THE INTERNATIONAL MONETARY FUND'S FINANCIAL SECTOR ASSESSMENT PROGRAM IN SPAIN: AN OVERVIEW FROM A FINANCIAL STABILITY STANDPOINT

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Abstract

This article describes the organisation, implementation and results of the International Monetary Fund's (IMF) 2024 Financial Sector Assessment Program (FSAP) in Spain, with a focus on issues related to systemic risk analysis and macroprudential policy. In particular, it presents the IMF's latest recommendations for strengthening the resilience of Spain's financial system and improving its regulatory and institutional framework. The article closes with an overview of the previous FSAPs in Spain and, by way of comparison, of the most salient points of recent FSAPs in other euro area countries.

Keywords: financial system, assessment, International Monetary Fund.

1 Introduction: origin and purpose of the FSAP

The IMF has conducted regular reviews of national financial systems within the framework of the FSAP since 1999. The purpose of these exercises is to offer the IMF's technical advice to national authorities to improve and strengthen their financial systems and thus help to mitigate the frequency and severity of the financial crises they may face. The aim of the FSAP is twofold: i) to assess the stability and resilience of a country's financial system and ii) to evaluate the financial system's capacity to contribute to economic growth and development. FSAPs in advanced economies are conducted entirely by the IMF, but jointly by the IMF and the World Bank in developing and emerging market economies, with the latter conducting a financial development assessment.

FSAPs are intended to provide a comprehensive assessment of a country's financial system. These assessments are intended to assist IMF member countries identify key sources of vulnerability and systemic risk in the financial sector and report on the possible implementation of financial policy reforms and measures to enhance their resilience to adverse developments.[1] The IMF's FSAP teams: i) review the situation of the financial system and the suitability of its prudential framework; ii) analyse systemic risks (such as cyber risk, interconnectedness between banks and non-banks and the emerging issue of climate change risk); iii) evaluate the quality of the financial institution and market infrastructures supervision; and iv) from an institutional standpoint, assess the public authorities' capability to respond to systemic risk situations using their regulatory, oversight and resolution powers.

1 Certain categories of risk affecting financial stability, such as operational or legal risk and risk related to fraud, are not covered in FSAPs.

The main findings of each FSAP are presented in the Financial System Stability Assessment (FSSA) report. This report – which the IMF publishes on its website – is usually accompanied by a number of public technical notes on specific topics detailing the organisation's analytical approach and its findings. As part of the FSAP, the IMF also prepares confidential reports that are shared only with the authorities being assessed, known as the Aide-Mémoire (general) and the background notes (topic-specific).

The FSAP is a key tool for the IMF's macro-financial oversight function and is relevant for Article IV consultations. The main responsibilities of the IMF, as laid down in its Articles of Agreement, include monitoring and advising on member countries' economic and financial policies. This monitoring process (or surveillance, as the IMF refers to it) is partly based on the FSSAs[2] and typically involves two IMF staff visits to the member countries each year. During these missions, the IMF teams engage in a technical dialogue with a variety of representatives (from government, the central bank and other public bodies, as well as the private sector) on issues relevant to a wide range of public economic and financial policies. This process, which is known as an "Article IV consultation", concludes with a report that is submitted to the IMF Executive Board for analysis and approval and subsequently shared with the national authorities.[3]

The Spanish financial system is subject to an FSAP every five years. The financial stability assessment, carried out under the FSAP framework, has been a mandatory part of Article IV consultations since 2010 for those jurisdictions that are considered by the IMF to have systemically important financial sectors (SIFS).[4] For jurisdictions without SIFS, participation in the FSAP is voluntary (IMF, 2013).[5] For countries with SIFS, the assessments are carried out every five or ten years (see Table 1). In the last five years, this frequency was affected by the COVID-19 pandemic, which disrupted the capacities, resources and priorities of the IMF and the World Bank and delayed the FSAP by around two years for some countries (including Spain).

2 FSAPs in Spain

Since the FSAP assessments began, four exercises have been conducted in Spain, in 2006, 2012, 2017 and 2024. The FSAPs in Spain reflect developments in the IMF exercises themselves (which have focused increasingly on risk) and have been marked by important international and short-term developments for the Spanish financial system (e.g. the global financial crisis that began in 2008) and institutional/structural factors (such as the creation of the banking union in 2014). Another development in recent years, no less relevant, is the

2 The Independent Evaluation Office of the IMF has identified the need for greater integration of financial and macro-financial work across Article IV and FSAP surveillance (IMF, 2023a).

3 With the agreement of the national authorities, the IMF publishes the report on its website.

4 The methodology for determining jurisdictions with SIFS involves analysis of the financial sector's interconnectedness and potential for contagion, and is guided by the principles of relevance, transparency and impartiality. The list of jurisdictions with SIFS has included 47 countries since 2021, 32 of which have relatively more systemically important financial systems and are subject to the FSAP every five years, while the remaining 15 countries are assessed every ten years.

5 This is the case for the euro area, which is not on the list of SIFS jurisdictions and therefore is not legally obliged to submit to a FSAP. Nevertheless, it is assessed on a voluntary basis (ECB, 2020).

Table 1
Jurisdictions subject to an FSAP in the last ten years (2015-2024)

	Countries with SIFS		Countries without SIFS
Year	5-year cycle	10-year cycle	Voluntary frequency
2024	Saudi Arabia, China, **Spain,** Japan, India, Indonesia, Luxembourg and the Netherlands		Bolivia and Kazakhstan
2023	Belgium, Finland, Sweden and Türkiye		Botswana, Ecuador, Iceland, Jordan and Maldives
2022	Germany, Ireland, Mexico and United Kingdom	Colombia and South Africa	West African Economic and Monetary Union
2021	Hong Kong	Chile and the Philippines	Georgia
2020	Austria, Denmark, United States, Italy, South Korea and Norway		Trinidad and Tobago
2019	Australia, Canada, France, Singapore and Switzerland	Poland and Thailand	The Bahamas, Kuwait and Malta
2018	Belgium and Brazil	Peru	Euro area, Jamaica, Namibia and Tanzania
2017	Saudi Arabia, China, **Spain,** Japan, India, Indonesia, Luxembourg, the Netherlands and Türkiye	New Zealand	Bulgaria, Lebanon and Zambia
2016	Finland, Mexico, Sweden, Ireland, Russia, Germany and the United Kingdom	Argentina	Belarus, West African Economic and Monetary Union, Madagascar, Morocco, Moldova, Montenegro and Tajikistan
2015	United States and Norway		Bosnia and Herzegovina and the Turks and Caicos Islands

SOURCES: IMF and Banco de España.

increase in the number of Spanish bodies significant enough to engage in the direct dialogue with the IMF, and which, in turn, receive its recommendations. The expansion of the scope of the IMF assessment is evident in the issues coming under the umbrella of the FSAP, such as resolution or macroprudential surveillance, which have been developed significantly over the past decade. Such progress has given rise to new authorities, such as the Spanish executive resolution authority (FROB, by its Spanish abbreviation) and the Spanish macroprudential authority (AMCESFI, by its Spanish abbreviation). At the same time, existing authorities have been given new powers, as in the case of the Banco de España, which has taken on macroprudential and preventive resolution responsibilities for banks. Table 2 summarises the main areas covered in the FSAPs in Spain based on the technical notes and the main recommendations contained in the FSSA documents.

