

# 1

## SUPERVISION AND OVERSIGHT AT THE BANCO DE ESPAÑA



## MICROPRUDENTIAL SUPERVISION

Preserve the solvency, liquidity and smooth functioning of institutions, with the ultimate objective of safeguarding the stability of the financial system



## MACROPRUDENTIAL POLICY

Safeguard the stability of the financial system as a whole through the prevention and mitigation of cyclical or structural systemic risks and vulnerabilities



## SUPERVISION OF CONDUCT, TRANSPARENCY AND CUSTOMER PROTECTION

Ensure that institutions have a conduct culture and governance aimed at protecting banking transparency, to help safeguard user confidence in the financial system and preserve its stability



## SUPERVISION OF PAYMENT SERVICE PROVISION

Safeguard security in payment service provision with the objective of promoting an integrated, secure and efficient payment market



## OVERSIGHT OF MARKET INFRASTRUCTURE

Ensure the smooth operation of payment systems and instruments, and ensure that the functioning of securities clearing, settlement and registration systems preserve the stability of the financial system as a whole



## STAFF

844 employees performed supervisory and oversight functions

**Women**  
51%

**Men**  
49%

### 1.1 Supervisory and oversight functions of the Banco de España

**The Banco de España has supervisory powers over credit institutions and over other financial institutions or undertakings related to the financial system operating in Spain.** In particular, it performs a microprudential function aimed at overseeing the solvency of institutions, as well as a macroprudential policy function aimed at safeguarding the stability of the financial system as a whole. It is also responsible for supervising conduct and transparency and the provision of payment services, and for overseeing payment systems. Also, it performs other supervisory functions in collaboration with other bodies, such as the Commission for the Prevention of Money Laundering and Monetary Offences (CPMLMO) and its Executive Service (Sepblac) —in the area of anti-money laundering and counter-terrorist financing (AML/CTF)— and the National Securities Market Commission (CNMV) —in the task of overseeing securities market infrastructure. These supervisory and oversight functions are summarised in Figure 1.1.

**Microprudential supervision of credit institutions aims to ensure their solvency and liquidity, as well as compliance with prudential regulations.**

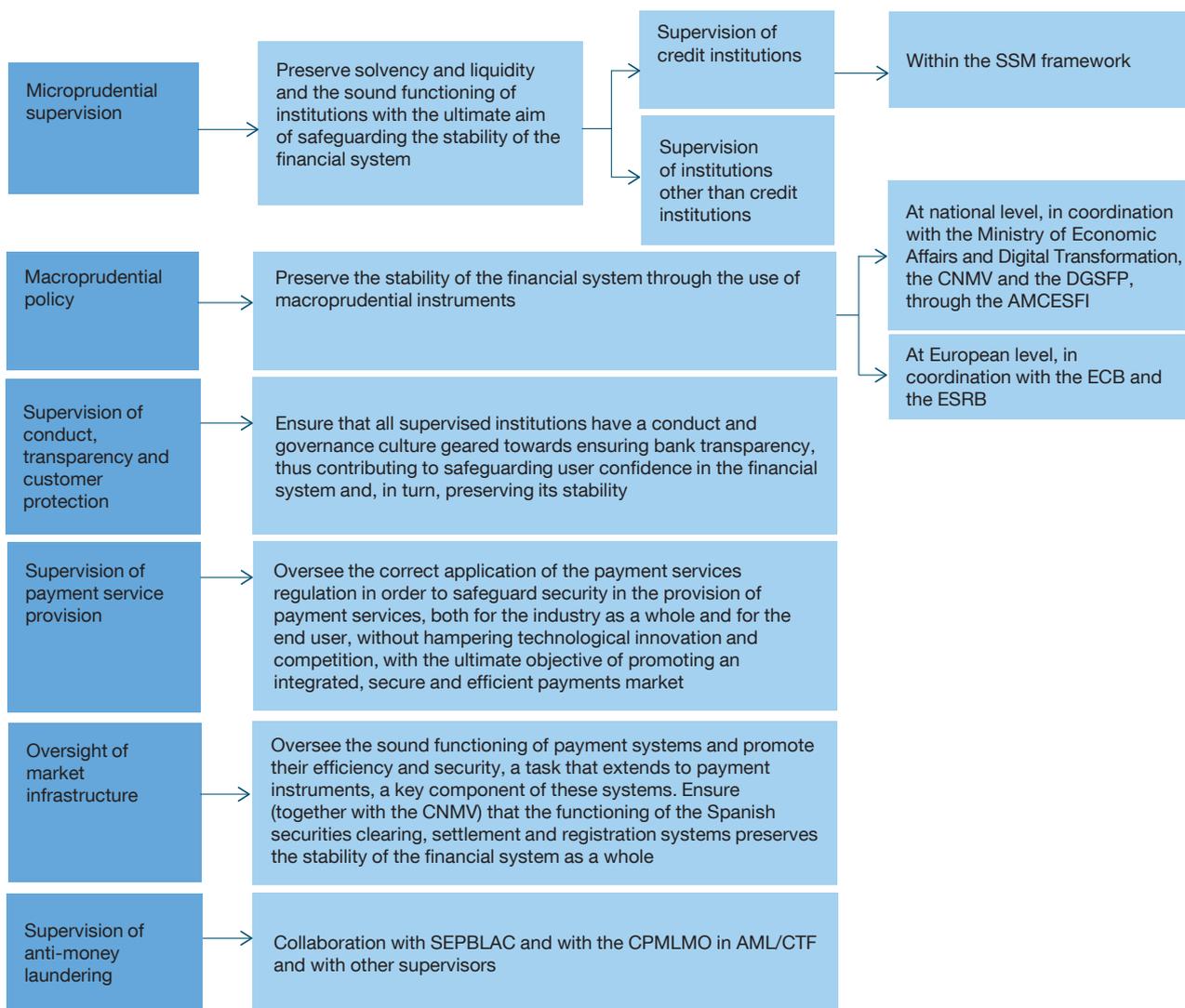
**Microprudential supervision of credit institutions is performed within the framework of the Single Supervisory Mechanism (SSM).** It aims to preserve financial stability and ensure consistent and standardised supervision among the participating countries. In addition to the euro area countries, Bulgaria and Croatia have been participating in SSM banking supervision since October 2020, having each signed a close cooperation agreement with the European Central Bank (ECB).

