Rethinking the governance of the Banco de España

General considerations for a potential legislative change to the Banco de España's governance framework

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Lucía Rodríguez Muñoz
Member of the Governing Council and the Executive Commission

Francisco Javier Priego
General Secretary

Montserrat Martínez Parera
Adviser to the Governor

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Report by the internal working group on independence, transparency and accountability, set up by the Governing Council of the Banco de España in September 2024. The opinions and analyses in this report are the sole responsibility of the authors and, therefore, they do not necessarily coincide with those of the Banco de España, the Governing Council or the Eurosystem.

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Executive summary

Approved in 1994, the Law of Autonomy of the Banco de España (LABE) has provided Spain's central bank and banking supervisor with the legal and institutional framework needed to perform its functions with the independence, legitimacy and robustness required by its position in the Spanish and European institutional system since the Maastricht Treaty entered into force.

In the three decades since then, the setting has changed profoundly. These changes include the creation of the European System of Central Banks and the introduction of the euro, the establishment and consolidation of the Single Supervisory Mechanism and the Single Resolution Mechanism, and the development of macroprudential policy. In parallel, there have been rapid changes in the financial sector resulting from the technological revolution, and increasing social and institutional demands for transparency and accountability.

This has prompted the Banco de España to undertake an extensive review to assess, among other matters, whether the governance framework designed by lawmakers three decades ago remains the most suitable in the light of these changes or whether adjustments should be made to strengthen institutional legitimacy, collegial decision-making and the ability to adapt to a continuously and rapidly changing environment, while safeguarding its required independence.

To structure this review, the Governing Council agreed to set up an internal working group, led by Council member Lucía Rodríguez Muñoz and comprising General Secretary Francisco Javier Priego and adviser to the Governor Montserrat Martínez Parera. This report sets out this group's critical analysis of the institution's governance framework, paying particular attention to the composition and functions of the governing bodies, as well as to the terms of office and nomination and appointment procedures for their members.

First, the report bears out the robustness of the current model, drawing on two main axes of analysis:

- first, its **effectiveness** and **efficiency**, understood as the capacity to suitably structure how the various functions entrusted to the Banco de España are performed;
- second, its **legitimacy** and **independence**, in connection with the growing demands for democratic legitimacy, transparency and accountability.

On this basis, the report conducts a structured institutional assessment aimed at identifying possible improvements to the governance framework in the light of the experience gained, changes in the setting and comparative practice. A predominantly qualitative approach has been adopted due to the limited empirical evidence available, since most quantitative studies in this field tend to use indicators that either do not capture the complexity and detail of the different institutional models or that focus on the specific impact of governance on the definition of monetary policy.

The aim of this report is not, therefore, to make a closed proposal for legislative reform, but rather to capitalise on a respite from urgent matters, to contribute to a considered review of any potential measures that could reinforce the Banco de España's institutional quality over the coming decades, systematise the main governance dilemmas and critically examine the alternatives available.

This review is framed around three complementary dimensions:

- the **vertical** dimension, relating to the distribution of functions among the governing bodies, and between the Governing Council and the Executive Commission in particular;
- the **horizontal** dimension, referring to how the multiple functions assigned to the Banco de España are reflected in its governance structure; and
- the **granular** dimension, which covers the rules on the appointment and terms of office (length, renewal and staggering) of members of the governing bodies.

Analysis of these three dimensions shows that the current model has particular features vis-à-vis those of other European central banks. These features do not in themselves constitute a weakness, as shown by the experience built up over the last three decades. Indeed, comparative evidence confirms that there is no optimal or universal governance model for central banks, but rather that the institutional arrangements of each central bank respond largely to its history, its constitutional context and the architecture of the financial system within which it operates.

In short, the institution's particular features can be classified into two main areas:

- First, the structure of the **governing bodies** responds to a distinctive hybrid model in which the Executive Commission is set up as a subset of the Governing Council. Consequently, the two bodies' characteristics (composition, functions and the rules on appointment and terms of office) do not clearly differentiate between the nature of the powers they are called upon to exercise. Moreover, with this design, senior management's main coordination body – the Steering Committee – is not provided for in the LABE.
- Second, amid a shift towards more collegial models, the current design continues to be based on rules that put the **Governor** in a predominant position within the governance framework. The Governor chairs both governing bodies, holds powers that afford him or her influence over their composition and plays a decisive role in the appointment and dismissal of the institution's most senior executives, whose terms of office have less institutional protection.

Although the three dimensions mentioned above are closely interrelated and must be assessed together (since any change in one of them affects the others), this report systematises the internal working group's analysis by separately examining the dilemmas and alternatives arising in each case.[1]

1 As regards the **vertical** dimension, the analysis finds that the Governing Council holds certain powers that may be functionally classified as policy functions, particularly in the regulatory and sanctioning areas.

In turn, the Executive Commission, which should constitute the core of the institution's policy decision-making, has a singular structure, because it is not composed solely of full-time executive members. Instead, it includes two external Council members and therefore in practice functions as a subset of the Governing Council. This arrangement provides significant advantages in terms of institutional coordination and cohesion, but it also raises questions about clarity in the allocation of responsibilities and the structuring of internal checks and balances between the two collegiate bodies.

In this regard, one possible line of evolution would be to deepen the dual logic of the governance model, by separating the policy and oversight functions more clearly. This would entail reserving the oversight, transparency and accountability functions to the Governing Council and reinforcing them, and assigning all policy functions to the Executive Commission.

Along these lines, the report pays particular attention to the composition of the Governing Council, concluding that its core should continue to comprise external members (as at present), since this structure is the most consistent with its function as an oversight body and guarantor of institutional legitimacy. Nevertheless, it considers whether the voting regime of ex officio members should be reviewed in cases where the Governing Council (in its current configuration, i.e. with the functions currently assigned to it under the LABE) issues its opinion on matters affecting the exercise of supervisory or regulatory functions, especially in the light of the strengthened European requirements regarding supervisory independence.

It also assesses whether formal consultation structures should be established to channel the participation of other stakeholders (financial sector, civil society, academia), with the aim of reinforcing transparency and legitimacy without compromising decision-making independence.

2 Turning to the **horizontal** dimension, the main challenge lies in coherently articulating the plurality of functions currently assigned to the institution. The Banco de España is not merely a Eurosystem central bank whose primary function is linked to monetary policy; it is also a supervisory authority (in the microprudential and banking conduct arenas), an institution with

1 It should be stressed that the review of the Banco de España's governance goes beyond considering just the set of rules determining the composition and functions of its governing bodies. It also encompasses procedures, practices and the organisational culture itself, as well as other aspects that, due to their nature, fall outside the scope of this report (for example, the rules on remuneration or the conflicts of interest and incompatibilities regime). Therefore, this analysis constitutes only one part of a broader review process undertaken by the Banco de España on internal decision-making procedures, which has translated into measures covering various areas: in particular, how Banco de España teams prepare and present the information used as a basis for decision-making, the timeframes for submitting proposals to the governing bodies, how debates are structured and the frequency of Governing Council meetings.

macroprudential responsibilities and an institution with preventive resolution powers, among others. This plurality generates clear synergies, but also potential tensions between functions, whose objectives, tools, timeframes and accountability channels do not always fully coincide.

The current model, based on a single collegiate policy decision-making board supported by a specialised internal structure, has allowed this complexity to be managed appropriately without the need to create separate governing bodies for each function, thereby ensuring the coordination and coherence required to perform the various functions. The report considers that, in the light of the experience accumulated, there are not sufficiently robust reasons at this point to introduce specialised and independent decision-making structures, for example in the arena of microprudential supervision or preventive resolution.

Nevertheless, the report considers whether that range of functions and expertise could be better represented within the Executive Commission through a clearer and more explicit distribution of responsibilities among its members. In this regard, the report notes that, if the aim were to move towards a more collegial governance model (in line with that of other European central banks), it might be appropriate to broach a restructuring of the Executive Commission, so as to incorporate a broader group of internal members, with an equivalent institutional status, serving on a full-time basis and with defined responsibilities. Comparative practice suggests that many central banks operate with governing bodies of around five members, all of them executives, with defined areas of functional responsibility.

Such a model would make it possible to simultaneously strengthen collegiality, technical expertise and clarity in reporting lines. It would also facilitate a clearer representation of the Banco de España's multiple functions in the structure of its governing body, allowing functional portfolios to be distributed among its members and organically linking each area of activity with the person responsible for its direction, coordination and monitoring. In this way, the Executive Commission would be strengthened as the institution's main governing body.

3 As regards the dimension relating to **appointments** and **terms of office**, the report notes that the current model largely reflects a classical concept of central banks' legitimacy, centred on technical independence and limited participation by the legislative branch in the composition of the governing bodies. However, in the Spanish and broader comparative institutional landscape, there is growing demand for democratic legitimacy in independent institutions whose decisions have as direct and significant an impact as those of central banks.

In that context, the report considers that arrangements should be explored that strengthen the Spanish Parliament's participation in the nomination and appointment processes, at least through hearings for candidates to the governing bodies.

At the same time, the report suggests considering more active participation by the Banco de España itself – and by the Governing Council in particular – in identifying or shortlisting candidates for the

Executive Commission, so as to strengthen the professionalisation of the process, reduce risks of politicisation and ensure that the profiles selected adequately serve the institution's functional needs.

As regards the length and staggering of terms of office, the report highlights that the current framework is relatively homogeneous and provides a lower degree of continuity than that observed in many comparable central banks. From a standpoint of independence and institutional stability, the report questions whether it might be desirable to lengthen the theoretical maximum term of office of members of the governing bodies. For example, in the case of the Governor, consideration could be given to moving to an eight-year, non-renewable model, in line with the European Central Bank.

The report also highlights the interest in introducing mechanisms for staggering appointments, to avoid excessively concentrated renewals, maintain continuity in the functioning of collegiate bodies and strengthen both their independence and their plurality of sensitivities. Staggering can be a valuable tool not only from an organisational standpoint, but also from the perspective of institutional balance.

In short, the report concludes that any reform of the Banco de España's governance framework should start from a basic premise: preserving the strengths of the current model (i.e. its stability, its effectiveness, its institutional roots and the institution's independence), while at the same time taking advantage of the opportunity to introduce improvements that reinforce collegiality, representativeness and clarity in the distribution of functions.

Along these lines, three main guiding principles emerge:

1 First, to reinforce the separation between the policy and oversight functions entrusted to the governing bodies, thereby consolidating the Governing Council as a body truly tasked with oversight, internal control and accountability. This would call for a review of the voting regime of ex officio members (if the policy decision-making powers are not entirely conferred on the Executive Commission) when the Governing Council issues its opinion on matters affecting the exercise of supervisory or regulatory functions.

2 To move towards a more collegiate Executive Commission, comprising a broader group of internal members that have an equivalent institutional status, are given executive functions and serve on a full-time basis, as well as an explicit distribution of functional responsibilities among its members, to better reflect within the Executive Commission the range of functions assigned to the Banco de España.

3 To review the rules on appointments and terms of office so as to strengthen democratic legitimacy of origin, personal independence and institutional continuity, providing for, at a minimum, prior parliamentary hearings for candidates to the governing bodies as a mechanism for enhancing transparency and legitimacy.

All this should be addressed through a transparent, considered and broadly consensual process of legislative review that factors in the singularities of Spain's institutional architecture and the requirements of the European framework within which the Banco de España performs an essential part of its functions.

CHAPTER 1:
INTRODUCTION

In the more than 30 years since it entered into force, the Law of Autonomy of the Banco de España (LABE)[1] has provided a suitable legal and institutional framework for the Banco de España to perform its functions with independence and legitimacy. However, the setting has changed significantly over this period, owing to the confluence of various factors, not least:

- the completion of Stage Three of Economic and Monetary Union, with the introduction of the euro and the European Central Bank (ECB) assuming the function of defining euro area monetary policy;
- the launch of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), which have brought about a genuine revolution in the institutional architecture for microprudential supervision and bank resolution in the euro area, and the development of a specific macroprudential policy framework in Spain and Europe;
- the severe exogenous shocks that have occurred over the last three decades, such as the 2010s financial crisis that affected Spain and the rest of the euro area, the COVID-19 pandemic, Russia's war against Ukraine and the more recent increase in trade fragmentation and in price volatility on international energy markets, against a backdrop of growing geopolitical risk;
- the rapid transformation of the domestic, European and international financial sector driven by the digital revolution and, in recent years, by the challenges posed by artificial intelligence and other broader developments (such as climate change) that have implications for the financial sector itself and for the Banco de España and the Eurosystem in the performance of their duties.

These significant changes have been accompanied by expanded mandates and scope for action of central banks worldwide, a process from which neither the Banco de España nor the Eurosystem has been immune. Institutions that were initially provided with an independent governance framework for defining and implementing monetary policy now face the challenge of reconciling different functions and objectives, as well as strengthening their legitimacy in view of the new competences and tools.

All this prompted the Governing Council of the Banco de España to set up an internal working group to review whether the LABE remained appropriate for this new setting and the ensuing future challenges. The analysis was to consider the trends observed in other European central banks and in the relevant

1 Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España.

academic literature. Driven by the internal working group led by Council member Lucía Rodríguez Muñoz and comprising General Secretary Francisco Javier Priego and adviser to the Governor Montserrat Martínez Parera, the analysis focuses on identifying possible improvements as regards the Banco de España's independence, transparency and accountability.[2]

The review began with a period of consultation, in which a group of independent experts was commissioned to draw up a report on the Banco de España's independence, transparency and accountability. This group of experts comprised Daniel Innerarity, Rosa María Lastra and Joaquín Vial, thus incorporating perspectives from political philosophy, law and central banking, respectively.

The expert report was presented to the Governing Council in July 2025 and offered a favourable diagnosis of the Banco de España's performance, with a wide range of interviewees from Spain and abroad speaking highly of its legitimacy and independence in their many meetings with the experts. At the same time, the experts also identified some areas with room for improvement. Specifically, as regards the governance of the Banco de España, they advocated a shift towards a more collegial decision-making model and introducing changes to the processes for appointing members to the governing bodies.[3]

In July 2025 the Governing Council resolved to move further with its review of the Banco de España's framework and identify specific areas for action and improvement, drawing on international best practices and distinguishing between improvements that could be undertaken internally and, where necessary, matters that would need to be addressed by lawmakers.

Since then, the internal working group has been developing the workstreams identified by the Governing Council, which have taken shape in various initiatives:

- First, this report specifically addresses the Banco de España's **governance model** (in particular, the rules determining the composition and functions of its governing bodies, as well as the terms of office and nomination and appointment procedures for their members),[4] taking into account the comparative experience of other European central banks.
- In parallel, the Banco de España is working on a series of measures concerning other aspects of governance beyond the rules mentioned above, which form part of a broader process to review **internal decision-making procedures.** This review has led to specific measures affecting

2 In preparing this report, the working group has had the invaluable support of the Banco de España's internal services – and of María González (Deputy General Secretariat) and Julio Pardo (Legal Department) in particular – which have worked closely with the working group, contributing their views, knowledge and experience.

3 Innerarity, Lastra and Vial. (2025). *The independence, autonomy, transparency and accountability of the Banco de España.* Group of Experts Report, Banco de España. https://www.bde.es/f/webbe/GAP/Secciones/SalaPrensa/NotasInformativas/25/presbe2025-71en.pdf.

4 The quality of the institution's governance is also significantly affected by other matters (such as rules on remuneration or the conflicts of interest and incompatibilities regime) but, due to their nature, these are outside the scope of this report as described in Section 1.1.

various areas: how Banco de España teams prepare and present the information used as a basis for decision-making, the timeframes for submitting proposals to the governing bodies, how discussions are structured and the frequency of Governing Council meetings.

- Lastly, and again in parallel with the preparation of this report, the Governing Council has also been working to design and implement measures to improve **transparency and accountability,** both from the standpoint of the regulatory codification of the Banco de España's commitments in this area and as regards the classification and streamlining of its publications.