Since FSAPs began in Spain, the establishment of the banking union has entailed important changes to the design and implementation of national FSAPs, including that in Spain. With the launch of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism in 2014 – the two pillars currently underpinning the European banking union – the focus and scope of national FSAPs has shifted, since there is some overlap with the FSAP for the euro area. In particular, the scope of national FSAPs has shrunk in the areas of banking supervision and resolution, to focus on less significant institutions (LSIs) (which are under the direct responsibility of national authorities).[6] The European Central Bank (ECB) (as

6 With the banking union, the ECB and SRB were tasked with responsibility for prudential supervision and resolution of significant institutions, respectively. For this reason, assessing the supervision and resolution of those institutions falls within the scope of the FSAP for the euro area.

Table 2
Themes assessed by the IMF and key recommendations made in the FSAPs in Spain (a)

General	2024	2017	2012 (b)	2006
Systemic risk analysis and stress testing	2			
Macroprudential policy	4	2		
Financial safety net and crisis management	3	4	2	
Financial market infrastructures	3		2	
Interconnectedness				
Institutional framework, cross-authority coordination and regulations				6
Banking sector				
Prudential oversight	5	7	4	
AML/CFT (c)	1			
Profitability			1	
NPLs			1	
Insolvency and creditor rights		1		
Resilience			1	
Real estate			1	1
Holdings in non-financial companies				1
Regulation of savings banks				4
Non-bank sectors				
Securities markets			3	
Insurance		1	2	
Other				
Cyber risk	2			
Financial innovation/fintech	1			
Number of key recommendations	19	15	17	12
Implemented	—	13	15	9
Partially implemented	—	2	2	2
Not implemented	—	0	0	1

SOURCES: IMF and Banco de España.

a The shaded cells denote the themes on which technical notes have been issued. The figures in the cells indicate the number of key recommendations issued for each theme (i.e. the recommendations in the FSSA report).
b Technical notes were not released for this exercise.
c Anti-money laundering and combating the financing of terrorism.

the microprudential supervisory authority that also has macroprudential responsibilities) and the Single Resolution Board (SRB) (both at the banking union level), as well as the European Systemic Risk Board (ESRB) (at the European Union (EU) level) have become relevant interlocutors for the IMF not only for the euro area FSAPs but also for each of the specific FSAPs in the Member States.

The growing importance of EU regulations has also had an impact on national FSAPs. The increasingly important role of EU financial regulation, some of which is directly applicable in Member States through technical regulations and standards, has gradually reduced the role of national legislators in developing new domestic regulation. As a result, it follows that the IMF should address certain recommendations of a regulatory nature to the European Commission and the European Supervisory Authorities – rather than to national authorities – and cover them in the FSAPs for the euro area.[7]

The first FSAP for Spain was completed in 2006,[8] at a time when systemic risk was building up in the financial system. The recommendations in the accompanying FSSA included moderating housing credit (warning of price overvaluation) and mitigating credit risk by strengthening prudential requirements for less traditional mortgages. It also suggested strengthening the independence of supervisory authorities and stressed the particular importance of rigorous governance of savings banks and of the need for credit institutions to take more conservative approaches to investments in non-financial corporations to mitigate the associated risks.

The second FSAP for Spain, conducted in 2012, took place in a different environment from that of the first, following the materialisation of systemic risk. A significant reform of the legal framework for savings banks had been undertaken, complemented by the financial support that many banks received from the FROB[9] and other measures that significantly changed the Spanish banking sector's structure. Measures had also been put in place to address the more problematic portion of credit institutions' portfolios, specifically those made up of real estate loans to developers. However, the IMF considered that, in the face of deteriorating economic conditions, further restructuring and recapitalisation of the weaker banks might still be needed. In order to preserve financial stability and lay the groundwork for recovery, the reforms (including independent asset valuation, the creation of credible backstops and the enhancement of the communication strategy and resolution framework) needed to be fully implemented. Immediately following the conclusion of this FSAP in June 2012, the Spanish Government made a request under the provisions of the European Financial Stability Facility (EFSF) assistance programme for the recapitalisation of financial institutions.[10]

In its next FSAP for Spain, in 2017, the IMF delivered a positive opinion regarding the Spanish financial system's progress. The economic recovery and reforms carried out by the various authorities helped stabilise and shore up the solvency of the banking sector and reduce non-performing loans. However, the IMF deemed it essential that the reform process be kept moving, that the bank balance sheet restructuring be completed and that closer attention be paid to monitoring interest rate and liquidity risks, along with potential sources of systemic risk, such as the insurance sector, the capital market or the governance of cooperative banks. The IMF also warned of the increasing risk of contagion from Spanish banks' cross-border exposures, the strong interconnections between financial sectors and the volume of less traditional banking activities driven by financial digitalisation.

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7 On this issue, see the FSSA resulting from the 2018 FSAP for the euro area (IMF, 2018).

8 For a contemporary commentary on Spain's first FSAP, see Garrido Sánchez (2005) and Baliño et al. (2006).

9 The FROB was created in 2009, in the midst of financial crisis, to restructure and clean up the Spanish banking sector.

10 This request would be reflected a few weeks later in a Memorandum of Understanding entered into with the European Commission on financial-sector policy conditionality and a Framework Agreement for Financial Assistance with the EFSF.

In retrospect, the Spanish authorities have generally complied closely with IMF recommendations. This is partly down to the aforementioned strengthening of the European regulatory framework, as well as to specific domestic regulatory developments and other macro-financial policy decisions stemming from the Spanish authorities' readiness to adopt the IMF's proposals. This is evidenced by the recommendations to strengthen the prudential framework of the banking system, which have appeared in every FSAP since the first. The EU Capital Requirements Directive and Regulation (CRD and CRR), together with the related national regulations implementing the CRD, have seen the Spanish regulations brought into line with the IMF's requirements. However, in other areas, some recommendations have not been addressed. For example, the 2006 FSAP advised separating insurance supervision from the Ministry of Economy.