**Within the SSM, microprudential supervision of credit institutions is exercised jointly by the ECB and the national competent authorities (NCAs) of each country, including the Banco de España.** Institutions are classified according to their size or relative importance within each country as significant institutions (SIs) or less significant institutions (LSIs).

**The ECB is directly responsible for the supervision of SIs and exercises indirect supervision over LSIs.** At the end of 2021, the ECB exercised direct supervision over 115 SI groups, of which 10 were Spanish. For their part, the NCAs have direct supervisory powers over the LSIs for which the ECB carries out indirect supervision (2,186 in total). At the end of 2021, there were 57 less significant institutions or groups in Spain.

Figure 1.1

**SUPERVISORY AND OVERSIGHT FUNCTIONS OF THE BANCO DE ESPAÑA**



SOURCE: Banco de España.

**Outside the scope of the SSM, the Banco de España is also the supervisory authority for institutions, other than credit institutions, that provide services or perform functions related to the financial sector, such as specialised lending institutions (SLIs), mutual guarantee societies (MGSs), reguarantee companies, appraisal companies, payment institutions (PIs), account information service providers, electronic money institutions (ELMIs), currency-exchange bureaux, banking foundations<sup>1</sup>, Sareb (the asset management company for assets arising**

1 Law 26/2013 of 27 December 2013 on savings banks and banking foundations confers on the Banco de España control of compliance with certain rules related to the influence of the banking foundation over the management of the investee credit institution, in the event that the foundation holds an ownership interest of, at least, 30% of the share capital of the credit institution or which allows it to exercise control. Table 2.5 shows the number of both existing foundations and the foundations over which the Banco de España exercises these powers.

from bank restructuring)<sup>2</sup>, the branches of non-EU credit institutions and the Official Credit Institute (ICO)<sup>3</sup>.

**Moreover, the Banco de España has macroprudential policy powers aimed at safeguarding financial stability through the prevention and mitigation of risks and systemic vulnerabilities.** To exercise of these functions, the Banco de España has macroprudential tools, which are based mainly on identifying systemically important institutions and determining the associated capital surcharges, setting the quarterly countercyclical capital buffer (CCyB), setting the systemic risk buffer, which can be applied to specific sectoral portfolios, and assessing the possible activation of other measures envisaged both in the European regulatory framework and in Spanish legislation. Following the approval of Circular 5/2021 of 22 December, the Banco de España could also set a sectoral CCyB, limits on the concentration of credit exposures and limits on lending conditions, where it deems appropriate, to safeguard the stability of the financial system.

**In addition, the Banco de España participates in the Spanish macroprudential authority (AMCESFI),** which aims to identify, prevent and mitigate the development of systemic risk in order to preserve the stability of the Spanish financial system. It participates in the AMCESFI together with the other two sectoral supervisory authorities, the CNMV and the Directorate General for Insurance and Pension Funds (DGSFP), as well as with the Ministry of Economic Affairs and Digital Transformation.