1.1 Scope of the review of the Banco de España's governance model

In the context described, and as a complement to the measures expected to be submitted soon to the Governing Council to enhance governance, transparency and accountability, this report undertakes a more general review, weighing up different alternatives for the governance of the Banco de España. Specifically, it analyses in greater depth the composition and functions of the governing bodies, and the terms of office and nomination and appointment procedures for members, drawing on comparative experience and highlighting the interplay between the various components of central banks' governance frameworks.

The analysis is based on two main axes:

- First, the **effectiveness** and **efficiency** of the governance model, i.e. its capacity to suitably structure how the various functions that have been entrusted to the Banco de España over the years are performed;
- Second, **legitimacy** and **independence,** based on the most stringent requirements of democratic legitimacy of origin (for example, in the procedures for nominating and appointing the governing bodies) and of exercise, matters that are closely linked to transparency and accountability.

By capitalising on a respite from the pressures of responding to an emergency or crisis, this report sets out options that seek to contribute to a considered review of possible improvements to the institution's governance framework, whose regulatory amendment would in any event fall to lawmakers.

It should also be noted that the report takes as reference the current institutional architecture for supervision in Spain and Europe and therefore does not call into question the framework of competences for financial supervision or the distribution of functions among the various independent authorities. Thus, it begins by considering the current arrangement of functions involving the Banco de España and which also include – at national level – the National Securities Market Commission (CNMV), the Spanish executive resolution authority (FROB) and the Deposit Guarantee Scheme for Credit Institutions, and – at European level – the ECB, the SSM, the European Banking Authority (EBA) and the Single Resolution Board (SRB). Nevertheless, some of these aspects (in particular those related to integrating multiple functions) may prove useful in the event of a possible reform of the institutional framework.

Lastly, defining the purpose of this report in affirmative terms (i.e. what it seeks to achieve) must be complemented by a description in negative terms (i.e. what it does not). Specifically, this report should not be read as a closed proposal for legislative reform:

- First, because it should not be understood as a negative assessment of the current model. As mentioned above, the LABE has provided and continues to provide a suitable legal and institutional framework for the Banco de España to perform its mandates with the necessary independence and legitimacy.

  Therefore, the various references made in the report to the "singular" or "particular" nature of certain aspects of the Banco de España's governance model should not be interpreted as indicative of weaknesses or matters that necessarily require change. Rather, they should be understood as acknowledgement that, in certain respects, the Banco de España's governance model differs from that of other European central banks, without such divergence necessarily requiring correction merely by virtue of its existence.[5]

- Second, because any possible reform of the Banco de España's governance framework must also take into account other broader considerations that necessarily fall outside a technical report such as this, as they go to the very heart of the Spanish model of a democratic state governed by the rule of law. These include issues related to the scope of the democratic principle and representativeness in the broader context of the general institutional framework and the institutional architecture of the financial sector.

1.2 Structure of the report

The report is divided into the following chapters: first, Chapter 2 contextualises the factors that determine the specific governance of central banks (in particular, their independence and the plurality of objectives and functions assigned to them).

The review itself is then framed around three complementary dimensions of the governance model:

- Chapter 3 analyses the **vertical dimension,** i.e. the way in which the policy and oversight functions are distributed among the Banco de España's different governing bodies and, in particular, how this affects the composition and functions of the Governing Council;

5 Indeed, as explained in more detail in Chapter 2, the governance models of all central banks worldwide have singularities or particularities, and there is no governance model that serves as a universally accepted benchmark.

- Chapter 4 addresses the **horizontal dimension,** i.e. the impact of the various mandates on the composition and functioning of the body legally entrusted with policy decision-making functions, namely the Executive Commission;
- Chapter 5 focuses on the **granular dimension,** which refers more specifically to the members of the governing bodies. This chapter analyses the rules on members' nomination and appointment and on the length and staggering of their terms of office.

The three dimensions (vertical, horizontal and granular) are closely interrelated and are not independent of each other. Consequently, they must be considered together in any review of the Banco de España's governance model.

Lastly, the report includes two annexes: Annex I offers a brief **description of the current governance framework,** and Annex II details the **methodological framework** followed in drawing up the report and, in particular, the relevant **references.**

CHAPTER 2:

GENERAL CONSIDERATIONS

The governance model of an institution like the Banco de España cannot be analysed critically without placing the Bank in its conceptual and legal setting. It reflects a very specific institutional reality – that of central banks in general and of the Eurosystem in particular – which is characterised by the unique interplay of independence, plurality of functions and membership of a European legal framework that shapes its design and development. Against this backdrop, this chapter offers some general considerations that provide a framework for the specific reflections developed in the subsequent chapters.

The chapter is structured in three sections. First, it sets out the reasons behind the distinctive governance of central banks, focusing on the plurality of objectives and functions entrusted to them and on the role played by independence, while also taking into account how the Banco de España's membership of the European System of Central Banks (ESCB) has moulded its governance model (see Section 2.1).

It then highlights the absence of a single international standard for central bank governance and describes the only trend that can be identified with some clarity over time (see Section 2.2).

Finally, Section 2.3 offers some considerations about how to address the process of reforming central bank governance, underlining the importance of carrying out this process calmly and transparently with a long-term perspective.

2.1 The unique governance of central banks

Central bank governance models have striking distinctive features compared with those of other public and private institutions. These distinctive features are largely determined by two characteristics: their acknowledged independence for carrying out their mandates and the need to reconcile the plurality of objectives and functions which have been entrusted to them over time.

2.1.1 Independence

Independence is a defining feature of modern central banks. The purpose of this report is not to discuss the theoretical foundations of independence or the abundant empirical evidence which supports that central bank independence – both from political authorities (monetary independence) and from the supervised financial institutions themselves (supervisory independence) – is intrinsic to central banks achieving their price stability targets and financial stability objectives effectively and efficiently. The literature in this regard is extensive and conclusive.[1]

This does not mean that central bank independence is no longer an issue that needs to be continually emphasised. On the contrary, the recent threats directly targeting the governing bodies of several central banks in Europe are a reminder that any reflection on central bank governance cannot lose sight of the need to defend this requirement, which shields certain decisions – for example, on monetary policy or banking supervision – from the short-term incentives inherent in the political cycle and from the specific interests of supervised institutions.

Moreover, in the context of the ESCB, independence is not only a prerequisite for central banks to perform their functions correctly: it is also a mandatory legal requirement. European Union (EU) law establishes a particularly stringent framework in this regard, which is applicable to the European Central Bank (ECB) and the national central banks, with requirements that cover both the central banks themselves, their governing bodies and governing body members. The prohibition from taking or seeking instructions from, among others, national governments and the enhanced protection against dismissal are expressions of those requirements, which have a much broader reach.[2]

As detailed in Chapters 3 to 5, independence is one of the features with the greatest impact on the definition of central bank governance models in general and, therefore, on that of the Banco de España in particular.[3] It is not only a guarantee, but also a challenge from the perspective of democratic legitimacy. Traditionally, the foundations of central bank independence have been built on a logic that could be described as technocratic: distancing certain measures from the electoral cycle to ensure objectivity in decision-making and to strengthen credibility. However, in recent years, central banks' scope for action has been enlarged to counter the shocks mentioned in the previous chapter, once again bringing to the fore the need to strengthen the legitimacy of their actions by subjecting them to more demanding standards of transparency and accountability.

1 See Chapter II of the report by the group of independent experts. The contemporary debates on this matter were explored recently by the conference organised in October 2025 by the *Peterson Institute for International Economics: Central bank independence in practice,* with perspectives from academia, policymaking and finance. Information on the conference and the presentations by the various speakers can be found at https://www.piie.com/publications/piie-briefings/2025/central-bank-independence-practice.

2 Regarding the prohibition on taking or seeking instructions, see Article 130 of the Treaty on the Functioning of the European Union and Article 7 of the Statute of the ESCB and of the ECB; regarding the limits on the dismissal of governors of national central banks, see Article 14(2) of the Statute of the ESCB and of the ECB; and regarding the scope of central bank independence, see, for example, Section 2.2.3 of the ECB's 2025 Convergence Report.

3 For a more specific analysis of how guaranteeing the independence of the Banco de España is foreseen, see the testimony of the former Governor, Pablo Hernández de Cos, on 22 December 2020 before the Congress of Deputies' Audit Committee on Democratic Quality: *"The independence of economic authorities and supervisors. The case of the Banco de España"* (Banco de España Documentos Ocasionales, 2105).

The core question, therefore, is no longer whether central banks should be independent, but how to structure democratic control and accountability mechanisms that are compatible with that independence. In particular:

- how democratic control of central bank action should be organised in order to safeguard their legitimacy, both their legitimacy of origin and legitimacy of exercise;
- what role national parliaments should play; and
- how to ensure, all the more so in view of the diffuse nature of external checks and balances, that central banks' governing bodies include a plurality of perspectives and contrasting ideas that strengthen their legitimacy.

These questions have implications for the three dimensions of the central bank governance model analysed in Chapters 3 to 5:

- in the **vertical dimension,** independence influences the way in which policy and oversight functions are distributed within the institution, in order to give structure to mechanisms that act as checks and balances within the institution, taking into account the more diffuse nature of external control mechanisms;
- in the **horizontal dimension,** independence strengthens the need for collegial decision-making, with the presence of diverse profiles and the consequent support for credibility and legitimacy; and
- in the **granular dimension,** independence particularly shapes the rules on the appointment, term of office and dismissal of members of the governing bodies.

2.1.2 Plurality of objectives and functions

The second feature that largely determines the specific features of central bank governance models is the plurality of mandates that central banks have acquired over the years, as explained in more detail in Chapter 4.

The Banco de España is familiar with this challenge, in view of the variety of important areas covered by its activity: monetary policy, microprudential and conduct supervision, preventive resolution, macroprudential policy, payment systems and services, provision of treasury services and services as a financial agent for public debt, cash management, etc.

The mandates are of different kinds. There are functions that are purely national in scope, but others are performed within the framework of the ESCB and the Single Supervisory Mechanism (SSM) and are governed by very different objectives and governance and operating mechanisms. Likewise, the performance of some functions falls within broader institutional architectures (for example, the Spanish sector-based supervision model: banking/securities/insurance). In addition, the stakeholders in each of the different functions are different. They are not the same, for example, in monetary policy or microprudential supervision and in the provision of treasury services and services as a financial agent for public debt, which could also have an impact on the mechanisms and the intensity of accountability.

This plurality of functions has direct consequences for the design of governance:

- in the **horizontal dimension,** it requires deciding the extent to which, and at what scale, it is advisable to separate or organically integrate the different functions, whether so as to resolve conflicts or harness synergies (for example, by creating specialised structures for specific tasks or maintaining a single collegiate decision-making body that coordinates the different mandates); and
- in the **granular dimension,** it affects the profiles and selection procedures of the members of the governing bodies, who must have the diversity of technical skills required for handling that plurality of functions.

As a result of the constantly changing environment, governance frameworks should not only be robust, but sufficiently flexible to adapt smoothly without the need to undertake frequent legislative reforms.

2.1.3 Membership of the European System of Central Banks

The Banco de España's membership of the ESCB is an essential feature of its institutional identity, giving it a hybrid status straddling EU and national law, as explained in the appendix on the methodological framework.

The Banco de España's inclusion in the ESCB has several important implications for its governance. First, under EU law there are rules directly impacting the Banco de España's governance model: for example, the aforementioned guarantee of independence and specific provisions on the duration of terms of office and the grounds for dismissal of members of the governing bodies.

But the scope of the impact is also broader. Central bank governance has traditionally been built around their function of defining monetary policy, but, in the context of the Eurosystem, that function is performed by the ECB and, specifically, by its Governing Council. The governors of the national central banks sit on the Governing Council of the ECB in a personal capacity: they are not representatives of their respective countries or central banks and do not defend the interests of their central bank; rather, they act in the interests of the EU. This is why the independence of the governors of the national central banks applies not only vis-à-vis third parties (for example, their respective governments), but also, as regards their status as members of the Governing Council of the ECB, even vis-à-vis the governing bodies of their respective central banks, thereby indirectly introducing a certain presidential component into the governance models of the central banks in the Eurosystem.

2.2 The absence of international standards

Taking into account the conditioning factors set out in the previous sections, it might be expected that the governance models of central banks – especially those in the euro area – would have tended to converge around their shared unique features. However, a detailed analysis of the Banco de España's setting shows that central bank governance arrangements are markedly idiosyncratic and there are no universally recognised models which act as benchmarks. This means that the uniqueness of the Banco de España in this regard is as valid as that of any other central bank.

This idiosyncrasy reflects multiple factors. Evidently, the history of each central bank plays a part.[4] The constitutional structures and political and institutional cultures of each country are also of great importance, for example, whether there is a parliamentary or presidential political system, different traditions regarding collegial decision-making and the culture of transparency and accountability. But other variables also have an influence, such as size, population and the importance of the financial sector and, notably, the institutional architecture of this sector, which determines how the functions of prudential supervision, conduct supervision, resolution and macroprudential policy are distributed among the different authorities.

Not only are there no "standard" governance models, but based on the literature and comparative experience there are no discernible "trends" (in the plural) either. The only trend that can be identified with some clarity is the evolution from models where decision-making is concentrated in the figure of the governor towards increasingly collegial structures. As noted by the Bank for International Settlements (BIS):

> *"Collegial decision-making is a hallmark of modern central banking that both augments the independence of the decision-making process and enhances the quality of decisions. In the vast majority of the world's central banks, boards or committees are responsible for making policy decisions; in most cases, boards also oversee the operation of the bank. Collegial decision-making is better able to stand up to unwarranted external pressure. Committees also permit a wider range of perspectives to be brought to bear, which adds to the legitimacy and credibility of central bank decisions."*[5]

It is generally accepted that collegiality favours quality in decision-making and, as a result, a broader base of knowledge, experience, skills, information and opinions is included in discussions. It also facilitates continuity in decision-making when appointments and terms of office of the governing bodies are staggered. It likewise plays an essential role in strengthening the independence and

4 For example, how their powers have been attributed to them over the years and even centuries, sometimes by integrating other authorities or by evolving from private-law structures; indeed, many central banks around the world, including within the EU itself, continue to have private shareholders (cases in point among European central banks are, for example, the central banks of Italy and Belgium).

5 See *Issues in the Governance of Central Banks,* a report from the *Central Bank Governance Group* (Bank for International Settlements, 2009).

credibility traditionally associated with the actions of central banks. It also shores up their legitimacy and representativeness and ensures that there is a diversity of perspectives and counterposition of ideas in decision-making and internal control mechanisms, features which have become increasingly important in contemporary debates about central bank governance.

Moreover, the advantages of collegiality are particularly relevant in environments where at least three factors coexist:

- central banks must integrate multiple mandates, reconciling functions and objectives that are not always fully aligned and by addressing new challenges;
- the environment is highly uncertain, making it advisable to broaden the spectrum of knowledge and opinions; and
- increasing levels of legitimacy and accountability are demanded from central banks, which calls for stronger mechanisms for listening and the exchange of ideas, as well as greater openness to the broader environment.

Another factor that conditions the ability to assess different governance models is the limited empirical evidence on the impact of their specific features on how effectively and efficiently central banks perform their functions. In fact, most quantitative studies in this field tend to use indicators that either do not capture the complexity or detail of the different institutional models, or have focused on the impact of governance on the specific mandate of defining monetary policy, and therefore provide only a limited analysis.

Consequently, it is not possible to conduct a strict cost-benefit analysis of the different central bank governance models. This is an important aspect when analysing and assessing the different alternatives examined in the following chapters and further justifies a cautious approach to any potential reform of the Law of Autonomy of the Banco de España (LABE).

This does not mean that it is not possible to identify relevant factors that may be taken into account when analysing the different alternatives. This qualitative approach has been followed in this report.

2.3 How to approach central bank reform procedures

Central banks are institutions which, by their very nature, are characterised by stability. Society's trust in them is based on their actions being foreseeable, their criteria remaining the same and the absence of short-term interference, among other aspects. Thus, historically, their governance framework has been reformed in settings of crisis (for example, when it became apparent that they needed to strengthen their operating framework), or when they were assigned new functions, in order to adapt their internal structures to the new mandates.