The IMF has made a range of recommendations relating to macroprudential policy. Some of the IMF's concerns have remained over time, such as its recommendation to establish an institutional mechanism for coordination between financial stability authorities. This recommendation, which appeared as early as the 2006 FSAP, resurfaced again in the 2017 FSAP in the form of a proposal to establish a Systemic Risk Council in Spain with a mandate and tasks similar to those of the ESRB (for the EU). In line with this recommendation, AMCESFI[11] was created in 2019 to identify, prevent and mitigate the build-up of systemic risk and to ensure that the financial system contributes sustainably to economic growth. AMCESFI's predecessor was the Financial Stability Committee (CESFI, by its Spanish abbreviation),[12] established following the 2006 FSAP for Spain. Another example is the recommendation in the 2017 FSAP regarding the expansion of the macroprudential toolkit to include borrower-based tools (by means of limits and conditions on the granting of bank lending). This recommendation was addressed in Royal Decree-Law 22/2018 and later implemented in Banco de España Circular 5/2021.

3 The 2024 FSAP for Spain

3.1 Design, organisation and implementation of the exercise

The IMF concluded its fourth assessment of the Spanish financial system in June 2024. This year the IMF once again conducted an evaluation of the state of the financial system, its institutional framework and the performance of the relevant authorities, paying particular attention to developments since the previous exercise. The outbreak of the COVID-19 pandemic at the beginning of 2020 prevented the 2022 edition from going forward in line with the pre-

11 AMCESFI is a collegiate body attached to the Minister of Economy, Trade and Business (MINECO). Its members are high-level representatives from this ministry and from the three authorities with sectoral responsibilities for the regulation and prudential supervision of the Spanish financial system: the Banco de España, the National Securities Market Commission (CNMV, by its Spanish abbreviation) and the Directorate General of Insurance and Pension Funds (DGSFP, by its Spanish abbreviation) of the Ministry of Economy, Trade and Business

12 The CESFI was set up by means of a voluntary cooperation agreement between the then Ministry of Economic Affairs and Finance, the Banco de España, the CNMV and the DGSFP.

established five-year frequency for those jurisdictions, like Spain, that the IMF deems as having SIFS.

The preparatory work for the 2024 FSAP for Spain started two years prior. In 2022 the IMF opened the relevant dialogues with the Office of its Executive Director for Spain and with the Spanish authorities to determine the work schedule, missions and arrange the various thematic areas to be covered during the exercise. In this initial phase, the IMF selected experts to undertake the FSAP for Spain. Under the leadership of Jay Surti, Chief of the Financial Supervision and Regulation Division at the IMF, ten experts (staff members of the multilateral body) and two external consultants constituted the IMF's multinational FSAP team.[13]

On behalf of the Spanish authorities, the Ministry of Economic Affairs and Digital Transformation[14] spearheaded coordination with the IMF for the FSAP and acted as the principal liaison. Through the General Secretariat of the Treasury and International Financing, attached to the aforementioned Ministry, the necessary preparations were made to involve all the relevant Spanish authorities (depending on their area of competence) and enable them to effectively participate in the exercise. To this end, points of contact were established with the authorities to facilitate information sharing and channel communications with the IMF's FSAP team.

Undertaking the FSAP required close institutional collaboration at various levels. The Banco de España played a prominent role in the FSAP. In addition to the Ministry of the Economy, Trade and Business, the Banco de España, the CNMV, the DGSFP,[15] the FROB, the Deposit Guarantee Scheme for Credit Institutions (FGD, by its Spanish abbreviation) and the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) actively liaised with the IMF team during the FSAP. Collectively, AMCESFI also made an important contribution to the exercise. It should be noted that other Spanish bodies and agencies were also involved in the exercise, albeit in a more ad hoc and limited manner. The IMF mission also had the opportunity to meet and gather the views of private sector organisations (representatives of banking associations and various financial institutions based in Spain) and academic experts.

The 2024 FSAP also involved European bodies with responsibilities for the Spanish financial system. In particular, the IMF held dialogues with the ECB and the ESRB. Since the launch of the SSM, the ECB (in addition to being the competent authority for the supervision of significant credit institutions in Spain) has been responsible for the indirect supervision of less significant institutions in order to ensure the consistent application of high standards by national competent authorities and thereby ensure consistency in supervisory outcomes across countries participating in the banking union. The ECB also performs functions relating

13 The IMF team for the FSAP for Spain comprised: Jay Surti (Mission Chief), Luc Riedweg (Deputy Mission Chief), Sneha Agrawal, Rachid Awad, Yaiza Cabedo, Tamas Gaidosch, Elisa Letizia, Yu Shi, Puja Singh, Hamid Reza Tabarraei and Adrian Wardzynski (all IMF); Nigel Jenkinson and Eamonn White (external experts). See IMF (2024a).

14 As it was in 2022, now the Ministry of the Economy, Trade and Business (2024).

15 Attached to the Ministry of the Economy, Trade and Business.

to the monitoring of financial stability risks and the assessment of national macroprudential policies for the banking sector (in permanent contact with the Banco de España in the case of Spain), including potentially tightening the macroprudential measures adopted by the Banco de España as the designated authority. In addition, the ESRB monitors systemic risk developments across the EU and its Member States, promoting common practices in the conduct of macroprudential policies across all sectors of the financial system. The Banco de España, the CNMV and the DGSFP are all members of the ESRB.

The 2024 Spain FSAP was structured around three IMF staff missions to the evaluated authorities. In mid-2023 the IMF conducted a scoping mission to agree on the assessment perimeter for the FSAP themes. This first mission was conducted remotely. By contrast, the next two missions were conducted on-site and involved visits by the IMF team to Madrid for meetings with staff designated by the authorities.[16] These visits, each lasting around two weeks, took place in October 2023 and January-February 2024, during which the IMF team held roughly 200 technical work meetings.

In preparation for each of these visits, the IMF team sent the Spanish authorities several requests for information. These took the form of thematic questionnaires to complete, requests for access to internal documentation and the preparation of confidential data files and statistics for stress testing purposes. These requests were duly addressed in accordance with the safeguards for sharing confidential information between the IMF and national authorities. In the particular case of the Banco de España, the requests were also addressed in coordination with the ECB and subject to the provisions on the transfer of information to international organisations laid down in the EU Capital Requirements Directive.[17] To this end, the Banco de España provided secure environments for the IMF team at its premises, provided English translations of the necessary documentation and ensured the secure electronic transfer of data with the IMF and the other institutions involved. The Spanish authorities also advised the IMF on its meetings with financial institutions.

The Banco de España played a prominent role in the FSAP. Given its important roles in various capacities (as central bank, as the competent supervisory authority and as the designated macroprudential authority), the Banco de España was involved in most of the FSAP workstreams, contributing expertise and information, along with logistical assistance for the IMF's on-site missions in Madrid. At the Banco de España alone, more than 80 staff members (with varying levels of responsibility) were directly involved in the FSAP. This is an indication of the level of resources required to conduct the FSAP effectively, as well as the cross-cutting nature of such exercises for an authority such as the Banco de España. The IMF team held meetings with staff from the Directorate General Financial Stability, Regulation and Resolution; the Directorate General Banking Supervision; the Associate Directorate General Economics and Research; the Directorate General Operations, Markets and Payment

16 The IMF team also travelled to Frankfurt, where the ECB has its headquarters.

17 Article 58a of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (transposed into Spanish law by Article 82a of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions).