**The Banco de España is also responsible for supervising the conduct, transparency and customer protection of institutions registered in the official registers of the Banco de España** (credit institutions and other institutions offering certain banking services), for which there are specific transparency and customer protection regulations, including institutions offering their products under the freedom to provide services.

**Moreover, the Banco de España is responsible for supervising the provision of payment services, for which there is a specific regulatory framework, the Payment Services Directive 2<sup>4</sup> (PSD2).** This framework regulates payment services and the entities specialised in their provision, and it places special emphasis on operational and security risk requirements.

---

2 The Banco de España supervises fulfilment of Sareb's sole corporate purpose, in order to identify deviations therefrom jeopardising the attainment of Sareb's overall statutory objectives.

3 The ICO has the legal form of a credit institution, pursuant to Article 1 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions. However, it is supervised by the Banco de España, since it is excluded from the scope of the SSM under Article 1 of Council Regulation (EU) No 1024/2013 of 15 October 2013.

4 Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, transposed into the Spanish regulatory framework by Royal Decree-Law 19/2018 of 23 November on payment services and other urgent financial measures.

**It is also responsible for overseeing payment systems and instruments and it shares with the CNMV the oversight of the financial market securities infrastructures.**

**Another of the Banco de España's functions is in the area of AML/CTF: it collaborates with the CPMLMO and SEPBLAC** in the supervision of the AML/CTF obligations of the institutions supervised or registered by it, pursuant to Spanish legislation and the cooperation and coordination agreement entered into with the CPMLMO.

**Lastly, the Banco de España exercises supervisory, inspection and sanctioning functions in relation to certain obligations provided for in Regulation (EU) 2016/1011 of the European Parliament;** specifically, those referring to compliance with the governance and control obligations provided for in Article 16 of said regulation by the institutions supervised by the Banco de España that contribute data for the preparation of rates by the Banco de España; and also with respect to Articles 28(1) and 29(1) of the aforementioned regulation on the use of benchmark rates in financial agreements by institutions supervised by the Banco de España, in matters of transparency and customer protection.

## 1.2 Organisation of banking supervision and oversight at the Banco de España

**The supervisory function is performed by the Banco de España's different directorates general and departments:**

- The Directorate General Banking Supervision (DGBS) is responsible for the ongoing off-site supervision of institutions with regard to their solvency, liquidity and business management, and for the related inspections and review of internal models for calculating capital requirements. It further provides support to the Banco de España's representative on the Supervisory Board (SB) of the ECB. In addition, among other functions, it performs horizontal tasks, such as data exploitation and analysis, supervisory methodology and policy, planning, training, quality function, AML/CTF cooperation, etc. Lastly, it is worth mentioning that the DGBS performs the accounting regulation function for supervised institutions.

In 2021, the DGBS adapted its organisational structure to the changes in the SSM following a recent reorganisation and to the supervisory challenges posed by the COVID-19 crisis. The main change has been the creation of two new groups. The Data Analysis Group was created for bulk data exploitation and the creation of analysis tools (functions previously distributed among various groups). And the Supervisory Strategy and Risk