In this context, two ideas should be emphasised:

- First, a **stable legal framework** is, in itself, a guarantee of independence. Frequent changes to a central bank's institutional structure – especially if they affect the composition or powers of its governing bodies – may be interpreted as attempts to influence its actions or to condition its independence.[6]
- Second, it would be recommendable for any reform to be the result of **calm reflection** and **broad political consensus.** Comparative experience shows that the most robust and lasting changes are those adopted at times of institutional stability, following broad-based and transparent deliberation, with a high degree of agreement among the main political parties and the institutional actors involved.

Regarding this last point, although the legislator is responsible for making the decision, it is common practice for the central bank to actively participate in the reform process. Its involvement contributes to identifying weaknesses, drafting proposals and discussing technical aspects, and may also serve to avoid changes that inadvertently weaken the institution's independence or effectiveness.[7]

Within the specific framework of the ESCB, there is a formal mechanism for prior consultation of the ECB in the event of amendments to legal provisions relating to central banks. Therefore, any proposal to amend the Banco de España's governance framework set out in the Law of Autonomy of the Banco de España (LABE) must be submitted for consultation to the ECB, which will issue the corresponding opinion. In those opinions, which are public, the ECB assesses the proposed amendments, examining their compliance with EU law. Over the years, the many ECB opinions in this regard have become an important source of information on central bank governance within the EU.

Although, as indicated in Chapter 1, the Banco de España's governance framework is not covered exhaustively by the LABE, the main features of the model are predetermined by a statutory provision.[8] Therefore, the remarks in the preceding paragraphs would be directly applicable to any potential plan to amend the Banco de España's governance framework.

6 *"The legal framework for central banking needs to provide a stable and long-term basis for a central bank's functioning. Frequent changes to the institutional set-up of an NCB, affecting its organisational or governance stability, could adversely affect that NCB's institutional independence."* (See Section 2.2.3 of the ECB Convergence Report, June 2025).

7 *"The central bank's participation in any and all of these stages of the amendment process can help to ensure that inappropriate changes to the law do not occur (...) Recent amendments to central bank laws in several countries also provide instructive examples of legislative processes that allow for central bank consultation. In Australia, Iceland, Sweden and Switzerland, a working group or consultative committee was appointed to consider changes and develop a proposal; in all four countries, the central bank participated in the process either as a member of the committee or as a consultant to it. The committee was appointed by the prime minister, minister of finance, or parliament."* (Bank for International Settlements, 2009).

8 That potential plan could also be an opportunity to examine a more far-reaching issue of whether the core regulation of the Banco de España's institutional framework should be included in a rule with the status of an organic law, that is complemented by a rule with the status of ordinary law and by a rule on internal self-organisation, similar to the Internal Rules of the Banco de España (IRBE). This model would recognise legally the institutional uniqueness of the Banco de España and, in particular, its hybrid status, which straddles EU and Spanish law, by providing a sounder legal anchor for the guarantees required by EU law, lending greater stability to the governance framework and avoiding the core of its institutional framework from being displaced by subsequent rules with the status of ordinary law. It would be a legal architecture similar to that used, albeit for different reasons, for other Spanish independent authorities such as the Independent Authority for Fiscal Responsibility and the Spanish Data Protection Agency.

CHAPTER 3:
VERTICAL DIMENSION

The vertical dimension is the first focus of this report's analysis. It relates to how decision-making is distributed within the institution, which bodies exercise policy or oversight functions, how they relate to each other and how that helps to frame appropriate mechanisms of control, balance and legitimacy.

The chapter is divided into three sections. Section 3.1 examines the institutional principles behind the division of policy and oversight functions, grounding the institution's arrangements within the broader discussion of dual and single board structures in central bank governance. Special emphasis is placed on the distinctive features of the Banco de España's model and its hybrid nature in comparison with other governance frameworks.

Section 3.2 continues with a detailed analysis of the composition of the Governing Council, focusing on where it differs most clearly from the arrangements found in other central banks. Such differences raise important questions about independence, legitimacy, transparency and the effectiveness of internal checks and balances.

Lastly, Section 3.3 discusses the possible advisability of establishing additional formal representation and participation structures, in line with the trends observed in other central banks and independent authorities. This analysis is part of a broader reflection on how to enhance the Banco de España's democratic legitimacy, responsiveness and transparency in a shifting institutional environment.

3.1 Policy and oversight functions

Addressing the vertical dimension of the Banco de España's governance arrangements requires examining how the various powers exercised within the institution are distributed among its governing bodies (in particular, the Governing Council and the Executive Commission), taking into account reporting lines, controls and checks and balances within an institution that is marked by a significant degree of external independence.

3.1.1 Dual and single board arrangements

One of the factors that most significantly shape central bank governance arrangements is the way in which powers are distributed among their governing bodies and, in particular, how policy and oversight functions are divided.[1]

- From a functional perspective, **policy functions** can be understood as those directly linked to the implementation of the central bank's mandates in the exercise of its powers. These include, in particular, making decisions on monetary, microprudential and macroprudential policy instruments and measures, including the definition of positions in European and international forums, and taking other strategic decisions that inform the institution's actions in its various areas of competence.
- **Oversight functions,**[2] in contrast, relate to how the institution is governed. Such functions are the last line of defence within the institution to guarantee that: (i) policy functions are exercised properly and within the applicable legal framework, (ii) operational and financial management is robust, (iii) resources are used effectively and efficiently and (iv) transparency and accountability mechanisms function properly. They are not there to second-guess the quality or merit of each individual decision, but rather to safeguard the framework within which such decisions are adopted and executed. Oversight functions typically include, for example:
  - oversight of the working of bodies with policy functions;
  - definition and supervision of internal control mechanisms;
  - approval and monitoring of budgets, annual accounts and audits;
  - decisions concerning appointments policy, remuneration and other key aspects of the conditions of senior management.

Most central banks[3] are organised around the dual board model, in which the policy and oversight functions are split between two different collegiate bodies:

1 For a more detailed description of this distinction, see, for example, *"Central Bank Governance: A Survey of Boards and Management"* (Chapter 3, Lybek and Morris, 2004) and *"El buen gobierno en los bancos centrales"* (Chapter 4, Bank for International Settlements, 2009).

2 The English literature uses "oversight" and "oversight boards" to refer to this function and the bodies exercising it. The term "supervisory boards" is also sometimes used, though it should not be confused with those collegiate bodies charged with microprudential supervisory responsibilities.

3 According to estimates by the Bank for International Settlements, almost two-thirds of the world's central banks have a separate internal body that oversees the policy decision-making body (see Section 4.4 of *"El buen gobierno de los bancos centrales"*, Bank for International Settlements, 2009). Other authors (e.g. Lybek and Morris, 2004) argue that the share is even higher, although the difference in the figures is likely owing to methodology.

- a **policy decision-making body,** consisting mainly of executive members that serve on a full-time and exclusive basis and are responsible for the decisions necessary to fulfil the mandates of the central bank;[4]
- an **oversight body,** made up mostly of external members with no executive functions and generally not serving on an exclusive basis, but constituting, for all effects and purposes, a body internal to the institution: the last line of defence ensuring that the central bank is being managed properly.

This is an arrangement that allows for several variants. In the most traditional models, there is a clear separation between the two bodies, both in terms of powers and composition. This is the case, for example, in the central banks of the Netherlands and the Scandinavian countries (Denmark, Finland, Norway and Sweden), where the members of the policy decision-making body, including the Governor, are not even members of the oversight body. In other governance models, a single board is statutorily granted all the powers of the central bank, but delegates policy functions to certain people or specialised committees. This is the case of central banks in countries with a common law tradition – European examples are the United Kingdom and Ireland –, where the Court of Directors and the Commission (respectively), delegate the various powers that comprise policy functions to people and specialised committees, the composition and structure of which can be adjusted over time.[5]

The main advantage of two boards is the ability to establish internal oversight, which is particularly valuable in institutions that are highly independent and subject to relatively weak external checks and balances. The separation between decision-makers and those who oversee the framework within which these decisions are taken and implemented establishes clearer internal accountability mechanisms and allows outside perspectives that grant legitimacy, diversity and sensitivity to the social context without undermining the institution's independence. The drawbacks often include the risk of overlaps or friction between bodies, the potential slowing down of decision-making processes and the need for clearly marked boundaries to avoid interference with the operational independence of the policy decision-making body.

In contrast to the above, in other countries (European examples are the Czech Republic and Germany),[6] single board structures have been established, whereby one collegiate body performs both policy and oversight functions (the European Central Bank (ECB) itself is structured in this way). In these cases, the same body takes the decisions necessary for the fulfilment of the central bank's mandates while

4 Although two collegiate bodies are mentioned, in some central banks, policy functions are conferred personally on the Governor.

5 In a more or less nuanced and/or varied fashion, this is the governance model seen in countries such as Australia, Canada and New Zealand.

6 In Latvia it was also decided five years ago to replace the central bank's dual board model with a single board model, when the Latvian microprudential supervisory authority was integrated into it. In any case, the current arrangements envisage delegating certain functions to committees and commissions, thus making it more akin to a delegation-based dual board model. For more details, see the Opinion of the ECB of 26 February 2021 (CON/2021/9). The governance arrangements of various Latin American central banks (such as in Argentina, Chile and Mexico) are also based on the single board model.

also handling budgetary, financial and internal supervisory matters. In some central banks, this design is also reflected in the composition of the single body, combining executives and non-executives, with different arrangements by which to ensure the presence of independent members.

The advantages such arrangements offer typically include greater institutional simplicity, a potentially clearer chain of responsibility and, in certain contexts, faster and more flexible decision-making. However, the absence of a separate oversight body makes it necessary to strengthen other mechanisms providing checks and balances, in particular the role of parliaments and external audit bodies (courts of auditors, public audit offices, etc.). As a result, in several countries with single board arrangements, democratic monitoring of the central bank's actions rests more in lawmakers' hands, taking on functions that, in other systems, are performed by the central bank's own oversight bodies.

There is therefore no single reference model, even within the EU, or evidence to show that one governance model is, in practice, better than another. The discussion on dual and single boards is therefore mainly qualitative and must be framed within a specific institutional context, considering the impact on independence, collegiality, democratic legitimacy and transparency and accountability. Furthermore, the distinction between the two arrangements becomes less clear-cut when set in the context of the institution's internal leadership structure. For example, when the Governor chairs both collegiate bodies and also leads the institution's external communications, the distinction between the exercise of both powers can become blurred in practice.

Finally, it is important to mention that there are functions within an institution that do not come under the umbrellas of policy and oversight. The ordinary administrative and management functions, which are linked to the institution's general administration, are also of great importance, together with responsibility for implementing the decisions made by the governing bodies. In most central banks, responsibility for day-to-day administration and management rests with the Governor, who is responsible for the institution's internal administration. In practice, however, this responsibility is usually delegated in a wide variety of ways: in some cases to a member of the policy decision-making body, and in others to dedicated office-holders bearing a range of titles (General Secretary, Chief Operating Officer, Chief Services Officer, etc.). As regards implementation powers, these are usually allocated, by means of specific delegation arrangements, to senior management and technical staff (directorates general, departments and organisational units).

In this respect, the Banco de España is broadly aligned with other European central banks. Responsibility for day-to-day management is vested directly in the Governor and Deputy Governor,[7] while implementation is entrusted to the directors general and the organisational

7 Articles 37(1) and 45(1) of the Internal Rules of the Banco de España (IRBE). These powers are also exercised by the directors general within their respective areas of responsibility (Article 69 of the IRBE).

units under their responsibility, underpinned by specific internal coordination mechanisms such as the Steering Committee.

3.1.2 The Banco de España, a modified dual board model

The Law of Autonomy of the Banco de España (LABE) establishes the Bank's governance in line with a model that, despite some unique characteristics, could be classified as a dual board arrangement, with one body primarily performing the institution's oversight functions (the Governing Council) and another that assumes most of the policy functions (the Executive Commission), supported by a coordination structure for senior management (the Steering Committee).

Based on the traditional arrangements described in Section 3.1.1, the Banco de España's governance model could be described as a modified dual board model. The particularity of the Banco de España's model can be seen in both the respective powers of the two bodies (i.e. the distribution of the policy and oversight functions) and their composition.

- On the one hand, looking at how **powers** are distributed, the LABE assigns to the Governing Council what could be classified as policy functions. This is particularly the case for the approval of Circulars (including Monetary Circulars), as well as the imposition of sanctions that fall within the Banco de España's remit.[8]

- The **composition** of the Executive Commission also differs from what would be expected from a body primarily designed to exercise policy functions. Half of the Executive Commission's members are external members who have no executive functions and do not serve on a full-time and exclusive basis.

  In addition, senior executive management (the directors general), who originate proposals and implement the resolutions of the Executive Commission, are not fully fledged members of the policy decision-making body, as they do not have voting rights. The coordination tasks between senior executive management are therefore carried out by a body that is not envisaged in the LABE: the Steering Committee.[9]

  In reality, it could be argued that the LABE establishes the Executive Commission as a subset of the Governing Council itself, entrusted with exercising policy functions[10] and composed of just four of the ten voting members of the Governing Council. This solution differs from the classic

8 It could be argued that some of the other functions that the LABE formally assigns to the Governing Council involve, at least in part, the exercise of policy functions. Examples include "[approving] general guidelines for Bank action to fulfil its assigned functions" and "[debating] the issues relating to monetary policy" (Articles 21(1)(a) and 21(1)(b) of the LABE). However, the experience of the past 30 years suggests that the exercise of these powers has not entailed the practical exercise of policy functions.

9 Its composition and functions are set out in Article 76 of the IRBE.

10 Even its name, "Executive Commission", is the same as that used in company law for delegated committees of the board of directors.

dual board set-up, which clearly demarcates a policy decision-making body as distinct from an oversight body, especially with regard to the oversight function that the latter exercises over the former. Indeed, in countries where the distinction is clearer, members of the policy decision-making body do not even form part of the oversight body.[11]

These characteristics place the Banco de España's arrangements midway between the classical dual board models – with a clear separation between a fully executive policy decision-making body and a largely external oversight body – and more hybrid or even single board arrangements.

In addition to these unique features, by maintaining an oversight body separate from the policy decision-making body, the current arrangements retain the main advantages offered by dual board models (as set out in Section 3.1.1). In particular, it is a useful and effective mechanism for enhancing legitimacy and accountability, thereby helping to balance the Banco de España's operational independence with appropriate accountability, by reconciling two complementary principles (Figure 3.1), which, as analysed in the previous chapter, characterise the governance models of contemporary central banks.

Consequently, the question is not whether to move away from the dual board model, but rather whether to align more closely with it by unwinding the features that make the Banco de España model an outlier in this area of governance.

The main advantage of the current model is that it facilitates a high degree of coordination and cohesion between the two governing bodies, which are comprised of largely the same members. In

Figure 3.1
Policy and oversight functions

11 In some central banks (e.g. De Nederlandsche Bank), the separation is so complete that even the President is not a member of the oversight body and it is even legally stipulated that members of the policy decision-making body may not attend the deliberations of the oversight body when the latter is carrying out its oversight function of the policy decision-making body.

addition, and as discussed in more detail in the following chapter, the presence of external members in the policy decision-making body enriches the discussions within the Executive Commission.

Moving towards a purer dual board model would have the benefit of aligning the composition and powers of the Governing Council and the Executive Commission more closely with the distinct nature of and principles underlying policy and oversight functions. This could facilitate a more precise structuring of the different interests underlying each function. In general terms, this could be achieved by acting on the two dimensions that make the Banco de España model distinctive, as follows.

- First, consideration could be given to the powers vested in the Governing Council to more clearly delineate the different scope of the powers of the Executive Commission and the Governing Council. To be specific, this would entail assigning to the Executive Commission those powers that could properly be regarded as policy functions and that are currently vested in the Governing Council under the LABE,[12] most notably regulatory and sanctioning powers.[13]

  At the same time, the Governing Council's oversight responsibilities could be enhanced, perhaps by assigning to it certain powers that are currently vested in the Governor, particularly those relating to the composition of the institution's governing bodies. This would be especially relevant in the nomination of members of the Executive Commission, both under the current framework[14] and under any future model in which the Banco de España assumes a more active role in the selection of members of the policy decision-making body (see Chapter 5). To this end, consideration could be given to creating a specific committee within the Council, as is the case in the governing bodies of other European central banks.[15]

- Different options could also be considered with regard to the **composition** of the Governing Council, an issue that will be examined in greater detail in Section 3.2

12 The scope of the broad powers regarding the approval of "general guidelines for ... action" or about debating "issues relating to monetary policy" could also be reformulated or more precisely defined so as to make it explicit that they do not confer policy functions on the Governing Council in relation to the exercise of the functions legally vested in the Banco de España.