Systems; the Directorate General Financial Conduct and Banknotes; the General Secretariat; and, in the case of end-of-mission meetings, with members of the Banco de España's senior management.

The IMF focused the 2024 Spain FSAP on seven thematic areas. In line with previous FSAPs for Spain and for other European countries, the IMF conducted a segmented analysis of the key areas for action or reform in the financial system over recent years. The IMF has published technical notes for each of these areas (or modules), detailing the IMF's analytical approach and presenting its assessment and findings on the situation in Spain:

- Systemic risk analysis.
- Macroprudential policy framework and tools.
- Regulation and supervision of less significant institutions.
- Regulation, supervision, oversight and crisis management for financial market infrastructures.
- Cyber risk.
- Fintech developments and oversight.
- Crisis management and financial safety net.

Following final IMF approval, the documentation for Spain's FSAP was published between June and August 2024. Coinciding with the conclusion of the Article IV Consultation for Spain, at its meeting on 5 June 2024 the IMF Executive Board approved the publication of the documentation for Spain's FSAP (IMF, 2024b). Along with the aforementioned technical notes, the IMF published its FSSA report, summarising its analysis and the key recommendations for the Spanish authorities in this FSAP. All of the FSAP materials, totalling more than 400 pages, are available to download from the IMF website (see Table A.1 in the annex, listing the documentation for all of Spain's FSAPs).

3.2 Assessment and recommendations of the 2024 Spain FSAP

The IMF took a favourable view of the overall resilience of the Spanish financial system, and of the banking sector in particular. The IMF underscored the deleveraging by households and firms and found that the risks posed by the non-bank financial intermediation sector were moderate, since it comprises a small share of the overall financial system. The main risks to financial stability in Spain are associated with an abrupt slowdown in economic growth and a tightening of financial conditions prompted by higher interest rates or by downward pressure on real estate prices. All told, the IMF stress tests on the ten Spanish significant credit institutions[18] demonstrated the banking sector's overall resilience to potential adverse macro-financial scenarios up to 2026. On average, these institutions perform well under the baseline scenario. In terms of solvency, they maintain Common Equity Tier 1 (CET1) ratios above the regulatory minimums under the adverse scenario, although partly at the cost of a significant adjustment in their lending to the real economy.

Notwithstanding the encouraging analytical findings, the 2024 FSAP led the IMF to issue an ambitious set of recommendations to the Spanish authorities for the years ahead. These recommendations (see Table 3 and, for greater detail, Table A.2 in the annex) vary in their institutional scope (the addressee authorities), priority (high, medium, low), the expected timeframe for implementation (immediate or within one year; near term or within 1-3 years; and medium term or within 3-5 years) and, of course, their complexity, given that some require, for example, legislative change (which is not in the hands of financial supervisors) or coordinated action by several authorities with different mandates, priorities and governance processes. Each of these recommendations is subject to individual review to decide, where applicable, on the most suitable form and timing for their implementation.

The 2024 Spain FSAP, consisting of seven technical notes, contains a total of 78 recommendations for Spanish authorities, based on which the IMF presented 20 key recommendations[19] in its accompanying FSSA report. These recommendations cover the entire thematic spectrum of the exercise, with about half of them directly pertaining to the Banco de España's sphere of competence. In the IMF team's view, roughly half of the recommendations could be implemented immediately and the other half in the near term (within three years), although there are a few exceptions. For those recommendations where the IMF provided a priority classification, the priority is mostly high or medium/high (see Chart 1 for more details).

In the realm of systemic risk analysis and macroprudential policy, the IMF addressed four key recommendations to the Banco de España. The IMF urges the sectoral authorities to enhance data collection on foreign investment in the Spanish real estate sector to better understand the price dynamics of new housing and commercial premises (offices). The IMF also encourages the Banco de España to strengthen its bank liquidity analysis using cash flow data (as a sort of reverse stress test) and to develop a template for reporting the results of these exercises. Moreover, the IMF recommends that the Banco de España introduce macroprudential measures such as the countercyclical capital buffer (CCyB) to increase banks' loss-absorbing capacity in the face of adverse risk events. In the IMF's view, the current strong bank profits make it an opportune time to require the build-up of the CCyB, in line with other European countries. The IMF also urged several authorities to continue efforts to close statistical information gaps. The IMF spotlights borrower income and cross-border exposures of investment funds domiciled in other countries and authorised to operate in Spain (although

18 Significant institutions are directly supervised by the ECB. In Spain, they account for around 95% of the banking sector by asset volume.

19 Each recommendation in the FSSA report corresponds to one or more recommendation included in the technical notes.

Table 3
Key recommendations included in the FSSA forthe 2024 Spain FSAP

No	Areas and description of the recommendation	Addressee	Priority	Timing
	Systemic risk analysis and monitoring			
1	Enhance data collection and monitoring of foreign investments in the real estate market	Banco de España, CNMV, DGSFP	—	Near term
2	Create the infrastructure for a more granular cash-flow analysis and report regular stress testing results	Banco de España	—	Near term
	Financial sector oversight			
3	Ensure alignment of resources of supervisory authorities to current and expected future workload.	Government, Banco de España, CNMV, DGSFP	—	Immediate
4	Grant full autonomy to CNMV over its recruitment and retention processes and streamline related procedures	Government, CNMV	High	Immediate
	Macroprudential policy framework and tools			
5	Deploy policies, including but not necessarily limited to, the introduction of a positive neutral countercyclical buffer, to ensure that banks raise capital buffers to be better positioned against downside tail risks	Banco de España, AMCESFI	—	Immediate
6	Increase the minimum frequency of AMCESFI Council meetings and raise the profile and transparency of AMCESFI by publishing meeting minutes/summaries and timely annual reports	AMCESFI	—	Immediate
7	Review the case for appointing two or three external members to AMCESFI to strengthen the diversity of perspectives and expertise	MINECO, AMCESFI	—	Immediate
8	Further develop and deepen the macroprudential framework by addressing remaining data and information gaps, as well as by strengthening reporting requirements	Banco de España, CNMV, DGSFP, AMCESFI	—	Near term
	Supervision and regulation of banking LSIs			
9	Enhance the Banco de España's independence by removing MINECO appeal powers against Banco de España supervisory decisions and sanctions and limiting the role of government's representatives in the Banco de España's Governing Council	MINECO	High	Near term
10	Streamline the offsite monitoring system and apply proportionality in conducting SREPs while performing more frequent and targeted onsite inspections and thematic activities.	Banco de España	High	Immediate
11	Strengthen the Banco de España's onsite inspection activities on LSIs' governance and risk management, particularly management of liquidity risk and interest rate risk in the banking book	Banco de España	High	Immediate
	Regulation, supervision and oversight of financial market infrastructures			
12	Ensure that international supervisory coordination arrangements with other supervisors reflect scope and degree of interconnectedness of BME Clearing, Iberclear and their foreign parent company	CNMV	Medium/High	Medium term
13	Ensure timely implementation of CNMV's recommendations	CNMV	Medium/High	Near term

SOURCES: IMF and Banco de España.

it recognises that the latter should ideally be coordinated with other authorities as part of an international initiative).

