to achieve the objectives within the Strategic Plan 2024's implementation horizon.

Implementing these initiatives may require that certain actions be performed or policies or procedures be established. These, without prejudice to the approval of the Strategic Plan 2024, shall be submitted to the ordinary decision or reporting procedure of the corresponding decision-making body (Governing Council, Executive Commission and/or Steering Committee), pursuant to the Banco de España's internal regulations.

#### STRATEGIC OBJECTIVE 1

Improving the ability to identify and react promptly to risks to economic and financial stability

##### How will we achieve this objective?

- By developing a comprehensive risk identification and treatment analytical framework that includes new risks to stability and growth (e.g. climate change, cybersecurity and the use of new technologies in financial activities).
- By proposing specific responses to managing the identified risks, adopting the necessary measures in our area of activity and playing an active role in encouraging action to be taken when it is another authority's responsibility.
- By incorporating new technologies and integrating all available internal and external sources of information in order to strengthen our supervisory and analytical capabilities, in particular predictive analyses.

##### Action plans and initiatives<sup>1</sup>

Scheduled start

Scheduled completion

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<sup>1</sup> The plans' estimated commencement date is when the first initiative of each respective plan commences, whereas the completion date is the estimated date of completion of the last initiative included in each action plan.

PLAN 1.1 Q1-2020 Q4-2024	Framework for identifying risks to financial and economic stability	Initiative 1.1.i	Establishment of a Financial Stability Committee (FSC) and its work structure
		Initiative 1.1.ii	Development of a system for identifying risks to economic and financial stability, including the risks stemming from technological innovation and climate change
PLAN 1.2 Q1-2020 Q4-2024	Framework for reacting to the risks to economic and financial stability	Initiative 1.2.i	Establishment of a conceptual framework for analysing the impact of the risks
		Initiative 1.2.ii	Establishment of a policy for responding to the findings of the risk impact analysis
		Initiative 1.2.iii	Establishment of a policy for communicating the decisions adopted to address the risks
PLAN 1.3 Q1-2020 Q4-2022	Crisis management framework	Initiative 1.3.i	Preparation and update of a Crisis Management Handbook
		Initiative 1.3.ii	Establishment of a regular exercise and retrospective assessment programme

## STRATEGIC OBJECTIVE 2

Modernising the Banco de España to make it more efficient, flexible and innovative

How will we achieve this objective?

- By strengthening inter-business area collaboration at all the Bank's levels and fostering horizontal, project-based structures that eliminate the silo mentality.
- By reviewing procedures and internal organisation, and avoiding overlaps.
- By incorporating innovation and initiative into our work culture, being open to new ideas and flexible when changes are introduced, and managing the attendant risks.
- By fostering the strategic role played by planning and budgetary control.
- By promoting technological innovation at the Banco de España through digital transformation, integrated information management and by managing the growing risk posed by cybersecurity.

Action plans and initiatives

PLAN 2.1 Q1-2020 Q4-2024	Moving towards a more flexible and interconnected organisational model whose structure is adapted to the Banco de España's functions	Initiative 2.1.i	Diagnosis of the current situation
		Initiative 2.1.ii	Benchmarking the organisational model against other similar organisations
		Initiative 2.1.iii	Identification and implementation of short-term improvements
		Initiative 2.1.iv	Design of the target organisational model and implementation of improvements to complete it
PLAN 2.2 T1-2020 T3-2022	Improvement of the organisation's planning	Initiative 2.2.i	Review of the decision-making and planning process
		Initiative 2.2.ii	Establishment of a building and area management policy
PLAN 2.3 T1-2020 T4-2021	Evaluation programme to assess the Banco de España's actions	Initiative 2.3.i	Establishment of an annual evaluation programme
		Initiative 2.3.ii	Determination and implementation of organisational support structure and governance of the evaluation programme
PLAN 2.4 T1-2020 T4-2023	Promotion of technological innovation	Initiative 2.4.i	Digital transformation schedule
		Initiative 2.4.ii	Promotion of the cybersecurity framework
		Initiative 2.4.iii	Redesign of information processing
		Initiative 2.4.iv	Data governance programme

## STRATEGIC OBJECTIVE 3

Promoting excellence through talent management and commitment to employees

### How will we achieve this objective?

- By updating the employment framework and personnel management policies: incentives, internal and external mobility, ongoing training, career development, diversity and work-life balance.
- By aligning selection and talent development processes with the organisation's needs.
- By strengthening managerial skills.