13 The question of how best to structure the exercise of sanctioning powers is too complex and wide-ranging to be addressed in this report. The current model ensures an appropriate separation between the investigative and final decision-making stages, which are entrusted to different bodies. The Executive Commission nominates an investigating officer who, after completing the relevant procedural steps and hearing the parties concerned, issues a proposed decision. Once any observations on that proposal have been received, the Governing Council, acting on a proposal from the Executive Commission, makes the final decision. This model enables proceedings to be initiated and interim measures to be adopted more swiftly, and is consistent with the Executive Commission having responsibility for approving other supervisory measures, including the issuance of supervisory requirements. Among other European central banks, institutional arrangements vary considerably. In many cases, sanctioning powers are exercised by independent bodies that are separate from both the institution's policy and oversight bodies.

14 Article 24(4) of the LABE stipulates that "[t]he two elected members of the Executive Commission shall be appointed by the Governing Council, following the Governor's proposal, from the Council's elected members." The LABE could also be amended to stipulate that the Governing Council – and not the Governor – should be formally consulted prior to the appointment of members to the Governing Council itself (Article 24(3) of the LABE).

15 This is the case, for example, of the Nationale Bank van België/Banque nationale de Belgique, which has a Remuneration and Appointments Committee on which three members of its oversight body (Council of Regency) sit. The Governor of the Nationale Bank van België/Banque nationale de Belgique may attend this committee's meetings, but is not entitled to vote.

In this regard, consideration could be given to arrangements under which the Executive Commission would cease to be a subset of the Governing Council, moving instead towards a model in which the composition of the two bodies is more clearly differentiated, thereby reducing potential conflicts of interest, particularly as regards the oversight exercised by the oversight body over the policy decision-making body.

In those central banks with the clearest separation between the oversight and policy decision-making bodies, members of the policy decision-making body are not simultaneously members of the oversight body. There are also intermediate arrangements that promote coordination and cohesion between the two bodies. For example, in a number of countries (including some that have recently reformed their central bank governance frameworks, such as the United Kingdom, Switzerland, New Zealand and Iceland), the Governor sits on the oversight body but does not chair it.[16] Similarly, members of the policy decision-making body who also sit on the oversight body may be denied voting rights on certain matters, or even be excluded from the relevant parts of meetings. Alternatively, where the oversight body is responsible for setting the remuneration of members of the policy decision-making body, subcommittees may be established from which those members are excluded.

In addition, progress towards a clearer separation between the policy and oversight functions could also be reflected in the detailed rules governing appointments and terms of office, as discussed in Chapter 5.

Lastly, one of the strengths of the current framework is that the vertical allocation of powers between the Governing Council and the Executive Commission is set out in the LABE itself. In other central banks, especially among those in countries with a common law tradition, models have been adopted based on the oversight body delegating policy functions to specific persons or committees, with that delegation therefore varying in scope and able to change over time. Without questioning the flexibility offered by these models, the experience of the past three decades provides no compelling reason to replace the current arrangement (under which the respective responsibilities of the two governing bodies are clearly, precisely and predictably defined in law) with more flexible delegation-based solutions that differ from the traditional governance frameworks of Spanish and continental European institutions.

This does not, however, detract from the case for delegating implementing responsibilities from the Executive Commission to senior management and the heads of organisational units. This practice is widespread among central banks, independent agencies and administrative authorities more generally, both in Spain and internationally, and is consistent with the highly technical nature of implementing decisions taken by the governing bodies.

16 Bank for International Settlements, 2009.

3.2 The composition of the Governing Council

The discussion in Section 3.1 of the vertical allocation of functions between the policy and oversight bodies calls for a closer examination of the make-up of the Governing Council, as this has a direct bearing on how the Banco de España's oversight functions are exercised. It affects how representative the institution's overall governance arrangements are, but also the rigour of internal controls and, ultimately, external perceptions of its legitimacy and independence. The make-up of the Executive Commission, which by contrast bears directly on the exercise of policy functions, is examined in Chapter 4, which focuses on the core decision-making powers relating to the institution's different mandates.

3.2.1 The size and composition of the Governing Council

The LABE establishes a Governing Council of ten members with voting rights, with a combination of three types of clearly differentiated profiles.

- **Executive members:** the Governor and Deputy Governor, who perform executive functions and who serve on a full-time and exclusive basis.
- **Non-executive members:** the six Council members appointed by the Government, who perform no executive functions and do not serve on a full-time and exclusive basis. They may therefore be regarded as external to the Bank, although two of them also serve on the Executive Commission.
- **Ex officio members:** the General Secretary of the Treasury and International Financing[17] and the Vice-Chair of the National Securities Market Commission (CNMV), who sit on the Governing Council owing to their institutional responsibilities in other public bodies (they are therefore also external to the institution).[18]

In addition, the LABE stipulates that the Bank's Directors General and a staff representative may also attend meetings of the Governing Council (in a non-voting capacity).

Analysis of arrangements in other central banks (Figure 3.2) shows that oversight bodies are usually collegiate bodies with between seven and 15 members. In addition, the core of the governing body usually comprises external members, generally appointed by the relevant government (and in some cases, such as in Scandinavian countries, by lawmakers). In many of these models, representation

17 The LABE makes reference to the "Director-General of the Treasury and Financial Policy" (Article 20(1)(d) of the LABE).

18 The LABE also envisages the Minister for Economy, Trade and Business or the State Secretary for Economic Affairs and Support for Business (the LABE refers to the "Economy and Finance Minister" and the "Secretary of State for the Economy") attending meetings (in a non-voting capacity) when deemed necessary in the light of particularly important issues on the agenda for discussion and submitting motions for deliberation by the Governing Council (Article 20(4) of the LABE).

Figure 3.2
The composition of oversight bodies in other European central banks

BE	UK	IE	IT	NL	FR	ES
5 executives Governor 4 Directors	5 executives Governor 4 Deputy Governors	3 executives Governor 2 Deputy Governors	1 executive Governor		4 executives Governor 2 Deputy Governors Vice-Chair ACPR + 1 staff representative	2 executives Governor Deputy Governor
14 external members (2 from unions) 1 ministerial representative (veto)	≤ 9 external members	6-8 external members 1 ministerial representative (veto)	13 external members	7-10 external members 1 ministerial representative	6 external members 1 ministerial representative (veto)	6 external members 2 ex officio (1 is a ministerial representative)

from the institution's executive leadership is limited to the Governor and, in some cases, the members of the policy decision-making body as a whole. The presence of representatives from other institutions is less common and, where it does exist, is generally linked to the performance of specific functions within the bodies responsible for policy functions.

In this context, the current size of the Governing Council is within the range typically observed internationally, although it remains well below the upper end of that range. This suggests that, if it were considered desirable to make the Governing Council more representative (for example, by adding members appointed by lawmakers), it could increase in size somewhat without any significant loss of effectiveness or efficiency.

With respect to its membership, this document goes on to evaluate the implications of each member's participation, focusing in particular on those roles that are less usual in comparison with other central banks.

3.2.2 The Governor and Deputy Governor

The Governor and Deputy Governor being full (i.e. voting) members of the Governing Council is consistent with the current design of the Banco de España's governance framework. The experience of the last 30 years also confirms that their presence plays a decisive role in ensuring the coordination and consistency of the actions of the governing bodies, which also bolsters the institution's credibility.

This is nothing unusual by international standards. In most other European central banks, the Governor is a voting member of the oversight body. Only in cases where a pure dual board model has been adopted, with a particularly strict separation between the composition of the two, do arrangements exist under which the Governor does not sit on the oversight body. Examples include De Nederlandsche Bank and the central banks of the Scandinavian countries (Denmark, Finland, Norway and Sweden).

As noted in Section 3.1, some central banks have implemented blended models. Under certain dual board arrangements, the Governor does not chair the oversight body but nevertheless serves as one of its members. In practice, this approach has not given rise to divided leadership or conflicts over leadership, as the chair's powers are clearly defined and narrowly circumscribed.

In any event, the same objectives can be achieved using mechanisms that are not necessarily laid down in regulations. For example, a governor may play a more limited role in the deliberations of the oversight body, refraining from introducing agenda items, ceding the initiative in discussions to the external members or limiting their own contributions to the final stages of deliberations. Practices of this kind strengthen the role of the Governing Council as a forum for internal oversight and accountability, without the need to alter the formal rules governing its make-up.

The foregoing considerations would also apply, where relevant, to Executive Commission members other than the Governor and Deputy Governor, should the Executive Commission change to become a body comprised of only internal staff members with management responsibilities, as is discussed in the following chapter. Under such an arrangement, the participation of Executive Commission members in the Governing Council, with or without voting rights, would still allow for a clear separation of functions, provided that the lines of responsibility remained clearly defined and that the oversight body's specific role with regard to supervision, control and accountability were preserved.

3.2.3 The Council members

Given the nature and purposes of the oversight functions (in particular as a mechanism to enable internal checks and balances, strengthen representativeness, promote transparency and ensure adequate accountability), it is entirely consistent with the nature of the Governing Council that the external members (who hold no executive functions) are central to it. In fact, this feature is shared by nearly all other European central banks. As a result, the debate is less about the desirability of having external board members sitting on the governing bodies of central banks, but rather about how their presence should work.

The first question refers to the specific details of the governance model (i.e. the rules on appointments and mandates) and is addressed further in Chapter 5. Should the ability to appoint members belong solely to the government, as is the case in Spain currently? Would it be beneficial to give national parliaments a greater say, in line with the practices of some Scandinavian central banks? Should the central bank itself, or even certain elements of civil society, be allowed input on the matter?

The second cluster of issues relates to the profiles of external Council members. Whether it is preferable to favour general or specialised profiles is an open question, when considering the functioning of the oversight body. Broader profiles may help to ensure a range of perspectives. At the same time, however, it could create gaps in understanding between the oversight and policy decision-making bodies, and in relation to the functions to be performed. That risk is all the greater in such a technical and increasingly complex field as central banking, which requires advanced knowledge across a wide range of areas. Conversely, profiles with very narrow and specific specialisation may not be the most suitable given the breadth and diversity of the decisions that an oversight body is required to take. It could also give rise to tension with the policy decision-making body in defining and carrying out policy functions, with the risk of weakening clarity in terms of responsibilities and, potentially, the institution's credibility. From this point of view, the stipulation in the LABE that Council members have at least "recognised competence in the area of economy or law" is understandable.[19] This ensures a broad common knowledge base, consistent with the main functions of the Governing Council, while not excluding profiles that may also bring specific expertise in other relevant areas (governance and institutional quality, accounting, auditing etc.).

The question of profiles also raises important issues of representativeness, which fall outside the scope of this report, which is essentially technical in focus. Even so, it is worth noting that the legislative frameworks of several European countries have introduced formal rules to bolster the diversity of oversight bodies and, in some cases, policy decision-making bodies as well. Some legal systems, for example, lay down specific requirements to ensure gender balance.

Similarly, in contexts that are particularly complex from a territorial or linguistic standpoint, solutions have been found that reflect those in the make-up of the governing bodies. In certain supranational central banks or in those of states with a complex territorial structure, such as the ECB or the United States Federal Reserve System, governance is shaped in part by territorial factors, ensuring that different geographical regions are represented. In other cases, such as that of the Nationale Bank van België/Banque nationale de Belgique, the statutes expressly provide that half of the members of the oversight body and half those of the management body must be French-speaking, with the other halves Dutch-speaking, thereby guaranteeing linguistic balance.

19 Article 24(4) of the LABE.

3.2.4 The General Secretary of the Treasury and International Financing

The General Secretary of the Treasury and International Financing[20] is one of the two ex officio members of the Governing Council holding a voting seat.[21] The LABE also allows the Minister for Economy, Trade and Business and the State Secretary for Economic Affairs and Support for Business[22] to attend (in a non-voting capacity) meetings of the Governing Council when these latter deem it necessary in view of the particular importance of the matters to be discussed.

Although, at first sight, the presence of representatives of the executive branch on central banks' oversight bodies, in particular representatives of national treasuries, may raise concerns regarding independence, it is by no means unusual among central banks. It is important to stress, however, that in countries where such participation is envisaged, representatives of national treasuries sit on the central bank's oversight bodies, not policy decision-making bodies, except in relation to the exercise of very specific functions (outside the European System of Central Banks (ESCB) and, therefore, unrelated to the definition and implementation of monetary policy). Examples include specialised decision-making structures responsible for microprudential supervision (as in the Banque de France) or for resolution (as in the Banque de France or the Nationale Bank van België/Banque nationale de Belgique). The nature of that representation varies considerably. In some cases, the government simply appoints members of the oversight body; in others, it appoints members who serve as governmental representatives; and in some instances, those representatives are even granted a veto over certain decisions.[23]

However, in the case of the Banco de España, the presence on the Governing Council of voting members appointed by the Government gives rise to a relevant point on which the Bank stands apart. Unlike other European central banks, the Governing Council of the Banco de España not only performs oversight functions, but also participates in the exercise of certain policy functions, particularly in the areas of regulation and the imposition of sanctions.

In that specific context, and from a theoretical standpoint, the voting right of someone who formally represents the interests of the government could create a conflict from the perspective of the

20 See footnote 32.

21 The General Secretary cannot vote when the Governing Council decides on certain matters relating to the functions of the European System of Central Banks (Article 20(3) of the LABE).

22 See footnote 33.

23 In the case of the Banque de France, one member of the General Council is a censor appointed by the minister responsible for the relevant area, who holds a right of veto. In the case of the Nationale Bank van België/Banque nationale de Belgique, a representative of the minister responsible for the relevant area attends meetings of the Council of Regency and has a right of veto if he or she considers that a decision runs contrary to the law, the central bank's statutes or the interests of the State. That representative may suspend decisions of the Council of Regency, although the relevant minister must decide within eight days whether to confirm the veto. In the case of De Nederlandsche Bank, this is not a formal right to vote, but rather certain oversight functions are reserved for its special general meeting (this general meeting is composed only of the relevant minister, representing the sole shareholder of the central bank: the Dutch State).

institution's operational independence, particularly in prudential supervision[24] and, more specifically, in relation to its regulatory and sanctioning work. This concern has been raised explicitly both by the International Monetary Fund (IMF)[25] in its 2024 assessment of the Spanish financial sector and by the independent group of experts in its recommendations report, both of which advocate removing the voting rights of the two ex officio members of the Governing Council.[26]

In addition, the amendment of Directive 2013/36/EU[27] introduced by Directive (EU) 2024/1619 (Capital Requirements Directive (CRD) VI),[28] which strengthens the independence requirements for national competent authorities in microprudential supervision, adds a further legal element: the European framework requires supervisory decisions to be free from external interference, which includes ensuring that representatives of the executive branch do not have voting rights on matters linked to those functions. This aspect, which has not yet been transposed in Spain, reinforces the need to align the current Spanish framework with European requirements.

Therefore, unless the governance model evolves towards a purely dual board model in which all policy functions are assigned to the Executive Commission, a balanced solution would be to introduce appropriate safeguards into the LABE. These would ensure that the current model cannot be interpreted as allowing possible interference by the Government in the exercise of policy functions and, in particular, in accordance with CRD VI, in the various powers linked to the Banco de España's microprudential supervisory function. This could be achieved by removing the General Secretary of the Treasury and International Financing's right to vote on such matters. Moreover, the LABE already

24 Indeed, in strictly theoretical terms, the issue could also arise in relation to governance functions: for example, if the voting right of the General Secretary of the Treasury and International Financing were to call into question the financial independence of the Banco de España by preventing it from building up an adequate level of provisions.