Some of the FSAP recommendations are already being implemented, but others will require in-depth prior analysis and coordination between the addressee authorities. In the area of macroprudential policy, one notable example is the recommendation that the Banco

Table 3
Key recommendations included in the FSSA forthe 2024 Spain FSAP (cont'd)

No	Areas and description of the recommendation	Addressee	Priority	Timing
	Cyber security risk supervision and oversight			
14	Conduct onsite examinations as part of financial market infrastructure supervision; Conduct more thematic reviews while maintaining short onsite visits to a sample of LSIs; Develop a lighter threat intelligence based red-teaming framework based on TIBER-ES principles	CNMV, Banco de España, MINECO	—	Near term
15	Involve the Banco de España and CNMV in critical infrastructure related matters, such as designation and compliance assessments	Government	—	Near term
	Fintech			
16	Delegate powers to the Coordination Commission and the regulators to make changes to sandbox operation, streamline administrative processes, and provide greater flexibility to supervisory authorities to use preferred mix of tools	Government, Banco de España, CNMV, DGSFP	High	Near term
	Financial Integrity			
17	Complement the National Risk Assessment, ensure accuracy of data stored in centralised beneficial ownership register, and extend AML-CFT risk-based supervisory activities to professional enablers and virtual asset providers	SEPBLAC, MINECO, Banco de España, the Registrars' AML Centre, Ministry of the Prime Minister's Office, Justice and Relations with Parliament	—	Near term
	Crisis management and financial safety nets			
18	Integrate preventative resolution authority functions (i.e. the Banco de España's resolution planning department) and FROB's executive resolution functions for banks	MINECO	High	Immediate
19	Improve the statutory resolution regime so FROB has resolution power to override shareholders rights, update the statutory insolvency creditor hierarchy, and enable liquidators to transfer deposit accounts	MINECO	Medium	Near term
20	Establish and operationalise an approach to address liquidity needs in resolution	Banco de España	High	Immediate

SOURCES: IMF and Banco de España.

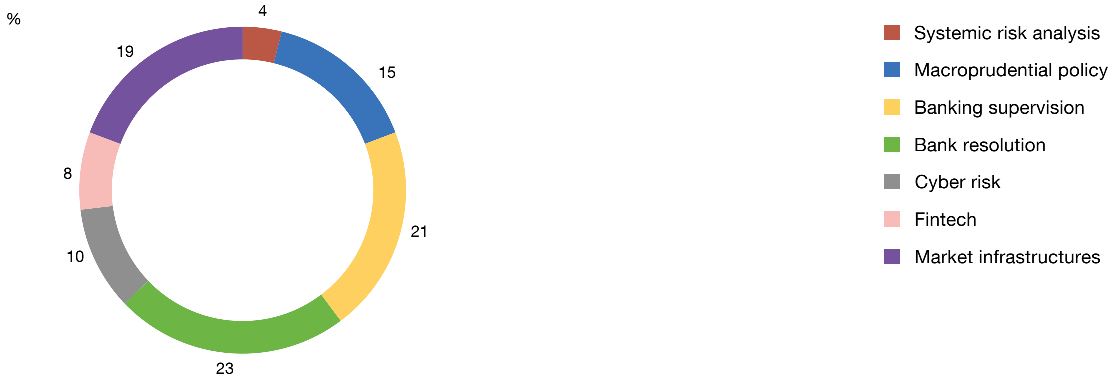
de España require a positive CCyB rate from banks for their credit exposures located in Spain. The Banco de España complied with that recommendation as a result of the CCyB measure announced on 1 October 2024.[20] However, the situation is quite different for the recommendations relating to AMCESFI, where the IMF suggests certain changes to its functioning, the appointment of external members with an academic background and increasing the minimum frequency of AMCESFI Council meetings (from six-monthly to quarterly). For these changes to take place, the Government, should it see fit, would have to amend Royal Decree 102/2019 (establishing AMCESFI).[21] There are also recommendations for which implementation is ongoing, such as

20 Press release of 1 October 2024, "The Banco de España approves the new framework for setting the countercyclical capital buffer and sets the buffer rate for 2024 Q4 at 0.5%". This IMF recommendation was issued shortly before the Banco de España announced, on 16 May 2024, its plan to introduce a positive CCyB rate. The Executive Board of the IMF acknowledged this recent development in its press release "IMF Executive Board Concludes 2024 Article IV Consultation with Spain" of 6 June 2024.

21 It must first comply with the third additional provision of Royal Decree 102/2019, which requires the (current) Ministry of Economy, Trade and Business to prepare three-yearly reports on AMCESFI's fulfilment of its objectives, as well as on the suitability of its organisational structure, the tools available and the cooperation arrangements with other authorities to achieve these objectives.

Chart 1
2024 Spain FSAP recommendations by topic, addressee, timing and priority (a)

1.a Recommendations by topic



1.b Number of recommendations by addressee (b)

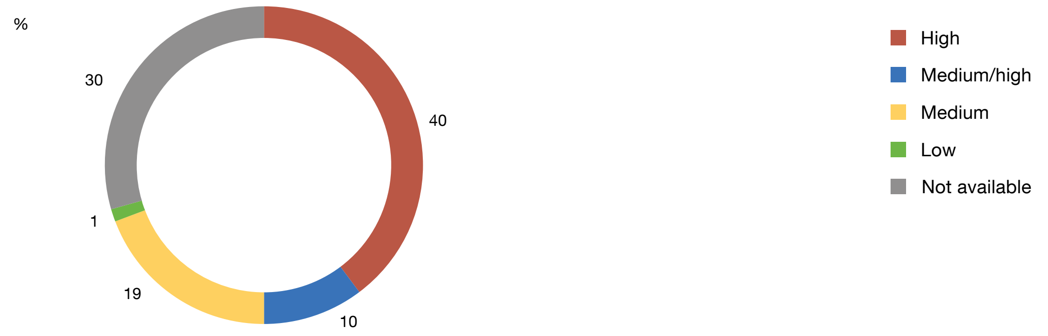
1.c Recommendations timing

SOURCES: IMF and Banco de España.

a All four panels draw on the data available for the 78 FSAP recommendations.
b Panel 1.b takes into account that some recommendations are addressed to more than one authority.