### Action plans and initiatives

#### Scheduled start<sup>3</sup>

PLAN 3.1 Q1-2020	Nurturing career development	Initiative 3.1.i	Opening up career paths
		Initiative 3.1.ii	Streamlining the channels for gaining employment at the Bank
		Initiative 3.1.iii	Organisation of training and development linked to career stages
		Initiative 3.1.iv	Managing diversity
PLAN 3.2 Q1-2020	Review of appraisal systems	Initiative 3.2.i	Improvement of performance appraisals
		Initiative 3.2.ii	Competency appraisal, development plans and talent map
PLAN 3.3 Q1-2020	Review of remuneration systems	Initiative 3.3.i	More frequent salary reviews
		Initiative 3.3.ii	Rethinking of incentive schemes
PLAN 3.4 Q1-2020	Greater flexibility for organising work	Initiative 3.4.i	Streamlining work schedules
		Initiative 3.4.ii	Increasing teleworking

## STRATEGIC OBJECTIVE 4

Increasing the Bank's influence over its areas of activity

### How will we achieve this objective?

- By establishing clear institutional stances and taking coordinated action to follow them through.
- By contributing proactively, through quality interventions, to the general debate in domestic and international fora.
- By increasing the presence of employees and managers in international organisations
- By leveraging our current comparative advantages (e.g. analysis of microdata, of credit risk, on-site inspections, assessment of banknote quality, privileged relationship with Latin America and the Bank's membership of the 4CB<sup>1</sup> group in the development of market infrastructures) and by identifying and developing new advantages.

### Action plans and initiatives

#### Scheduled start

<sup>3</sup> An estimated completion date for the action plans related to objective 3 is unavailable since some of its initiatives might require an agreement with the workers' representatives as part of a collective bargaining procedure.

<sup>1</sup> The Group comprises the central banks of Spain, Germany, France and Italy, which provide services related to market infrastructures in the context of the Eurosystem.

Scheduled completion

PLAN 4.1 Q1-2020 Q4-2024	Programme for increasing the importance of the Banco de España in economic and social debates, and reinforcing the impact of the Bank's analyses	Initiative 4.1.i	Selecting and reviewing the priority areas on which the Banco de España's analysis and research will focus
		Initiative 4.1.ii	Increasing the dissemination and awareness of reports, analyses and statistics
		Initiative 4.1.iii	Promoting relations with domestic organisations and increased and enhanced Bank presence in domestic organisations
PLAN 4.2 Q1-2020 Q4-2024	Programme for positioning the Banco de España as a leader in the Eurosystem and in the global arena	Initiative 4.2.i	Preparing a programme to position the Banco de España as a leader in the provision of technology services to the Eurosystem and to other central banks
		Initiative 4.2.ii	Positioning the Banco de España as a leading prudential supervision institution, especially in terms of credit and technology risk.
		Initiative 4.2.iii	Positioning the Banco de España as a leading central bank in Latin America.
		Initiative 4.2.iv	Increasing the Bank's presence in international fora and on international committees
		Initiative 4.2.v	Increasing the presence of, and the contributions made by, Banco de España employees at international organisations

## STRATEGIC OBJECTIVE 5

Generating greater confidence in the Banco de España and greater value for society

How will we achieve this objective?

- By promoting Spanish society's financial knowledge.
- By fostering better bank conduct with customers.
- By increasing transparency and accountability; by informing citizens clearly, objectively and frequently about the Bank's functions and by leveraging the new communication channels and formats.
- By improving the level of economic and financial debate and by adopting an active role in social and environmental matters.
- By easing external researchers' and analysts' access to databases and analysis methodologies.