25 This was noted by the IMF in its 2024 publication *Financial Sector Assessment Program-Technical Note on Regulation and Supervision of Less Significant Institutions: "25. The representation of political appointees on the BdE's decision-making bodies also has the potential to cause or be perceived to cause government interference that could undermine the BdE's operational independence. Therefore, the membership of the Secretary General of the Treasury and International Financing on the BdE's Governing Council could be seen as an indication of the potential for such interference since the Governing Council decides on supervisory matters including sanctions, supervisory budgets and nomination of senior supervisory staff. In addition, the possibility of the participation of the Minister of Economy, Trade and Enterprise or the Secretary of State for the Economy and Business Support, in a nonvoting capacity, could be seen as another form of potential government interference since they may also submit a motion for consideration by the Governing Council. (…) In case the main objective of those arrangements were to enhance cooperation between the government and supervisory authorities, alternative cooperation structures could be sought that would promote exchange of information and cooperation without potentially undermining the BdE's operational independence. C. Recommendations. 26. The BdE's powers and independence should be further reinforced through: (…) Limiting the role of official political representatives in the BdE Governing Council with respect to deciding on supervisory issues, sanctions, budget, and nomination of senior supervisory staff."*

26 *"Regarding the ex officio Council members, the General Secretary of the Treasury and Financial Policy and the Vice President of the CNMV should not have voting rights. This is particularly relevant when the Council discusses proceedings concerning significant institutions opened at the ECB's instruction. Under the SSM, breaches of the Capital Requirements Regulation or ECB decisions are handled by the ECB. However, breaches of the Capital Requirements Directive (CRD) or breaches committed by individuals (e.g. bank directors) are handled by the Banco de España at the ECB's instruction. Government representatives should not, therefore, have voting rights (they could be observers or, at most, be allowed to speak, but not vote). Circulars are also approved by the Governing Council. Issues such as those relating to treasury and public debt management will typically be defined through contracts or memorandums of understanding between the parties."*

27 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.

28 Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and governance risks (CRD VI).

contains a similar provision for powers linked to the exercise of ESCB functions, so a provision along these lines would be consistent with the current model.

3.2.5 The Vice-Chair of the National Securities Market Commission

The LABE considers the participation of the Vice-Chair of the National Securities Market Commission (CNMV) in parallel with that of the General Secretary of the Treasury and International Financing, subjecting both to the same rules on attendance and voting. However, the basis for the Vice-Chair of the CNMV's presence at and participation in the Governing Council differs somewhat, which should be briefly noted.

- The CNMV's presence on the Banco de España's Governing Council mainly reflects the desirability of fostering coordination between the two authorities. From this standpoint, it is legitimate to ask whether a body such as the Governing Council, whose main function is to oversee the Banco de España, is the most appropriate forum through which to channel that coordination.

  Observing international practice reveals that, in the few cases where securities authorities participate on a permanent basis in the governance of central banks, they are generally represented in decision-making bodies or in specialised structures linked to specific functions. An example can be seen in France, where the *Autorité des marchés financiers* participates in the Banque de France's specialised body for microprudential supervision, the Collège de supervision under the Prudential Supervision and Resolution Authority (ACPR). Similarly, in the United Kingdom, the Chief Executive of the Financial Conduct Authority holds a voting seat on the Bank of England's committees responsible for financial stability and prudential supervision. In other countries, cooperation is organised by means of macroprudential councils or committees external to both authorities, bringing together representatives from the central bank, the securities authority and, in some cases (e.g. in Italy and the Netherlands), other public bodies.

- Another noteworthy feature is the strictly symmetrical nature of the relationship between the two institutions under the current design: just as the Vice-Chair of the CNMV sits on the Banco de España's Governing Council, so does the Deputy Governor of the Banco de España on the Board of the CNMV, together with the General Secretary of the Treasury and International Financing. This symmetry further reinforces the idea of a structural interdependence between the two authorities in the Spanish financial system's governance.

In this context, and in the light of the experience of the past 30 years, a case can be made for maintaining the Vice-Chair of the CNMV's seat on the Governing Council of the Banco de España. The arrangement has benefited discussions within the Governing Council and facilitated closer coordination between the two institutions, which is especially relevant when financial stability, the supervision of institutions and markets and the protection of investors and bank customers intersect. The arrangement also helps to strengthen Spain's institutional framework, in which the

Banco de España and the CNMV occupy central positions in the architecture of financial supervision and share positions in other governing bodies, such as the Spanish executive resolution authority (FROB) and the Spanish macroprudential authority (AMCESFI). Nevertheless, if a broader reform of the microprudential and macroprudential supervisory architecture in Spain were undertaken, other governance coordination models that better align with each institution's role could be explored.

In any event, the concerns raised in the previous section regarding the vote held by the General Secretary of the Treasury and International Financing apply equally to the Vice-Chair of the CNMV when the Governing Council is exercising policy functions, particularly in the area of microprudential supervision. From the standpoint of supervisory independence, and given the enhanced requirements entailed by CRD VI, parallel safeguards should be introduced: retain the Vice-Chair's presence on the Governing Council, but limit their voting rights in matters that are central to policy functions, especially those relating to the regulation and sanctioning of supervised institutions. This would preserve the value of the Vice-Chair's participation in terms of coordination and legitimacy, without opening the door to potential conflicts of interest or perceptions of external interference in the Banco de España's actions as supervisory authority.

3.2.6 The Directors General

The LABE envisages the Directors General of the Banco de España, as well as the General Secretary (as secretary to the Council), attending (but not voting at) Governing Council meetings. The same is true of the Executive Commission.

This is not a common arrangement in comparison with other central banks. Elsewhere, the most senior executives usually constitute the institution's policy decision-making body as full voting members, without necessarily sitting on the oversight body. As examined in the following chapter, the Spanish model has two distinctive features. First, senior executive management staff (other than the Governor and Deputy Governor) are not full members of the policy decision-making body, despite being ultimately responsible for implementing the decisions adopted by the governing bodies; second, they attend meetings of the oversight body. This stands in contrast to the practice of most other central banks, where policy decision-making bodies are comprised exclusively of the institution's top executives, while the core of the oversight body is made up of external members.

Similarly, it is not common for the legal frameworks of other central banks to explicitly envisage the presence of directors general at meetings of the oversight body, beyond occasional participation when the matters under discussion are of direct relevance to their area of responsibility. In such cases, the presence of senior management in the oversight body is a functional mechanism, not a general statutory requirement.

From a strictly theoretical perspective, the rationale for a general and permanent presence of directors general in a body whose functions lie primarily in the sphere of oversight rather than policy is not selfevident. Prioritising function would suggest that their participation should be limited, on an ad hoc basis, to matters where their specialised technical knowledge and operational perspective are necessary. This would avoid their structural involvement in debates whose core purpose is the oversight of the general governance framework, rather than the implementation or technical assessment of operational decisions.[29]

The experience of the past three decades at the Banco de España, however, calls for a more nuanced assessment. The presence of the Directors General has helped to consolidate a seamless and stable relationship between technical senior management and the governing bodies, supporting institutional coherence and effective decision-making.

This analysis grows in relevance when seen in the context of a possible move towards a clearer dual board model, should policy and oversight powers be more sharply delineated. In such a model, the structural presence of senior management on the Governing Council would perhaps be less conceptually coherent when taking a theoretical view of governance, as it would blur somewhat the functional separation of the two spheres. By contrast, their presence in policy decision-making bodies would remain fully justified, as would their involvement in forums where technical interaction with the governing bodies is required.

3.2.7 The Representative of the Bank's Personnel

The LABE provides for a staff representative (the Representative of the Bank's Personnel) to attend meetings of the Governing Council in a non-voting capacity, on the same terms as those applied to the Directors General.

The Representative of the Personnel is subject to the same rules as Council members and Directors General as regards the duty of secrecy, incompatibilities and liability.[30] The representative's status and election procedure are regulated in the IRBE,[31] which, among other matters, provide for: autonomy in the performance of the role (without being subject to binding instructions); a four-year term of office; the possibility of re-election; and a prohibition on holding trade union positions.

The participation of employee representatives in central bank oversight bodies is not common at the global level, although there are some cases similar to the Spanish model.[32]

29 Without prejudice to the General Secretary's involvement as Secretary to the Governing Council (Article 53(4) of the IRBE).

30 Article 30 of the LABE.

31 See the first additional provision of the IRBE.

32 The French model is the most similar to the Spanish one. A staff representative is a voting member of the General Council at the Banque de France too. The Belgian model differs in that the oversight body (the Council of Regency) does not include a dedicated staff representative. Instead, two of its 14 members are appointed from lists of names put forward by the country's most representative trade union organisations (of the remaining 12 members, nine are appointed from lists proposed by the Government and three from lists put forward by the most representative economic organisations).

As the independent expert group noted in its report, the presence of a staff representative on the Governing Council raises certain issues from a theoretical perspective. Although it can be linked to some of the specific powers that the LABE confers on the Governing Council in matters of internal administration, such as the approval of staff policy guidelines, justifying their inclusion is more difficult for those areas of the oversight body's work that go beyond labour matters. This is especially true when the Governing Council addresses broader institutional questions or decides on matters as part of its policy functions, such as approving circulars or imposing sanctions for microprudential supervision issues.

The experience of the past 30 years offers some more nuanced lessons. In practice, this mechanism has operated as an informal channel of vertical communication, helping to strengthen mutual understanding between staff and the governing bodies, without interfering with the functions of the Governing Council or overlapping with the representation of works councils and trade unions, which are legally responsible for defending employees' rights. Its value lies less in defending particular interests, which is not the intended function, but rather in providing a stable channel for participation that allows the staff perspective to be taken into account in the institution's general governance. From this standpoint, the Representative of the Personnel's presence has had a positive impact on internal cohesion and on staff perceptions of the transparency of decision-making processes.

If Spain were to move towards a clearer dual board model in which the Governing Council exercised only oversight functions, the presence of the Representative of the Personnel would have a clearer conceptual rationale. The scope of the Governing Council's activity would be confined to general questions of institutional governance, rather than operational or supervisory decisions.

3.3 Formal structures for the representation of other interests

The debate on representation in the governance of the Banco de España need not be confined to how its governing bodies are set up. It may be extended to the desirability of creating specific mechanisms for the participation of other interests, whether sectoral, academic or more broadly civil society interests, through formal consultative structures. Such mechanisms reflect a cross-cutting concern among contemporary central banks: bolstering their legitimacy, transparency and ability to listen, without compromising their independence.

A number of central banks, as well as other independent agencies,[33] have created formal advisory structures for their governing bodies. These take a wide variety of forms (advisory councils, stakeholder committees, structured dialogue forums, etc.) and represent interests other than those that are strictly

33 In addition to the example of the CNMV described below, that of the stakeholder groups of the European supervisory authorities is also worth mentioning.

institutional or internal: representatives of the financial sector, academia, the investor community, consumer organisations and civil society. In practice, they act as feedback channels, providing qualitative and quantitative insight into how central bank decisions are perceived and implemented and on their effects on different groups.

The specialist literature tends to take a positive view of structures of this kind, insofar as they can help to strengthen central bank legitimacy and the ability to listen, provided that they are designed in such a way as to clearly safeguard independent decision-making and avoid any confusion about their role vis-à-vis the governing bodies.

Some countries have chosen to formalise these mechanisms in the central bank's own statutes. This is the case, for example, in the Netherlands, where the legal framework governing the central bank expressly provides for an advisory council as one of the institution's bodies. It brings together representatives from different spheres (business, academia and civil society), to provide a broader perspective on the economic and financial environment and on the institution's actions.

A relevant benchmark can actually be seen in Spain in the form of the CNMV's Advisory Committee. This is an example of a formal structure in which different actors with qualified interests in the functioning of securities markets are represented, including market infrastructures, issuers, investors, credit institutions, insurance companies, investor compensation schemes, as well as institutional actors, such as representatives from regional governments that hold powers in relation to securities markets, all with the aim of advising the supervisory authority. In practice, it also serves as a forum for discussion of current issues of interest to the financial sector.

An important feature of its design is that it has a robust legal basis. It is envisaged directly in the statute-level legislation creating the CNMV and implemented by regulations,[34] stipulating its composition, appointment rules, the length of terms of office and operating arrangements. This allows it to serve as an instrument for channelling consultations of affected sectors when drafting administrative provisions. The Advisory Committee also operates with a great degree of transparency. For example, the CNMV publishes meeting agendas and the various reports it prepares on its website.

The Banco de España does not currently have a formal advisory body with comparable features, although over time it has developed informal channels of engagement with the financial sector and other relevant stakeholders. These channels allow it to gather qualitative and quantitative information on the condition and outlook of the sector, test the practical feasibility of certain initiatives and identify possible unintended effects or disproportionate burdens associated with new measures.

34 Articles 31 and 32 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services and Royal Decree 303/2012 of 3 February 2012 regulating the Advisory Committee of the National Securities Market Commission.

In general, creating a formal and stable advisory body bringing together representatives of a range of interests could offer several potential advantages:

- **Increased visibility and transparency.** A publicly defined body, with a clear composition and clear functions, would provide greater visibility regarding whom the Banco de España engages with and on what matters. This would boost perceptions of openness and accountability, without altering the formal allocation of responsibilities.
- **Structured dialogue channel.** A stable framework would support relationship continuity and make it possible to build a systematic work agenda, preventing the exchange of information from depending exclusively on informal or ad hoc contacts. It could also facilitate compliance with the principle of consulting affected sectors when drafting administrative provisions, by concentrating much of the technical and sectoral dialogue in a single forum.
- **Diverse perspectives.** The presence of representatives of the financial sector, non-financial corporations, academia, consumer organisations and other civil society stakeholders could enrich the understanding of the economic and financial environment in which the Banco de España operates and of the effects of its decisions on different groups.

At the same time, the creation of an advisory body of this kind would also entail certain costs and organisational challenges. It would require operational resources, to prepare documentation, support the secretariat, follow up on recommendations and ensure that its contributions are properly integrated into internal work processes. Moreover, if its design was not crafted to fit coherently into the existing governance architecture, it could introduce additional complexity.

In any event, if this option were selected, the regulatory framework should take the following elements into account:

- **Sound legal basis.** Following the example of the CNMV,[35] it would be advisable for an advisory body's existence and key features (its nature, basic functions, membership guidelines and general operating rules) to be established in the LABE, leaving secondary regulations (in this case, a Circular approved by the Banco de España itself) to establish the specific details. Such a legal basis would also allow this body to be used as the conduit for consulting affected sectors when drawing up administrative provisions.
- **Advisory nature.** The legal framework should define unequivocally that the body is advisory in nature, avoiding any overlap with the decision-making functions of the Executive Commission and the Governing Council. Its tasks could focus on issuing opinions, recommendations and analyses,

35 The same applies to the stakeholder groups established within the European Supervisory Authorities (see, for example Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority, the European Banking Authority).

while making clear at all times that ultimate responsibility for decision-making rests with the Banco de España's governing bodies.

- **Plural and balanced composition.** The advisory body's make-up should be a balanced reflection of the range of legitimate interests affected by the work of the Banco de España: financial institutions, non-financial corporations, consumer and user organisations, academia and, where appropriate, civil society organisations relevant to the financial sphere. The definition of transparent criteria for selecting and appointing its members, designed to avoid conflicts of interest and preserve the Bank's independence, would be essential to the body's credibility and effectiveness.
- **Safeguards for independence and confidentiality.** Clear rules on confidentiality and the management of conflicts of interest would be required, as would mechanisms to ensure firewalls between dialogues with stakeholders and decision-making. This should include explicit limits on access to sensitive information and guidelines on the use of information received within the framework of the consultative body.
- **Coordination with external accountability.** Since one advantage of these mechanisms is that they strengthen visibility, an advisory body should perform its functions with an appropriate degree of transparency, publishing its reports and meeting agendas and thereby complementing existing accountability mechanisms. Its function should be understood as enhancing the Banco de España's capacity for stakeholder engagement and active listening, rather than as an alternative source of democratic legitimacy.

CHAPTER 4:
HORIZONTAL DIMENSION

The horizontal dimension explores how the Banco de España organises, within a single decision framework, the wide range of functions and objectives it has assumed in recent decades. In particular, this chapter assesses whether the model established by Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España (LABE) – based on an Executive Commission with a hybrid composition, supported by a functionally specialised organisation – should be further developed to accommodate its multiple mandates, by harnessing synergies and minimising potential conflicts between objectives and responsibilities.