Chart 1
2024 Spain FSAP recommendations by topic, addressee, timing and priority (cont'd)

1.d Priority of the recommendations



SOURCES: IMF and Banco de España.

enhancing data collection for monitoring foreign investment in the real estate sector. The rationale for and objectives of this recommendation align with those of various ESRB recommendations[22] to which the Banco de España has adhered.

4 Comparison with recent FSAPs in other euro area countries

The changing risk environment and severity of the risks shape the context in which each FSAP is conducted. For each FSAP, the IMF's assessment takes as a starting point a list of the risks to financial stability that the IMF delegation deems relevant (albeit with different levels of severity) for each country assessed. As summarised in Table 4, the more persistent risks over the last three years for a sample of European countries are associated with geo-economic fragmentation and the escalation of various regional conflicts (Russia's invasion of Ukraine, the crisis in the Middle East and armed conflicts in Africa). In addition, the countries' risk matrices illustrate growing concerns about the adverse consequences of a possible disorderly energy transition, along with cyber risks.

The 2024 Spain FSAP followed others conducted for euro area countries such as Belgium, Finland, Germany, Ireland, Luxembourg and the Netherlands. The FSAPs for these countries were similar in thematic design and scope to that conducted in Spain, partly due to the IMF's recognition of common structural factors, such as the banking sector's dominance in the domestic financial system and regulatory and institutional frameworks aligned with the EU and the banking union. Table 5 provides an overview of the euro area countries subject to FSAPs since the COVID-19 pandemic, detailing the topics covered in the associated technical notes.

22 Such as Recommendations ESRB/2016/14 and ESRB/2019/3 on closing real estate data gaps and Recommendation ESRB/2022/9 on vulnerabilities in the commercial real estate sector in the European Economic Area.

Table 4
Risks assessment - relative likelihood of occurence over a three-year horizon

	2024			2023		2022	
	Spain	Luxembourg	Netherlands	Belgium	Finland	Germany	Ireland
Risks exogenous to the financial system							
Intensification of regional conflicts	High		High	High	High	High	High
Geo-economic fragmentation	High		High	High	High	High	High
Disorderly energy transition	Medium		Medium	Medium			Medium
Cyber threats	Medium	Medium			Medium		
COVID-19 outbreaks					Medium	Medium	Medium
Political uncertainty and fragmentation			Medium	High			
Non-financial economic risks							
Abrupt global slowdown or recession / Weaker than expected growth	Medium	Medium	Medium	Medium			
Commodity price volatility	High	Medium			High		
De-anchoring of inflation expectations and stagflation					Medium	Medium	Medium
Trade frictions and uncertainty related to the implementation of post-Brexit arrangements							Medium
Real estate market corrections		Low	Medium				
Possible changes in international corporate and personal taxation		Medium					
Financial risks							
Miscalibration of monetary policy	Medium	Medium	Medium	Medium			
Sovereign risk	Medium			Medium			
Systemic financial instability		Medium	Medium				

SOURCES: IMF and Banco de España.

Supervision and macroprudential policy play a vital role in the banking sector, and therefore are core analytical modules in FSAPs. Other topics related to the financial system, such as insurance, investment funds or stock markets, receive varying levels of attention from the IMF based on their relevance in each country. In addition, there are certain topics that have gained increasing importance in recent years, particularly those relating to financial innovation, cyber risk and the risks posed by climate change. When determining the scope of each FSAP, the IMF also considers whether it has extensively addressed the issue in an earlier exercise. For instance, the insurance sector, a frequent subject of FSAP technical notes in other European countries recently, was not assessed in the 2024 Spain FSAP because it was comprehensively analysed in 2017.

The number of IMF recommendations pertaining to macroprudential policy and systemic risk analysis varies significantly from one country to another. However, the number of recommendations is not directly comparable across countries due to the specificities of each country's institutional architecture, in addition to factors as significant as normative

Table 5

Themes assessed by the IMF and key FSAP recommendations issued for euro area countries in 2022-2024 (a)

	2024			2023		2022	
	Spain	Luxembourg	Netherlands	Belgium	Finland	Germany	Ireland
General							
Systemic risk analysis, interconnections and stress testing	2	5	3	3	2	3	
Macroprudential policy	4	6	4	3	3	5	3
Crisis management and financial safety net	3	3	3	4	3	2	2
Financial market infrastructures	3			3		2	
Other			5		3		5
Banking sector							
Prudential supervision	5	6	1	3	2	4	1
AML/CFT (b)	1	1	3	2	1		1
Bank profitability							
Insolvency and creditor rights							
Non-bank financial sector							
Securities markets and investment funds			2		1		4
Insurance			1	4		1	1
Pension funds			1		1		
Other							
Cyber risk	2						
Financial innovation/fintech	1						2
Climate risks			4			1	

SOURCES: IMF and Banco de España.

a The shaded cells denote the themes on which technical notes have been issued. The figures in the cells indicate the number of key recommendations issued for each theme (i.e. the recommendations included in the FSSA report).
b Anti-money laundering and combating the financing of terrorism.

and regulatory development in aspects not covered by EU legislation.[23] Ultimately, FSAP recommendations are highly qualitative in nature, and therefore the number of recommendations should not be viewed as an indicator of a country's progress in the five-year FSAP cycle.

Some of the IMF's recommendations are made on a recurring basis in different countries' FSAPs. The 2024 Spain FSAP includes a number of recommendations that also feature in other recent assessments, such as (i) introducing a positive neutral CCyB rate in the banking sector (also recommended in Belgium (IMF, 2023c) and Finland (IMF, 2023e)); and (ii) raising the transparency of the national macroprudential authority by publishing meeting minutes (Germany (IMF, 2022b)) and appointing external advisory members of these authorities (Ireland (IMF, 2022d)). Other common recommendations concerning risks to financial stability and macroprudential policy relate to: enhancing the coverage of the available statistical

23 For instance, in Italy's latest FSAP the IMF recommended that the country improve its institutional framework by setting up a macroprudential authority for its financial system (IMF, 2020). The IMF had issued a very similar recommendation to Spain in the 2017 FSAP. Once the authority had been set up (in 2019), the IMF then made seven recommendations in the 2024 FSAP to strengthen the structure, mandate and duties of the new Spanish macroprudential authority (AMCESFI).

information for analytical purposes (closing data gaps), improving stress test methodologies and enacting regulations to allow designated authorities to implement limits and conditions on bank lending based on borrowers' debt capacity.

5 Conclusion

The FSAP is the main external evaluation exercise available for domestic financial systems. Given their broad thematic coverage, the scope of the recommendations and the substantial resources needed to conduct them, the IMF FSAPs serve as a benchmark exercise for assessing each jurisdiction in terms of financial, regulatory and supervisory stability, and the suitability of its institutional framework. The recommendations in each FSAP stem from a thorough diagnosis of the areas for improvement that have been identified and the reforms required to strengthen the resilience of the system and to minimise the occurrence and impact of financial crises.