### Action plans and initiatives

Scheduled start

Scheduled completion

PLAN 5.1 Q1-2020 Q4-2022	Promotion of financial education	Initiative 5.1.i	Promoting financial education
PLAN 5.2 Q1-2020 Q4-2023	Strengthening of banking conduct best practices	Initiative 5.2.i	Encouraging banking conduct best practices
PLAN 5.3 Q1-2020 Q4-2023	Improvement of the Banco de España's transparency and accountability mechanisms	Initiative 5.3.i	Fostering the Banco de España's transparency activities through a more effective use of the transparency portal and the <i>Institutional Report</i>
PLAN 5.4 Q1-2020 Q2-2024	Establishment of a regulated operational framework for third-party	Initiative 5.4.i	Identifying and ranking the Banco de España's databases and analytical tools for third-party access

	access to the Banco de España's statistics and certain analytical tools	Initiative 5.4.ii	Developing programmes for collaboration and for data and tool exchange with third parties
PLAN 5.5 Q1-2020 Q4-2024	Improvement of the Banco de España's external communication	Initiative 5.5.i	Creating a strategic framework for communications
		Initiative 5.5.ii	Strengthening channels and improving and updating formats used for conveying information and messages
PLAN 5.6 Q1-2020 Q2-2022	Promotion of sustainability and social responsibility at the Banco de España	Initiative 5.6.i	Promoting the sustainability of the Banco de España's activity
		Initiative 5.6.ii	Institutional Social Responsibility Plan

## 6 International benchmark

### 6. Areas in which the Banco de España wishes to be recognised as an international benchmark by 2024

As a result of the **Banco de España's current comparative advantages** and the **achievement of the strategic objectives** through the implementation of the aforementioned action plans, the Bank has identified the following **analytical or operational areas in which it wishes to be recognised as an international benchmark in line with its vision**:

- I. Development of an advanced **analytical framework** that makes it possible to identify risks and vulnerabilities and apply an appropriate **macroprudential** policy.
- II. **Economic and financial analysis, economic policy assessment and forward-looking analysis**, for which the Banco de España wishes to be recognised as the most reliable, influential and prestigious Spanish institution.
- III. **Preparation, dissemination and use of microdata** relating to households, undertakings, brokers and financial transactions.
- IV. Provision of market **infrastructures and services** and other **technology or analytical services** to the Eurosystem and to other central banks.
- V. **Prudential supervision of all risks associated with banking**, particularly of those risks in which the Bank has most expertise (e.g. supervision of credit and technology risk).
- VI. Promotion of citizens' **financial education**, enabling them to make responsible financial decisions, thereby increasing financial stability.
- VII. **Relations between Latin America and the Eurosystem/Single Supervisory Mechanism**, in which the Bank wants to be recognised as a natural link both in relation to areas of financial and economic analysis and supervision, and matters related to business and operations.

## 7 Implementation, monitoring and review

### 7. Implementation, monitoring and review of the Strategic Plan 2024

The key aspects for the implementation of the Strategic Plan 2024 are the action plans and the initiatives. A lead will be assigned to each plan and initiative. The **action plan lead** will oversee and control the plan assigned to them and coordinate with the leads in charge of the various initiatives. In turn, the **initiative lead** will be responsible for driving the initiative assigned to them and coordinating the project team implementing it. The Strategic Plan implementation model involves significant cross-departmental collaboration at the Bank.



**The Directors General** will, as they are ultimately responsible for achievement of the results of the action plans conducted by the leads from their Directorates General, be the **driving force behind the action plans**. Lastly, the **Governor** and the **Deputy Governor** will be the **driving force behind the Strategic Plan 2024**, overall.

To facilitate monitoring of the Strategic Plan 2024, a quarterly report will be drawn up and sent to the **Steering Committee** and to the **Executive Commission**. Furthermore, **the Governing Council will be informed every six months of the progress made**. Appropriate **risk management**, identifying the main impediments to implementation of each action plan and adopting the corresponding mitigating mechanisms, will be key to successful implementation of the Strategic Plan 2024. The reports will detail regularly the impediments observed and how they are being addressed.

Lastly, a **mid-term** review and the potential redesign of the Strategic Plan 2024 is scheduled for mid-2022. This review is of particular importance since this is the first Strategic Plan to be launched by the Bank.