Based on this, the chapter is structured in four main sections.

First, it describes the main governance models used by peer central banks to structure the separation and coordination of functions, as well as the criteria that inform the choice between the different approaches (see Section 4.1).

It then analyses the model established by Spanish lawmakers, based on a single collegiate policy decision-making body (the Executive Commission), in which specialisation is confined to the level of directorates general and organisational units (see Section 4.2). Particular attention is paid to the possibility of establishing specialised governance structures for certain functions, such as microprudential supervision.

Section 4.3 deals with the design of the policy decision-making body (the Executive Commission), addressing its hybrid composition, the specific role of external members, the impact of that arrangement on collegiality and, lastly, the implications of moving towards a model by which portfolios are functionally distributed among Executive Commission members, consistent with the practice in other central banks and with a clearer dual board model.

Lastly, Section 4.4 notes that the quality of decision-making processes depends not only on institutional design, but also on the internal procedures for preparation and deliberation and on the rules on appointments and terms of office, which will be examined in the following chapter.

4.1 The challenge of multiple functions

In recent decades, central banks around the world have expanded their remit well beyond the traditional goal of price stability. Although keeping inflation low, stable and predictable remains their core mission, the vast majority of central banks now have multiple mandates, including microprudential supervision,[1] macroprudential supervision of systemic risks,[2] bank resolution and protecting bank customers, as well as having objectives relating to climate change, financial inclusion and technological innovation (developing digital currencies, for example).

This increasingly requires central banks to reconcile functions that differ not only in their objectives, but also in their tools, time horizons, analytical frameworks and institutional architectures, as well as stakeholders and accountability channels.

- Monetary stability and financial stability are particularly closely linked, with the latter being necessary for the former. Yet tensions may arise between their objectives and instruments at certain points in the cycle. For example, tightening financial conditions excessively to curb inflation may put pressure on highly leveraged sectors, increase non-performing loan levels and generate banking instability. Similar tensions may arise between monetary policy and macroprudential policy.
- While microprudential supervision and macroprudential policy complement each other, they may also at times give rise to competing considerations. Given their different perspectives on banks (individual as opposed to collective), incentives may not always align. For example, during downturns a focus on macroprudential policy may seek to avoid excessive restrictions on credit, whereas from a microprudential supervision perspective, it may be preferable to prioritise bank solvency, even at the cost of some constraints on lending.
- Conflicting objectives may also be felt in the case of microprudential supervision and bank resolution. This possibility led the EU legislature to require that, where the national resolution authority is also the microprudential supervisory authority, appropriate structural arrangements must be adopted to ensure operational independence between the two functions and avoid conflicts of interest.[3] A theoretical example of such a conflict is a supervisor delaying the acknowledgement that a credit institution was failing, or likely to fail, for reputational reasons.
- The objectives of microprudential supervision (the solvency, stability and sound management of each financial institution) also differ from those of conduct supervision (transparency, fairness and responsibility in dealings with customers), as do their approaches and tools. These differences can also be a source of tensions between the two. Decisions taken in the course of conduct supervision may affect the profitability or operational flexibility of banks, influencing their risk

1 Around two-thirds of countries worldwide assign responsibility for microprudential supervision of credit institutions to their central banks (see, for example, *Financial supervisory architecture: what has changed after the crisis?* by Calvo, Crisanto, Hohl and Gutiérrez, 2018).

2 Central banks are the main authority for macroprudential policy in around 60% of the world's jurisdictions (see, for example, Calvo, Crisanto, Hohl and Gutiérrez, 2018).

3 Article 3(3) of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms. For a description of the different solutions found across the EU for this separation, see, for example, *Resolution Authorities and their institutional settings in EU Member States* by D'Ambrosio and Fromage (2025).

profile and therefore their solvency. Conversely, microprudential decisions intended to strengthen a bank's solvency may fail to take proper account of their potential impact on banking customers.

That said, despite their differences, these functions are not independent of one another: their objectives and tools are largely complementary and offer significant synergies. All operate, in one way or another, on the financial system, and particularly on the banking system, and they share instruments and transmission channels that may complement one another in securing price stability and financial stability. Monetary policy decisions, for instance, affect financing conditions and therefore banks' credit and liquidity risk; prudential regulation affects banks' ability to transmit monetary policy to the real economy; macroprudential tools influence the financial system's sensitivity to macroeconomic shocks and therefore its resilience. The synergies are therefore substantial.

The real governance challenge is not so much to separate functions as to exploit the synergies between them while monitoring and managing potential conflicts of interest. This has been the approach taken by most countries, particularly after the global financial crisis of 2007-09. A review of central bank mandates over the past two decades shows that these different functions have been increasingly entrusted to central banks.[4] For example, several countries that had kept the authorities responsible for microprudential supervision separate have gradually incorporated them into the central bank. In Europe, two good examples are the Prudential Regulatory Authority in the United Kingdom and the Prudential Supervision and Resolution Authority in France, which have ultimately been merged into the Bank of England and the Banque de France respectively, although they have retained functional autonomy.[5]

In organisational terms, central banks have trialled various institutional responses to the challenge of reconciling their multiple mandates. They all start from the premise that some degree of separation, even if merely functional, is advisable in order to address potential conflicts between functions. Such separation also aids in the effective and efficient performance of each function owing to specialisation, while preserving clarity in the allocation of responsibilities and the identification of objectives, strategies and tools. It also facilitates integration into the different national and European institutional architectures and, lastly, enhances accountability. By way of contrast, that same separation creates a need for coordinating mechanisms capable of addressing risks in a joined-up way.

From a governance perspective, it can be seen that there are two broad types of models for structuring this separation and coordination.

- The first consists of models based on **specialised structures**, in which certain functions are entrusted to bodies or structures with their own governance and a varying degree of autonomy

4 For a more detailed description of the changes in institutional architectures globally (and in the EU) in the wake of the global financial crisis of 2007-09, see, for example, Calvo, Crisanto, Hohl and Gutiérrez (2018).

5 An even more recent example is the 2023 merger of the former Latvian Financial and Capital Market Commission into Latvijas Banka.

from that of the central bank (such as prudential supervision boards, financial stability committees and resolution boards).

- The second consists of models based on a **single collegiate body,** sometimes referred to as a principal board, which reconciles the different objectives and unites the various functions. In such models, there is indeed the same functional separation by means of specialised organisational units, but no separate bodies for decision-making specific to the different functions.

Although (as explained in Chapter 2) there is no single model that can be regarded as a benchmark, according to information compiled by the Bank for International Settlements, a significant proportion of central banks worldwide, around two-thirds, have opted for some form of single board model with multiple functions. Traditionally, this model has been regarded as making it easier to weigh the trade-offs between different in-house policy objectives, since the same collegiate body must jointly assess the monetary, prudential and financial stability implications of its decisions on the basis of a shared analytical framework and common information. This may support coordination and strategic coherence in decision-making and increase the institution’s overall effectiveness, particularly when shocks simultaneously impact several aspects of its mandate.

Other central banks, however, have established structures with separate and independent governance for particularly sensitive functions, such as resolution and, in some cases, microprudential supervision. A range of arguments surrounding this topic are advanced, relating to: reduced synergy between objectives and interdependencies across instruments; greater conflicts of interest between functions; the potential influence of a hierarchy across different mandates; the need to formally involve other authorities in decision-making on certain matters; more demanding requirements for independence in relation to the performance of certain functions; differences between the institutional architecture in which the different functions are exercised; unique accountability mechanisms, etc. Moreover, where a supervisory authority already exists and is integrated into the central bank, its institutional legacy often has a significant influence on the resulting organisational design.

A comparison of institutional arrangements across jurisdictions (Figure 4.1) shows that institutional separation is most pronounced in the area of bank resolution, which in Europe is subject to reinforced requirements to ensure autonomy from microprudential supervision. It is somewhat less marked in microprudential supervision and less common in the area of macroprudential policy, which is often structured around interinstitutional arrangements in which the central bank plays a prominent role.

Experience across central banks points to one basic lesson: where certain functions are institutionally separated, robust coordination mechanisms are essential to ensure that the different functions are performed on the basis of a common body of information, avoiding isolated pockets of data and analysis, and on the basis of a coherent analytical framework that enables the interacting impacts of different policies to be assessed consistently. These coordination mechanisms may take many

Figure 4.1
The range of functions and governance arrangements in other European central banks

	FR	BE	IE	UK	NL	IT	ES
Distribution of functions in the policy decision-making body	Specialised structures for supervision and resolution (ACPR)	Distribution of functions across members + specialised resolution structure	Distribution of functions across members + committees	Distribution of functions across members + committees	Distribution of functions across members	No	No
Microprudential supervision	Specialised structure (ACPR/Collège de supervision)	Member in charge of the relevant units	Member in charge of the relevant units + committee	Specialised structure (Prudential Regulatory Authority)	Member in charge of the relevant units and delegated competences	Not reflected in the composition of the policy decision-making body	Not reflected in the composition of the policy decision-making body
Macroprudential policy	Not reflected in the composition of the policy decision-making body	Member in charge of the relevant units	Member in charge of the relevant units + committee	Member in charge of the relevant units + committee	Member in charge of the relevant units	Not reflected in the composition of the policy decision-making body	Not reflected in the composition of the policy decision-making body
Resolution	Specialised structure (ACPR/*Collège de résolution*)	Specialised structure with external members	Governor + committee	Member with competences + advisory committee	Member with competences	Not reflected in the composition of the policy decision-making body	Not reflected in the composition of the policy decision-making body

forms: partial overlap in the composition of the different governance structures, joint committees or coordination arrangements, technical secretariats in common or formal procedures for reciprocal consultation between the bodies responsible for the different functions. It is equally crucial in these models to establish clear channels for escalating and resolving disagreements between specialised bodies, especially in periods of stress or crisis.

In short, governing multiple functions does not mean being forced to choose between merging them or separating them. It is a matter of combining the appropriate levels of integration and specialisation in the light of the criteria mentioned above and taking into account the specific institutional context of each central bank.

4.2 The Spanish model

The Banco de España faces the same challenges as other central banks in comparable jurisdictions, since, given the specific features of the relevant institutional architectures, it is the authority responsible for exercising a wide range of powers in Spain.

- The Governor participates in the definition of the Eurosystem **monetary policy**,[6] while the Banco de España is responsible for its implementation in Spain.

- In terms of **microprudential supervision**, the Banco de España works closely with the European Central Bank (ECB) in supervising significant institutions (the largest or most systemically important ones) and directly oversees less significant institutions (small and medium-sized ones). Outside the European banking supervision framework, the Banco de España is also responsible for supervising other financial institutions, such as payment institutions, electronic money institutions, appraisal companies and mutual guarantee companies.[7]

- The Banco de España also plays an important role in **financial stability**, analysing macro-financial developments and the resilience of the banking sector and, where necessary, making use of various kinds of macroprudential tools. Since financial stability also has a multi-sectoral and international dimension, the Banco de España works in coordination with other central banks, national supervisory authorities and bodies responsible for financial stability at the national, European and global levels. In Spain, since 2019, the Spanish macroprudential authority (AMCESFI) has brought together senior representatives of the Ministry of Economy, Trade and Business, the Banco de España and the National Securities Market Commission (CNMV) to coordinate monitoring and analysis of those factors that may pose a systemic risk to the stability of the Spanish financial system.

- In addition, the Banco de España has powers to **supervise the conduct** of credit institutions vis-à-vis bank customers (and other financial institutions).

- Finally, in the field of **resolution**, as the preventive resolution authority it is responsible for less significant institutions with no cross-border activities and collaborates with the Single Resolution Board on the tasks it is assigned in relation to significant and cross-border less significant institutions and groups and Spanish subsidiaries of foreign groups, which are the Board's direct responsibility. This takes place within the framework of the Single Resolution Mechanism at European level and, in Spain, within an institutional architecture in which the Spanish executive resolution authority (FROB) is assigned executive resolution functions (and the CNMV preventive resolution functions for investment firms).

To meet this challenge, Spanish lawmakers chose a model that assigns the different functions to a single collegiate body, the Executive Commission, which is therefore responsible for reconciling the different objectives and tools. In practice, there is of course a significant degree of functional separation and specialisation: the different functions are assigned to specific organisational units, which have dedicated technical teams and which create their own analytical frameworks for each area. Depending

6 The ECB Governing Council is responsible for defining euro area monetary policy, and the Banco de España's Governor participates in a personal capacity rather than as a representative of the Banco de España.

7 In addition, the Banco de España fulfils an important regulatory function, helping to develop the rules and standards that govern the institutions it supervises. It contributes to the technical design and definition of these regulations both in Spain and further afield in European and global forums, as part of the various international standard-setting committees. It also advises the Directorate General of the Treasury and Financial Policy in drafting national financial regulation and has the power to flesh out certain aspects of these standards by means of circulars.

on the synergies between them, several organisational units are grouped under the umbrella of the same Directorate General, within an organisational structure that is not prescribed by the LABE but is approved and amended by the Executive Commission, which has ultimate responsibility for these matters.

Looking back over the past three decades, several advantages of this model become apparent.

- It enables synergies between the different functions to be exploited by channelling decisions through a single decision-making body with access to the data and analysis prepared by the various specialist areas. This makes it easier for relevant decisions to be taken with an overarching view of the Banco de España's different mandates and avoids partial or contradictory responses.
- At the same time, it preserves the specialisation and separation of the different organisational units while maintaining a relatively agile and flexible governance structure, one that has proved capable of adapting through internal organisational adjustments to the steady expansion of the institution's responsibilities over the past three decades (a good example is the creation of the Bank Resolution Department when the Banco de España was designated as preventive resolution authority).
- In addition, this design is complemented by various formal and informal internal coordination mechanisms (such as the Steering Committee, established in the IRBE), which make it possible to organise cross-cutting work across areas and ensure that the proposals reaching the Executive Commission integrate the perspectives of the various functions in a coherent fashion.

Nevertheless, as set out in Section 4.1, from a theoretical standpoint models based on separate and independent decision-making structures also have certain advantages. For example, they can ensure operational independence and endow certain functions with greater institutional visibility relative to others, as well as providing specific spaces for coordination with other authorities. The question, then, is whether the benefits offered by such structures can be secured effectively and efficiently within the LABE's current single board model, without creating additional governance bodies that could entail significant organisational and coordination costs. In the light of the academic literature and observed practice in other central banks, this debate has arisen most prominently in relation to microprudential supervision and resolution and, to a lesser extent, macroprudential policy.[8] The following subsections therefore analyse the issue separately for these three functions.

8 As discussed in Chapter 3, several central banks have also created independent organisational structures, other than their general policy and oversight bodies, for the exercise of sanctioning powers (see footnote 27).

(a) Specialised structures for microprudential supervision[9]

Some central banks have opted for separate governance arrangements (with varying degrees of independence) for making decisions in the area of microprudential supervision. Among the central banks selected for comparison, for example:

- in France and the United Kingdom, independent authorities have been integrated into the respective central bank's governance structure, namely the *Collège de supervision* (under the Prudential Supervision and Resolution Authority) in France and the Prudential Regulatory Authority in the United Kingdom;
- the ECB opted for a specific decision-making body within the ECB, the Supervisory Board, which occupies a distinctive place in the ECB's governance structure and in the institutional architecture of European banking supervision; and
- central banks in countries with a common law tradition, such as the Central Bank of Ireland, have established committees with specific mandates that are responsible for decision-making in microprudential supervision.

By contrast, the approach adopted by Spanish lawmakers has made it possible, without adding an additional layer of governance, to develop a strong supervisory culture supported by a highly specialised organisational structure and by a framework that combines operational agility with centralised control through the following different elements.