Over the coming years, the Banco de España should act on the recommendations formulated in the latest FSAP. At the date of writing this article, the Banco de España is developing a detailed roadmap for implementing each of the recommendations addressed to it. Indeed, the IMF will conduct ongoing monitoring of compliance with the main recommendations as part of its next annual IMF Article IV reports (on national macroeconomic policies). Should it fail to comply with any of the recommendations, the IMF may consider formulating them again in its next FSAP for Spain, foreseeably in 2029. In a more immediate time frame, the forthcoming FSAP for the euro area will give the IMF a fresh opportunity to collectively assess Spain and the other member countries, and to make recommendations to strengthen and further the integration of the European financial system.

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Table A1
IMF publications on FSAPs for Spain

Date	Code (IMF Country Report)	Name of publication
06/06/2024	24/154	Spain: Financial System Stability Assessment (FSSA)
01/08/2024	24/259	Spain: FSAP - Technical Note on Systemic Risk Analysis
	24/260	Spain: FSAP - Technical Note on Macroprudential Policy Framework and Tools
	24/261	Spain: FSAP - Technical Note on Regulation and Supervision of Less Significant Institutions
	24/262	Spain: FSAP - Technical Note on Regulation, Supervision, Oversight, and Crisis Management of Financial Market Infrastructures
	24/263	Spain: FSAP - Technical Note on Cyber Risk and Financial Stability
	24/264	Spain: FSAP - Technical Note on Fintech Developments and Oversight
	24/265	Spain: FSAP - Technical Note on Financial Safety Net and Crisis Management
06/10/2017	17/321	Spain: Financial System Stability Assessment (FSSA)
13/11/2017	24/336	Spain: FSAP- Technical Note-Systemic Risk Oversight Framework and Macroprudential Policy
	17/337	Spain: FSAP- Technical Note-Institutional Arrangements for Financial Sector Oversight
	17/338	Spain: FSAP- Technical Note-Insurance Sector Supervision and Regulation
	17/339	Spain: FSAP- Technical Note-Determinants of Bank Profitability
	17/340	Spain: FSAP- Technical Note-Insolvency and Creditor Rights
	17/341	Spain: FSAP- Technical Note-Bank Resolution and Crisis Management Frameworks
	17/342	Spain: FSAP- Technical Note-Stress Testing Banking System Resilience
	17/343	Spain: FSAP- Technical Note-Impaired Assets and Nonperforming Loans
	17/344	Spain: FSAP- Technical Note-Interconnectedness and Spillover Analysis in Spain's Financial System
	17/345	Spain: FSAP- Technical Note-Supervision of Spanish Banks
08/06/2012	12/137	Spain: Financial System Stability Assessment (FSSA)
14/06/2006	06/212	Spain: Financial System Stability Assessment, including Reports on the Observance of Standards and Codes on the following topics: Banking Supervision, Insurance Supervision, Securities Supervision, Payment Systems, Securities Settlement Systems, and Financial Policy Transparency
	06/217	Spain: FSAP: Technical Note: Supervision of Insurance: Alternative Models for an Independent Agency
	06/210	Spain: FSAP: Technical Note: Housing Prices, Household Debt, and Financial Stability
	06/214	Spain: FSAP: Technical Note: Nonfinancial Equity Investments of Spanish Credit Institutions
	06/215	Spain: FSAP - Technical Note: Regulation, Supervision, and Governance of the Spanish Cajas
	06/216	Spain: FSAP: Technical Note: Stress Testing Methodology and Results
	06/218	Spain: FSAP: Detailed Assessment of Compliance with the Basel Core Principles for Effective Banking Supervision
	06/219	Spain: FSAP: Detailed Assessment of Observance of the IAIS Insurance Core Principles
	06/220	Spain: FSAP: Detailed Assessment of Implementation of the IOSCO Objectives and Principles of Securities
	06/221	Spain: FSAP: Detailed Assessment of the CPSS Core Principles for Systemically Important Payment Systems
	06/222	Spain: FSAP: Detailed Assessment of the CPSS-IOSCO Recommendations for the Securities Settlement Systems
	06/223	Spain: FSAP -Detailed Assessment of the IMF Code of Good Practices on Transparency in Monetary and Financial Policies: Financial Policies

SOURCE: IMF.

Table A.2
Other recommendations included in the 2024 FSAP for Spain

Areas and description of the recommendation	Addressee	Priority	Timing
Systemic risk analysis and monitoring			
Integrate the interconnectedness and contagion analysis more systematically into the toolkit of the Banco de España's financial stability framework	Banco de España	–	Medium term
Macroprudential policy framework and tools			
Strengthen the communication of AMCESFI's assessment of the major systemic risks and vulnerabilities, building on the expertise of the member authorities and detailed analysis of interconnections, interrelationships and spillover risks across the domestic financial system, as well as across borders	AMCESFI	–	Near term
Consider the case for AMCESFI to take on a broader high-level coordination role on financial stability topics and cross cutting risk issues (such as cyber risk and crisis management planning) as warranted, inviting other key public sector stakeholders to participate on relevant topics as appropriate	AMCESFI	–	Near term
Complete the first internal performance review of AMCESFI as mandated in the Royal Decree establishing the macroprudential authority	MINECO	–	Immediate
Increase the complement of CNMV staff with technical skills on big data analysis to support enhanced systemic risk identification and analysis of market trends and risks	CNMV	–	Near term
Review possible options for simplifying and streamlining the domestic consultation and administrative processes entailed in the deployment of certain key macroprudential policy instruments, in order to shorten the lengthy implementation lag	AMCESFI	–	Near term
Review and strengthen notification (and in some cases, permissioning) requirements on funds, and, where warranted, other non-bank financial institution (NBFI) providers, to inform the supervisor of the activation of all policy instruments and tools	CNMV, AMCESFI	–	Immediate
Continue to engage actively in European and global fora on the further deepening and development of the framework and policy toolkit for addressing system-wide risks from NBFI and implement the main conclusions and recommendations when available	MINECO, Banco de España, CNMV, DGSFP, AMCESFI	–	Near term
Regulation and supervision of less signifcant institutions			
Grant the Banco de España legal powers to issue prudential regulations in areas not harmonised at EU level and explore options to allow the Banco de España the flexibility to timely issue prudential requirements for other areas that could emerge in the future	MINECO	High	Near term
Ensure that prudential considerations are not subordinated to other factors in deciding on mergers and acquisitions	MINECO	Medium	Immediate
Engage periodically with banks' independent board members and heads of control functions, especially for high priority LSIs	Banco de España	High	Immediate
Utilise the full panoply of enforcement tools, including sanctions, where appropriate	Banco de España	Medium	Immediate

SOURCES: IMF and Banco de España.