Figure 1.2

**ORGANISATION OF SUPERVISION AND OVERSIGHT AT THE BANCO DE ESPAÑA**

<b>DIRECTORATE GENERAL BANKING SUPERVISION</b>	Significant Institution Department I	<ul style="list-style-type: none"> <li>– Ongoing off-site supervision of the three largest Spanish SIs and of the branches and subsidiaries in Spain of European SIs, through the JSTs</li> <li>– Participation in the granting of start-up licences and in other procedures relating to the pursuit of their activities</li> </ul>
	Significant Institution Department II	<ul style="list-style-type: none"> <li>– Ongoing off-site supervision of the other Spanish SIs through the JSTs</li> <li>– Participation in the granting of start-up licences and in other procedures relating to the pursuit of their activities</li> </ul>
	LSI and Other non-SSM Institutions Department	<ul style="list-style-type: none"> <li>– Ongoing off-site supervision and on-site inspections of:                             <ul style="list-style-type: none"> <li>• Spanish LSIs</li> <li>• Other institutions outside the scope of the SSM: ICO, SLIs, Pls, account information service providers, ELMs, MGSs, reguarantee companies, currency-exchange bureaux, appraisal companies and Sareb</li> <li>• Other branches and subsidiaries in Spain of foreign institutions</li> </ul> </li> <li>– Participation in the granting of start-up licences and in other procedures relating to the pursuit of their activities</li> </ul>
	Inspection, Internal Model and Technological Innovation Department	<ul style="list-style-type: none"> <li>– Inspections and internal model investigations of SIs within the SSM</li> <li>– Technology risk inspections of SIs within the SSM and Suptech</li> <li>– Technology risk inspections and internal model investigations of LSIs</li> <li>– Supervision and inspections of AML/CTF procedures</li> </ul>
	Horizontal Function Department	<ul style="list-style-type: none"> <li>– Definition of supervisory policies and bank accounting regulation</li> <li>– Stress tests</li> <li>– Supervisory data exploitation and analysis</li> <li>– Identification and assessment of risks from a microprudential standpoint</li> <li>– Supervisory methodology</li> <li>– Analysis and assessment of technology risk</li> <li>– Monitoring of market risk, operational risk and structural liquidity and interest rate risks</li> </ul>
	Organisation and Quality Group (Corporate Functions)	<ul style="list-style-type: none"> <li>– Quality control in the supervisory process</li> <li>– Training of DGBS staff</li> <li>– Coordination of DGBS corporate functions</li> </ul>
	Deputy Directorate-General of the SSM and Supervisory Strategy	<ul style="list-style-type: none"> <li>– Preparation and monitoring of annual supervision planning</li> <li>– Definition of supervisory strategic planning and second line of defence</li> <li>– Support to the Banco de España representative on the SB</li> <li>– Coordination and management of information received within the scope of the SSM</li> </ul>
<b>DIRECTORATE GENERAL FINANCIAL STABILITY, REGULATION AND RESOLUTION</b>	Financial Reporting and CCR Department	<ul style="list-style-type: none"> <li>– Receipt, quality control and forwarding of supervisory information that credit institutions are required to submit to the ECB, within the SSM, and to the Banco de España, in the exercise of their supervision powers and of information from other supervised institutions</li> <li>– Management of the CCR</li> </ul>
	Regulation Department	<ul style="list-style-type: none"> <li>– Analysis, definition and monitoring of regulatory policies at the global and European levels</li> <li>– Coordination with the EBA and other international fora and bodies</li> <li>– Development and interpretation of prudential regulation and discipline legislation of institutions supervised by the Banco de España, except in relation to bank accounting, market conduct, banking transparency and customer protection</li> </ul>
	Financial Stability and Macroprudential Policy Department	<ul style="list-style-type: none"> <li>– Analysis of financial system risks and vulnerabilities</li> <li>– Formulation of macroprudential policy proposals</li> <li>– Coordination with the AMCESFI and, at the European level, with the ESRB and with the ECB macroprudential function</li> </ul>
<b>GENERAL SECRETARIAT</b>	Institutions' Conduct Department	<ul style="list-style-type: none"> <li>– Supervision of market conduct and compliance with legislation on transparency of information and customer protection in the marketing of banking services and products</li> <li>– Definition of regulatory and supervisory policies concerning market conduct</li> </ul>
	Deputy General Secretariat	<ul style="list-style-type: none"> <li>– Participation in the assessment of compliance with the suitability requirements of senior officers</li> <li>– Maintenance of the Senior Officer Register</li> <li>– Participation in the granting and withdrawal of institutions' authorisation</li> <li>– Maintenance of the Register of Institutions, Agents and Articles of Association</li> <li>– Management of the single European passport</li> </ul>
	Legal Department	<ul style="list-style-type: none"> <li>– Handling of sanctioning proceedings</li> </ul>
<b>DIRECTORATE GENERAL OPERATIONS, MARKETS AND PAYMENT SYSTEMS</b>	Payment Systems Department	<ul style="list-style-type: none"> <li>– Ongoing supervision of compliance with legislation specific to Pls, account information service providers and ELMs, except in relation to solvency, conduct and transparency</li> <li>– Supervision of the provision of payment services by payment service providers</li> <li>– Definition of supervisory policy regarding the provision of such services</li> <li>– Supervision of Iberpay, as the management company of the National Electronic Clearing System</li> <li>– Oversight of financial market infrastructures and of payment instruments</li> </ul>

SOURCE: Banco de España

Group was created, mirroring the ECB's new Directorate Supervisory Strategy and Risk.