- First, a highly specialised directorate general (the **Directorate General Banking Supervision**), which is responsible (within the framework of the Single Supervisory Mechanism (SSM)) for supervising solvency and compliance with the regulations governing the organisation and standards of credit institutions (ongoing supervision, formulation of proposals for preventive, disciplinary and prudential measures, etc.). This Directorate General works in close coordination with other areas within the Banco de España responsible for matters related to these tasks, such as the regulation and authorisation of credit institutions and other financial agents.
- Second, there is a framework for **delegation** that enables certain supervisory decisions to be assigned to the appropriate management levels while upholding consistent criteria and a single supervisory culture.[10]

9 Although a generic reference is made to *"microprudential supervision"*, this should be understood in its broadest scope, including the different aspects of microprudential policy, including supervision, the adoption of supervisory tools (recommendations, binding measures and sanctions), regulation and policy-making, and representation in international forums.

10 See the third section of Banco de España Resolution of 23 March 2026 on the delegation of powers.

- Lastly, relevant formal decisions are taken by the **Executive Commission**[11] on the basis of a technical proposal put forward by the Directorate General Banking Supervision, which assimilates input from the other areas involved.

- Looking at other central banks makes it clear that the trend in comparable jurisdictions is moving towards the increasingly close integration of microprudential supervision within central banks. Indeed, those central banks that maintain separate and independent governance structures generally do so for historical reasons, as a mechanism for integrating previously independent structures, as in the cases of France and the United Kingdom mentioned above, where microprudential supervision also extends beyond the banking sector. The experience of these central banks also shows that, where an additional layer is introduced, robust coordination mechanisms are needed to avoid duplication, overlapping mandates and a loss of an overarching viewpoint.

Although, at a strictly theoretical level, separate decision-making structures could offer some advantages (it could give the supervisory function greater institutional visibility and provide specific forums for coordinating with other national and European authorities), there are no strong reasons at present to justify creating an additional specific and separate governance layer for microprudential supervision. Such an addition would introduce further complexity and its marginal utility would be, at the very least, debatable in the current context. By means of a more flexible, simple and agile structure adapted to the day-to-day needs of microprudential supervision and to the institutional architecture of the SSM, the existing model has allowed the advantages of maintaining a highly specialised organisational unit connected with European banking supervision to be combined with those of a decision-making body that can reconcile microprudential policy, where necessary, with other relevant aspects, and thereby exploit analytical and information synergies with other Banco de España functions.[12]

(b) Specialised structures for resolution

Given the limited scope of the Banco de España's current resolution powers, which are confined to the preventive phase of the resolution process, there is no case in this context for establishing a specific and separate governance structure. The model chosen by Spanish lawmakers therefore appears reasonable. It was expressly stipulated that "resolution functions in the preventive phase, which are entrusted to the Banco de España and to the National Securities Market Commission ... will be discharged by internal bodies with operational independence",[13] without prejudice to the necessary hierarchical and functional independence of microprudential supervision.

11 See Section 3.1.2.

12 Such increased complexity and the risk of losing synergies and efficiency could also arise with other cross-cutting organisational issues (e.g. systems and other general services throughout the Bank), which could have a non-negligible impact, possibly even affecting the status and professional conditions of staff assigned to that function.

13 See the preamble to Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms.

In other European central banks that have been designated as the executive resolution authority, different solutions have been adopted to ensure the necessary separation between microprudential supervision and the exercise of executive authority in resolution. In some countries, specific and independent decision-making structures have been chosen (Belgium, France and the United Kingdom, for example) and external representatives (such as economy and finance ministries) are included who are not part of the institution's policy decision-making body. Other countries have chosen bespoke models, formally assigning competence for resolution to specific members of the policy decision-making body (e.g. in Ireland and the Netherlands).[14]

(c) Specialised structures for macroprudential policy

As explained in Section 4.1 central banks do not usually establish separate and independent governance structures for defining macroprudential policy. The main reasons that are generally advanced are, first, the close complementarity between macroprudential policy, monetary policy and microprudential policy and, second, that doing so would add an extra layer of complexity to national institutional architectures. The latter are normally based on the presence of an authority external to the central bank that offers a way of combining input from the central bank and from other authorities (notably economy and finance ministries and securities market authorities). Indeed, Spanish lawmakers opted for this model, with AMCESFI serving as the means of coordinating the Ministry of Economy, Trade and Business (which also includes the Directorate General of Insurance and Pension Funds), the Banco de España and the CNMV with a view to identifying, preventing and mitigating the build-up of systemic risk and thereby strengthening the stability of the Spanish financial system.

For this reason, in most other European central banks, financial stability activities are separated functionally and assigned within the central bank to specific organisational units, normally under the leadership of one of the members of the policy decision-making body.[15] In some countries where committee-based arrangements have been established (e.g. those with a common law tradition), it can be seen that there is a more substantial institutional separation when it comes to the financial stability function. In these countries there are commonly specific financial stability committees.

In any event, where specific governance structures exist for microprudential supervision, coordination mechanisms between the microprudential and macroprudential functions are needed. This is the case in France and at the ECB, but also in countries that have adopted committee-based governance structures, where coordination between the two functions is ensured through overlaps in committee membership.

14 In Ireland, these powers are assigned directly to the Governor. In the case of De Nederlandsche Bank, a mechanism has been chosen which confers additional voting capacity on the member of the policy decision-making body with authority for resolution, which in practice would allow that member to determine the outcome in all cases, notwithstanding the fact that the decision formally remains a collegial one.

15 In some central banks, the organisational chart appears to show macroprudential policy being more closely linked to traditional central banking functions, while in others it appears closer to microprudential supervision.

(d) Conclusion

The alternative, which bases arrangements around specialised structures, offers a wide range of possibilities that other countries have explored to varying degrees. In the light of the Banco de España's experience and taking into account arrangements in other central banks, it seems reasonable to conclude that, in the current environment, the objectives of such specialised structures can continue to be achieved effectively and efficiently under the current single board model described in the LABE, without the creation of additional governance bodies that could entail significant organisational and coordination costs.

In any event, any consideration of how the different functions should map to the establishment of governing bodies does not start and finish with the dichotomy of single board versus specialised arrangements. Other elements of the governance framework are equally important when taking this approach.

A key feature of the Banco de España's governance model is that the different functions are not mirrored in the design of the Executive Commission, whose composition is not structured around the institution's functional organisational chart. Individual members of the Executive Commission are not specifically assigned responsibility for the exercise of the different functions. In other words, they are not in charge of the organisational units responsible for preparing proposals and implementing decisions – that role is assigned to the Directors General, who do not have a vote in the Executive Commission.

As Figure 4.1 shows, this arrangement differs from that of other European central banks.[16] Where there are no specialised structures, the range of functions is at least reflected in the policy decision-making body in the allocation of executive functions among its members (see Section 4.3.4). This reinforces functional separation and specialisation at an institutional level and ensures that the policy decision-making body includes experts familiar with the central bank's different functions, thereby preventing one particular objective from prevailing simply because of the profiles of the members comprising the policy decision-making body at a given time.

There are therefore other ways to strengthen technical specialisation and the separation of functions that do not require independent structures to be put in place. Specifically, this would involve moving towards a different model (which is also the most common among other European central banks) in which, while preserving collegial decision-making, each member of the Executive Commission would bear specific responsibilities for the Bank's various functions. These functions would be allocated clearly, precisely and transparently among the members of the policy decision-making body, who

16 Although the most common model distributes the functions, the governance models of some other European central banks, such as the Banca d'Italia, have been designed following similar reasoning to that behind the Banco de España's Executive Commission.

would be responsible for the different organisational units. Such a model ultimately has implications for the Executive Commission itself as a collegiate policy decision-making body and, therefore, merits more detailed analysis. That analysis is undertaken in the following section, which focuses specifically on its make-up.

4.3 The composition of the Executive Commission

The LABE envisages the Executive Commission as a subset of the Governing Council, comprising the Governor, the Deputy Governor and two Council members. The result is a collegiate policy decision-making body in which two members have executive functions and serve on a full-time basis, and two are external members who have no direct executive responsibilities and do not serve on a full-time and exclusive basis, while senior management (i.e. the Directors General) attends its meetings in a non-voting capacity.

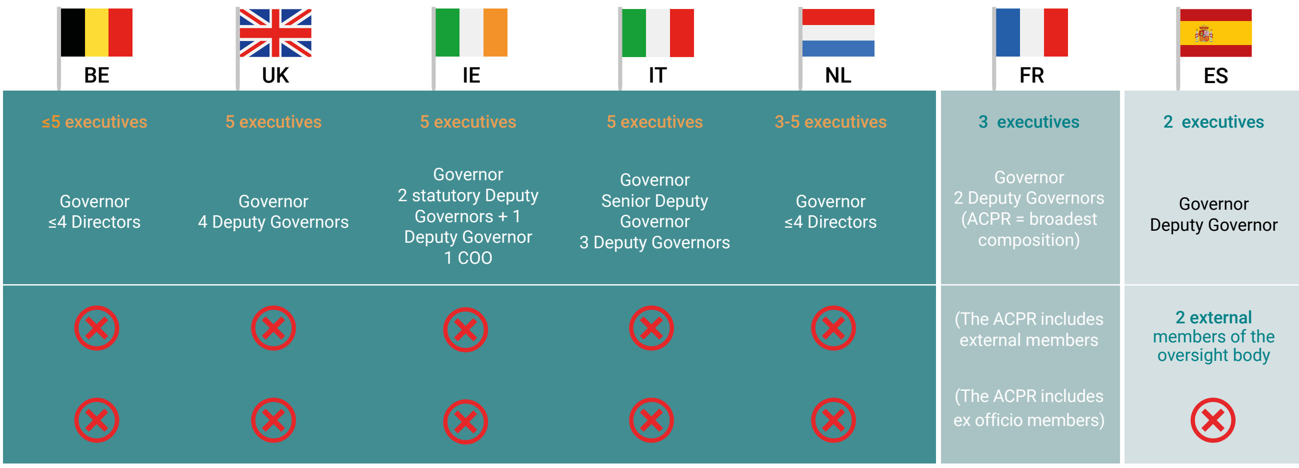
This arrangement is particularly unusual when compared with the policy decision-making bodies of other European central banks (Figure 4.2), which are usually composed exclusively of executive members (generally five in number) who are internal, serve on a full-time and exclusive basis and have defined functional responsibilities for specific areas.[17]

The titles given to such members vary widely – from “deputy governor”, “director” to merely “member”. What defines them, beyond their title, is their personal status. They are not senior executives whose proposal, appointment and removal depend on the institution’s policy decision-making bodies. Instead, they enjoy the highest degree of independence in the exercise of their office. This arrangement is the result of the proposal and appointment procedures, which typically involve the highest-level State offices, thereby providing enhanced legitimacy of origin and strong protection against removal procedures, since these members benefit from substantive and procedural safeguards designed to secure their stability in office and prevent them from being removed for failing to pursue interests that lie outside the central bank’s mandate. In the case of the Banco de España, these safeguards protect the Governor, the Deputy Governor and the elected Council members, but not the Directors General.

From the perspective of the horizontal dimension, the composition of the Executive Commission is decisive for several reasons. First, because it determines which profiles and perspectives are truly involved in the decision-making process relating to the different functions of the Banco de España and therefore how the varying objectives in each case are reconciled in practice. Second,

17 Although this is the most common set-up, other central banks in our environment still retain structures in which collegiality, in the abstract, does not manifest itself so clearly. For example, at the Banque de France, the policy function is generally held by three people: the Governor and the two Deputy Governors. However, specific governance structures exist for certain functions (microprudential supervision and resolution), established as larger collegial structures and with external participants, including government representatives.

Figure 4.2
The composition of the policy decision-making body in other European central banks



because it influences the capacity of the policy decision-making body to combine functional specialisation (linked to each member's experience and portfolio) with a cross-cutting overall perspective, which is necessary to manage the policy trade-offs described in Section 4.1. Third, because it has implications both for external perceptions of independence and legitimacy and for internal checks and balances.

Against this backdrop, this section analyses in greater detail the composition of the Executive Commission as a central component of the horizontal dimension of the Banco de España's governance model. The following sections examine three closely related sets of issues one by one:

- the unusual asymmetry of information and hierarchy underlying the current arrangements and the implications for collegial decision-making (see Section 4.3.1);
- the different options for enhancing collegiality in the Executive Commission's composition (see Section 4.3.2), with particular attention to the role played by external members (see Section 4.3.3); and
- the implications of moving towards a policy decision-making body whose composition is more closely aligned with that of other European central banks, based on the allocation of defined functional responsibilities for specific areas while preserving collegial decision-making (see Section 4.3.4).

The aim, once again, is not to propose a definitive solution, but to organise the various alternatives and clarify the constraints and implications of each from a governance perspective.

4.3.1 An unusual asymmetry of information and hierarchy

The structuring of the Executive Commission as stipulated in the LABE entails the creation of an internal structure which, in the abstract, generates an asymmetry of information and hierarchy (Figure 4.3) between those who formally comprise the policy decision-making body and those who, in practice, hold the institution's executive functions and operational responsibility.

- There are four full members of this body (who therefore can vote):
  - the **Governor**, who is granted the casting vote by the LABE;[18]
  - the **Deputy Governor**, who, according to the LABE, is appointed by the Government on a proposal from the Governor;[19] and
  - two **Council members**, who are classed as external members and who do not, therefore, serve on a full-time and exclusive basis. According to the LABE, they are proposed by the Governor and appointed by the Governing Council.[20]
  - The **Directors General** attend meetings of the Executive Commission in a non-voting capacity.[21] They propose, for submission to the Executive Commission, the matters to be deliberated and decided by the policy decision-making body[22] and are responsible for implementing those decisions by means of the administrative units within their respective Directorates General. As explained above, their appointment and removal are not subject to the safeguards enjoyed by the full members of the Executive Commission. They are proposed by the Governor and appointed and removed by decision of the Executive Commission, with appointments ratified by the Governing Council.[23]

Analysing the model specifically from the perspective of collegiality, these provisions in the LABE envisage a governance scheme that is unusual when compared with the arrangements in other European central banks.

- The Governor is formally endowed with the power to propose the remaining Executive Commission members and attendees and, in the case of the Directors General, to propose their removal.
- Of the voting members of the Executive Commission, only two have management functions and serve on a full-time and exclusive basis. In practice, therefore, they have more uninterrupted

18 Article 23(2) of the LABE.

19 Article 24(2) of the LABE.

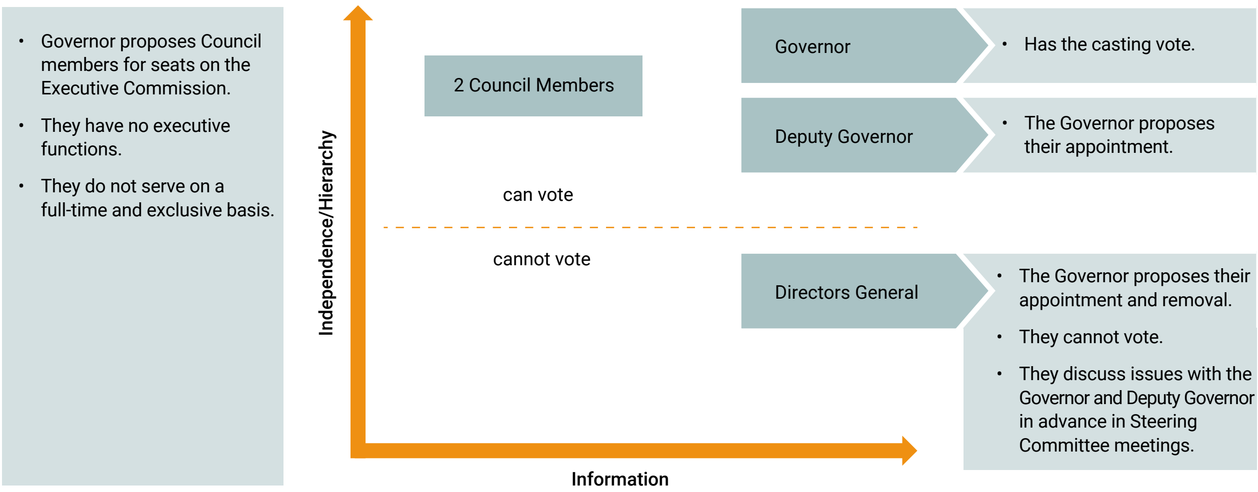
20 Article 24(3) of the LABE.