Table A.2
Other recommendations included in the 2024 FSAP for Spain (cont'd)

Areas and description of the recommendation	Addressee	Priority	Timing
Regulation and supervision of less significant institutions			
Align the framework on related party transactions with the BCPs in relation to definition of related parties, arms' length and conflict of interest rules, and a limit on aggregate exposures to related parties	Banco de España	High	Near term
Remove the requirement for the Banco de España to authorise banks' loans to their directors and senior management	MINECO	Medium	Near term
Take into account excessive concentration risk for a broader range of exposure types, including sovereign risk concentration, when setting P2R	Banco de España	Medium	Near term
Continue monitoring and assessing climate risk through targeted and thematic work, ensure climate risk oversight becomes gradually integrated in routine supervisory processes, and increase related resources	Banco de España	Medium	Near term
Implement the AML/CFT matrix and integrate it in supervisory planning activities; Increase AML/CFT risk-based targeted inspection activities; and grant the Banco de España powers to issue requirements and sanctions related to ML/TF risks	SEPBLAC, MINECO, Banco de España, the Registrars' AML Centre, Ministry of the Prime Minister's Office, Justice and Relations with Parliament	High	Near term
Regulation, supervision and oversight of financial market infrastructures			
Formalise a cooperation agreement between the CNMV and Banco de España	CNMV, Banco de España	Medium/High	Near term
The CNMV should ensure that, where necessary, steps are taken by market participants to adjust their IT systems and find relevant alternative sources of data once the Post-trade Interface (PTI) is removed	CNMV	High	Near term
Enhance preparedness for implementation of new regulatory initiatives	CNMV, Banco de España	Medium	Near term
Further document internal procedures for supervising Iberclear	CNMV	Medium/High	Near term
Continue working towards improving settlement efficiency rates	CNMV	Medium/High	Near term
Require BME Clearing to implement additional necessary and identified measures to complete the migration to the new Historical Value-at-Risk model	CNMV, College of Supervisors	Medium/High	Medium term
BME Clearing should be required to disclose to clearing members (CMs) the results from the sensitivity analysis	CNMV	Medium/High	Near term
Require all relevant procedures related to BME Clearing's risk management to be adequately documented	CNMV	High	Near term
Ensure that practices and enhancements to BME Clearing's margin model to be adopted from SIX group are aligned with CNMV and BME Clearing requirements and objectives respectively	CNMV	Medium/High	Near term
Ensure that all tools identified in the recovery plan can be deployed in a timely fashion and consider a wide range of scenarios in the resolution plan, including through assessing whether it would be necessary to consider the transfer of functions to another financial market infrastructure to ensure the continuity of critical services in resolution	CNMV	Medium/High	Medium term
Encourage Iberclear to improve the narrative of recovery plan	CNMV	High	Near term

SOURCES: IMF and Banco de España.

Table A.2
Other recommendations included in the 2024 FSAP for Spain (cont'd)

Areas and description of the recommendation	Addressee	Priority	Timing
Cyber risk and financial stability			
Prioritise filling open positions and assess the need for increasing the cyber risk specialist headcount considering current and projected workloads over a three-to-five year period	Banco de España	–	Immediate
Establish and staff a small cyber risk competence centre with a horizontal (cross-cutting) mandate to provide specialist support of all activities that have a cyber risk supervisory component	CNMV	–	Near term
Consider using sector-specific threat intelligence to be tailored to specific institutions in each test in TIBER-ES to reduce costs, while maintaining compatibility with TIBER	Banco de España	–	Immediate
Fintech developments and oversight			
Intensify data collection on nonbank fintechs, including on nonbank digital lending and crypto asset lending, and undertake horizontal assessments and thematic reviews while analysing the various channels of contagion between the nonbank fintechs and banks	MINECO, Banco de España, CNMV	Medium	Near term
Assess the current and projected workloads over a 3-to-5 year period in the area of fintech monitoring, regulation and supervision and ensure alignment of resources to these	Banco de España	Medium	Immediate
Estimate current and projected future workload, ensure alignment of resources to these, and grant full autonomy over the recruitment and retention process	CNMV	High	Immediate
Conduct deeper assessment of the impact of digitalisation on LSIs' business models, governance, and risk management strategies	Banco de España	Medium	Near term
Financial safety net and crisis management			
Provide backstop temporary public ownership resolution tool for the Government as a last resort option where all other resolution actions have failed	MINECO	Medium	Near term
Develop a failing or likely to fail ("condition 1") assessment framework with clear prudential regulatory capital and liquidity ratio triggers for when the assessment should be conducted	Banco de España	High	Immediate
Develop an agreed assessment methodology for firms' recovery actions based on which the FROB should request advice on condition 2	FROB	High	Immediate
Continue to monitor LSIs' progress to becoming fully resolvable, further develop the approach to identifying and removing impediments to resolution, and develop and publish a resolvability scoring framework for reviewing Spanish LSIs' self-assessment reports	Banco de España	High	Near term
Design a policy framework that describes the range of actions to be taken by each authority when a firm no longer meets the MREL requirements	FROB, Banco de España	High	Immediate
Enhance the transparency of the Spanish resolution framework by publishing policy documents and encourage firms to publicly disclose non-confidential parts of their resolvability self-assessments	Banco de España	High	Immediate

SOURCES: IMF and Banco de España.

Table A.2
Other recommendations included in the 2024 FSAP for Spain (cont'd)

Areas and description of the recommendation	Addressee(s)	Priority	Timing
Financial safety net and crisis management			
Authorise DGSFP to set binding recovery planning requirements for insurers	MINECO	Low	Immediate
Engage actively with industry to develop a shared approach to overcoming challenges associated with bail-in mechanics and with the relevant foreign authorities as part of a process led by the SRB to facilitate transfer strategies for internationally active banks	FROB	High	Immediate
Use the flexibility afforded within the EU legal framework to facilitate FGD'S ability to finance resolution	MINECO, FGD	High	Near term
Establish a national crisis management framework for bank failure and ensure a coordinated approach to a firm's crisis preparedness across prudential, resolution and market operations	FROB, Banco de España, FGD	Medium	Near term
Formalise existing crisis management practices and prioritise, by agreeing a cross-authority (Banco de España, FROB, FGD) crisis simulation exercise strategy	FROB, Banco de España, FGD	Medium	Near term
Ensure resources are sufficient to conduct firm resolvability testing and bail-in implementation work that has not been a major focus to date	FROB, Banco de España	High	Immediate
Provide maximum flexibility where possible under national procurement legislation to allow FROB to depart from procurement rules in a crisis to appoint external advisors including independent valuers at speed in a crisis	MINECO	High	Near term

SOURCES: IMF and Banco de España.

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