- The Directorate General Financial Stability, Regulation and Resolution (DGFSRR) is responsible for formulating macroprudential policy proposals and performs the analytical work required for decision-making in this area; it also assesses and participates in the development of the regulatory framework applicable to supervised institutions. It is also responsible for receiving and monitoring institutions' supervisory reporting.
- The General Secretariat is tasked with supervising market conduct; participating in the processes of senior officer suitability and of granting and withdrawal of institutions' authorisation; the register of credit institutions; and the handling of sanctioning proceedings.
- Lastly, the Directorate General Operations, Markets and Payment Systems (DGOMPS) is responsible for overseeing financial market infrastructures and payment instruments, schemes and solutions. In addition, it is responsible for the ongoing supervision of payment service providers other than credit institutions (except in relation to their solvency, market conduct and transparency), and of the provision of payment services by all payment service providers.

Figure 1.2 provides greater details of the organisation of the supervisory and oversight functions performed by the Banco de España.

## 1.3 Supervisory and oversight staff

**At 31 December 2021, the Banco de España had 844 employees performing supervisory and oversight functions** (compared with 847 employees in 2020). Of these 844 employees, 530 belong to the DGBS, 191 to the DGFSRR, 62 to the Institutions' Conduct Department, 45 to the Deputy General Secretariat and 16 to the DGOMPS.

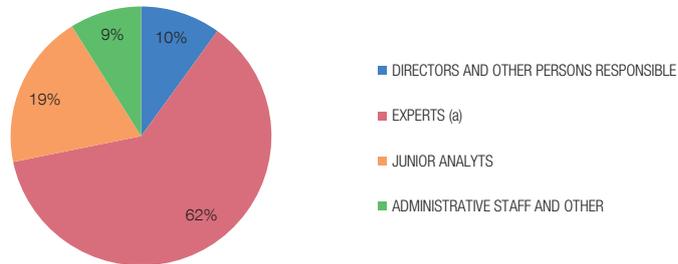
In the DGBS, a selection process for eight inspectors for credit institutions and another selection process for four junior analysts were completed in 2021, both of which were delayed due to the extraordinary situation caused by COVID-19. The DGFSRR also completed a selection process for ten specialists in regulation in January 2021.

The Payment Systems Department increased its staff by adding an expert in regulation and an expert in other supervisory activities in order to further strengthen the tasks to supervise payment service provision and, in particular, to contribute to

Chart 1.1

**SUPERVISORY AND OVERSIGHT STAFF (%), BY PROFESSIONAL GROUP**  
**31 December 2021**

The predominant group continues to be, within the "Experts" category, inspectors and inspection auditors. The composition of the various groups of staff remained stable with respect to previous years.



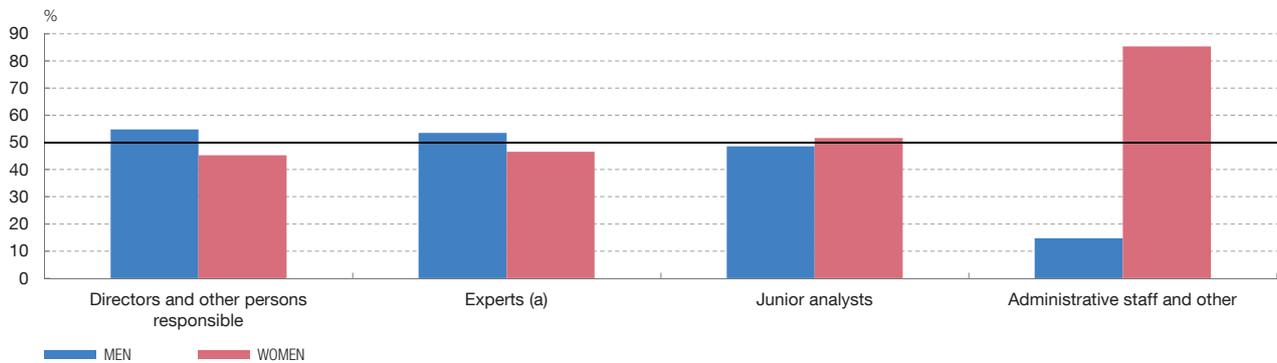
SOURCE: Banco de España.

a Also includes inspectors, degree-level economists, lawyers, inspection auditors and IT auditors.

Chart 1.2

**SUPERVISORY AND OVERSIGHT STAFF BY GENDER**  
**At 31 December 2021**

The proportion of men and women is almost equal in three professional groups; "Directors and other persons responsible". However, there are major disparities in "Administrative staff and other".



SOURCE: Banco de España.

a Also includes inspectors, degree-level economists, lawyers, inspection auditors and IT auditors.

the performance of supervisory actions and the definition of procedures and other organisational matters.

Chart 1.1 shows the distribution, by professional group, of Banco de España employees who carry out supervisory and oversight functions. 49% of supervisory and oversight staff are men and 51% are women. Chart 1.2 shows the distribution of men and women in each of the professional groups within this area.