21 Article 22(2) of the LABE.

22 Article 69(2)(e) of the IRBE.

23 Articles 70(1) and 74(1)(d) of the IRBE.

Figure 4.3
The Executive Commission arrangements as stipulated by the LABE



and immediate day-to-day access to the institution's information and resources than do the external members.

- The majority rules established in the LABE mean that the combined voting power of the two internal members (including the Governor's casting vote) gives them a voting majority.
- There is a coordinating body composed of the two internal members and the Directors General – the Steering Committee – which enables matters to be discussed by the Executive Commission to be presented in advance to the two internal members (of these two, it falls to the Governor to set the agenda for Executive Commission meetings). However, this body, which brings together the Bank's senior management to prepare matters to be submitted to the governing bodies, is not envisaged in the LABE.
- The people who implement the decisions, namely the Directors General via the administrative units that they oversee, do not have voting rights.

It is important to stress that the preceding paragraphs offer an overview of the rules in the LABE and do not describe the Executive Commission's actual decision-making mechanisms. In practice, the Executive Commission operates as a forum for opposing arguments and positions, where dialogue and, in most cases, consensus prevail over the mechanical application of voting and majority rules. This approach also extends to the preparation of proposals, where the involvement of the different organisational units enables a broad range of knowledge, expertise, information and perspectives to be tested and integrated into the decision-making process, supplemented by the external perspectives offered by the two Council members.

In any event, the LABE envisages a legal framework that is somewhat unusual when compared with the governance models of other European central banks, where policy decision-making bodies are composed exclusively of a broader group of executive members who serve on a full-time and exclusive basis and enjoy the highest levels of institutional protection to safeguard their independence, with functional responsibilities and decision-making powers distributed among them in a more or less balanced manner. In these models used for comparison, collegiality is structured around a deliberation among equals, whereas in the case of the Banco de España the three groups of members and attendees (the Governor and Deputy Governor, the Council members and the Directors General) do not share the same institutional status or the same access to the Bank's information and resources.

Therefore, if the LABE were to be amended, lawmakers would have room for manoeuvre if they wished to make the rules determining the structure of the Executive Commission reflect more clearly and transparently the collegiality that, in practice, underlies decision-making processes within the Bank's policy decision-making body.

4.3.2 The composition of the Executive Commission and collegiality

Decision-making models with a more presidential component, in which the Governor plays a particularly prominent role in making decisions and in the institution's overall governance, have advantages, especially in terms of clear leadership, management team cohesion and rapid decision-making. Indeed, as explained in Chapter 2, the Eurosystem's own institutional architecture inevitably gives the Governor a certain presidential weight in each institution's internal governance.[24]

However, as also explained in Chapter 2, over the years a trend towards greater collegiality in decision-making processes, and more generally in institutional governance, has become established in central banking and in other public and private organisations. Collegiality is seen as a guarantee of independence and as a way of improving decision quality and enhancing the legitimacy and credibility of central banks.

If Spanish lawmakers wished to move in that same direction (specifically with regard to the composition of the Executive Commission), different alternatives could be explored.

The most direct mechanism would be to increase the number of members of the Executive Commission (e.g. from four to five), thereby increasing the number of people formally involved in decision-making and rebalancing the majority voting bloc that the LABE creates in the persons of the Governor and Deputy Governor. There are various ways in which the size of the Executive Commission could be expanded.

24 Since a national central bank governor participates in the Governing Council of the ECB in a personal capacity.

If the general governance structure established by the legislature in 1994 were retained (that is, if the Executive Commission continued to operate as a subset of the Governing Council), this would involve increasing the number of external board members sitting on the Executive Commission. This solution would mean that the voting rules would not guarantee the Governor and Deputy Governor a majority in any votes held in policy decision-making body meetings, which would require the internal members to make an additional effort to reach consensus.

For the reasons already given, however, this does not appear to be an optimal solution. It does not resolve the asymmetry of information and hierarchy described in Section 4.3.1 and continues to concentrate executive power in only two members of the Executive Commission. In addition, having more external Council members on the Executive Commission is not consistent with the theoretical foundations of the distinction between policy and oversight functions examined in the previous chapter. The need to reach consensus with people who do not have full and real-time access to all the necessary information and resources could also slow decision-making, especially in times of crisis. For this reason, this is not the solution adopted in the governance models of other European central banks, where policy functions are assigned to internal members with executive powers.

It would therefore seem more appropriate to enlarge the Executive Commission by adding internal members with executive powers. This was also the option favoured by the independent experts in their report: appointing a second Deputy Governor, thereby expanding the executive core of the policy decision-making body and enabling the two Deputy Governors to act as a counterweight to the Governor.

However, taking account of the arguments set out above, all five members of the Executive Commission should be internal and executive members. This is the model in other European central banks and would be more consistent with the separation between the policy and oversight functions inherent in a dual board model (see Chapter 3). It would allow collegiality to be based around deliberation among equals sharing the same institutional status and the same access to the institution's information and resources. In addition, more analysis of the optimal size for this body (which may not be five) would be useful to combine collegiality and efficiency with an appropriate distribution of functions among its members.

A bespoke version of such a model could also be considered, in which two external Council members still sit on the Executive Commission alongside the internal executive members with specific functions. This would create an Executive Commission somewhat larger than in other European central banks, but one that is comparable with existing models in other central banks around the world. Although such an arrangement would not eliminate the asymmetry described in Section 4.3.1, it would enhance collegiality by increasing the number of people contributing to debates and, above all, diversity, opening up the decision-making process to outside perspectives. This calls for more detailed reflection on the role that external members can play in policy decision-making bodies, as addressed in Section 4.3.3.

Any of these models would call for some level of reconsideration regarding whether the legal framework should require senior management to attend Executive Commission meetings.

As in the Governing Council, their attendance and participation have consistently enriched the deliberations of the Executive Commission, contributing specialised technical knowledge and an operational perspective that is key to understanding the scope and feasibility of decisions. Their presence has also helped facilitate coordination within technical senior management and establish a seamless and stable relationship between it and the governing bodies, supporting institutional coherence and effective decision-making.

From a strictly theoretical perspective, however, there are some questions regarding the desirability of directors general having a standing role in the Executive Commission, particularly if there is a move towards a model in which the policy decision-making body is composed of the institution's most senior executives, who would be directly leading the various organisational units. Adopting this model calls for a reconsideration of how the relationship between the Executive Commission and the management structure should be organised (including regarding whether it is appropriate to maintain as presently structured a general coordination body with senior management, i.e. the current Steering Committee) so that collegiality does not lead to confusing overlapping responsibilities. Under such a model, participation in the Executive Commission by the heads of the Directorates General (or, where appropriate, of other lower-ranking areas) would be limited on an ad hoc basis to those matters for which their specialist knowledge is required.

Lastly, it is important to emphasise that the options on the table for lawmakers to enhance collegiality are not confined to the different alternatives for reworking the composition of the Executive Commission as set out above. As will be explained in Section 4.4, the rules on terms of office and appointments may also bolster collegiality in decision-making processes.

4.3.3 The role of external members

The presence of external members on the Executive Commission is one of the most distinctive features of the Banco de España's governance model when compared with peer central banks. Whereas in most of the latter the policy decision-making bodies are composed exclusively of internal executive members serving on a full-time basis and with direct functional responsibilities, the Banco de España's Executive Commission includes two external board members who are part of the policy decision-making body but do not hold executive functions or serve on a full-time and exclusive basis.

The main asset that external members bring to the Executive Commission is their external perspective: they tend to have a different professional background from that of the internal members and day-to-day experience outside the central bank. In addition to contributing other forms of knowledge in the broadest sense of the term (expertise, experience, skills, information and opinions, including specialist knowledge not necessarily found within the institution), the presence of external members helps make this body more representative. These members may also be less influenced by the institution's internal dynamics, encouraging critical scrutiny. The literature on the subject and the report of the independent experts itself stress that diversity in decision-making bodies improves the quality of decisions and reinforces the legitimacy of independent institutions, especially in a central bank that must integrate multiple mandates and operate in an environment subject to intense public scrutiny.

The model established by Spanish lawmakers therefore has several strengths. The mere presence of external members can improve the quality of decision-making by broadening the range of information and approaches brought to the table and reducing the likelihood that a single view will take hold unchallenged. This helps to question established assumptions and mitigates the risk of groupthink, which is more likely to arise in highly cohesive teams or among people with similar professional backgrounds.[25] Although the current make-up prevents external members from imposing their position on internal members through collective action, their presence on the Executive Commission fosters a deliberative environment in which internal members are encouraged to explain and explicitly justify their proposals and decisions, making the underlying reasoning more transparent. Their role may also be seen as having a Socratic function: questioning, refining and enriching the proposals submitted to the policy decision-making body. External members may also act as a bridge between the policy and oversight bodies, facilitating the flow of information and promoting consistency across the institution's governance framework.

These are arguments confirmed by more than three decades of practical experience. From a theoretical standpoint, however, the presence of external members in policy decision-making bodies remains controversial.

- Applying the principle of incorporating outside voices directly to the policy decision-making body raises questions about the differing degrees of "skin in the game" among its members. Internal members bear continuing responsibility for management and are accountable for the institution's day-to-day functioning, while external members participate in decisions without fully sharing the same operational exposure. This asymmetry may affect the body's internal dynamics.
- The same debate arises as to whether it is appropriate to apply the principle of representativeness directly to the policy decision-making body. As explained in Chapter 3, it would appear more consistent with the reasoning underlying dual models such as the Spanish one for the principle of representativeness to be applied to the institution's oversight body, rather than so directly and explicitly to the policy decision-making body, where other considerations (such as commitment, objectivity, rigour, technical excellence and independence) have traditionally taken precedence.

25 However, too large or overly heterogeneous groups may struggle to build operational consensus, making deliberation less smooth.

The report of the independent experts[26] reflects this approach, which is also that of other European central banks, where the principles of representation and of incorporating outside voices are channelled mainly through the oversight bodies (and, where applicable, through advisory bodies also comprising external members), and not through policy decision-making bodies, which are usually composed of members who share the same institutional status: internal executive members serving on a full-time and exclusive basis.

If the current distinctive solution is maintained, applying the principles of representation and of incorporating outside voices also to the policy decision-making body, it may be worth considering whether adjustments should be made to the model.

- One possibility would be to require the Governing Council members who sit on the Executive Commission to serve on a full-time and exclusive basis, but without executive functions.[27] This would mean moving closer to the model applied, for example, in the CNMV. Although this would strengthen the independence of these members, it is not clear that it would be the most appropriate solution. First, requiring external members to serve on a full-time and exclusive basis could undermine their main asset: their outsider status and day-to-day contact with a reality other than that of the central bank. It could also further accentuate the differences between executive and non-executive members within a body intended to exercise policy functions, exacerbating the tension between the exercise of policy and oversight powers. It would also require complex adjustments to the rules on appointments, terms of office and remuneration in order to adapt them to a hybrid role that does not fit neatly into the classic categories of "external board member" or "senior executive".
- Another possibility, which appears preferable in light of the arguments set out above, would be to focus on measures that preserve the core value brought by external members. For example, a limit could be introduced on the number of years that external members may serve on the Executive Commission. This would prevent them from becoming de facto internal members, thereby preserving their ability to provide an outside perspective, challenge inertia and reinforce legitimacy.

4.3.4 The allocation of functions among the members of the Executive Commission

In addition to the presence of external members, another unusual feature of the Executive Commission's composition – which is particularly relevant to the horizontal dimension and multiplicity of functions discussed in this chapter – is the absence of senior executives among the voting members of the

26 *"The Governing Council – comprising individuals external to the Bank and not directly involved in its management – may be the body where some degree of professional and gender diversity could be expressed, without prejudice to senior Banco de España staff regularly consulting specialists from other disciplines and opinion leaders."* (p. 15).

27 This was recommended by the independent experts in their report.

policy decision-making body. In the Spanish model, the different functions are not mirrored in the design of the Executive Commission, whose composition is not structured around the institution's functional organisational chart.[28]

As noted in Section 4.2, one alternative for adapting the governance of the Banco de España to its multiple functions would be to move towards an Executive Commission model in which executive functions are explicitly allocated among its members in a balanced way, replacing the current asymmetry. Under this model, each member of the policy decision-making body would assume defined responsibilities for specific functional areas. An institutional link would thus be established between the members of the policy decision-making body and the organisational units, which would be assigned to a specific member and report directly to them. This would avoid the split between those who implement decisions and those who formally adopt them, clarifying lines of responsibility and strengthening the connection between preparation, decision and implementation.

This is the model used in most European central banks,[29] where executive functions are distributed clearly and transparently among the members of the policy decision-making body according to their areas of expertise, with each member entrusted with specific areas of responsibility, such as microprudential supervision, financial stability, markets and operations, payment systems and internal services. Although some central banks have statutory provisions on the specific allocation of certain functions, these functions are usually assigned through decisions of the policy decision-making body or, where applicable, by delegation. The latter approach is particularly common in central banks in countries with a common law tradition, where functions are delegated to specialised executive committees chaired by members of the policy decision-making body.

These models aim to strengthen collegiality, technical specialisation and functional separation simultaneously, especially in critical areas such as microprudential supervision, resolution and financial stability. Collegiality is preserved because decisions are taken by the collegial body. The allocation of functions makes each member's individual responsibility for preparing and implementing matters clearer and more transparent. These models would also strengthen the institutional profile of those responsible for the different functions in international fora.

One way of applying this reasoning at the Banco de España would be to design an Executive Commission comprising, for example, five internal members with executive functions: the Governor and four other members serving on a full-time and exclusive basis with defined functional responsibilities over specific areas and a balanced distribution of those responsibilities among them. This would ensure that the institution's organisational chart clearly and transparently reflects,

28 The organisational units (generally, the Directorates General) report directly to the Governor and the Deputy Governor, although some of them already report to other bodies, such as the Governing Council in the case of the Independent Evaluations Office and the Audit Committee in the case of the Internal Audit Department.

29 See footnote 66.

both internally and externally, the institutional link between the different organisational units and the member of the policy decision-making body responsible for them.[30]

The specific title given to these executive members, whether Deputy Governor,[31] Director, member of the Executive Commission or any other term, is secondary from a governance perspective. What matters is their institutional status: they would be members of the policy decision-making body with enhanced personal independence in terms of their appointment, removal and term of office, combining executive functions and specialisation – defined powers over specific functional areas – with collegial responsibility for decision-making across all Banco de España functions.

This example mentions an Executive Commission with five members because that is the most common size among other European central banks (Chart 4.2). This number is also consistent with the academic literature on the subject,[32] although it should be adapted to the institution's specific mandates. An odd number reduces the potential need to rely on the Governor's casting vote.

This number also allows each member to be assigned a significant functional portfolio, reinforcing specialisation and making the person in charge of each area visible externally, without increasing the size of the Executive Commission to a level that could make operational consensus harder to reach and deliberation less fluid. With a smaller number of executive members,[33] executive responsibilities could be excessively concentrated in too few people. This could also hinder the separation between responsibilities that require functional and institutional independence (see Section 4.1).

It would be advisable for the specific distribution of functions among the members of the Executive Commission to be organised flexibly, avoiding excessive rigidity in the LABE or the IRBE. One option, in line with comparative experience, would be for the LABE to confine itself to establishing the number of members of the policy decision-making body and for the IRBE to set out general criteria for the

30 Such a set-up would not prevent lawmakers from maintaining a hybrid composition in the Executive Commission, with the presence of external members.

31 Various central banks use the term "Deputy Governor" (or "Vice-Chair") to refer to each of the members of the policy decision-making body. This is uncommon in Spanish institutional practice. When the term Deputy Governor is reserved for a single person, it typically refers to the person responsible for standing in for the Governor. It should nevertheless be noted that not all European central banks designate a Deputy Governor, Vice-Chair or similar position. For example, this position does not exist in the central bank of the Netherlands, where the power of standing in for the Governor ("President") at the ECB Governing Council is simply assigned to one of the members of the policy decision-making body. This person is currently the member of the policy decision-making body responsible for matters most closely linked to traditional central banking functions and ESCB functions, namely monetary matters (including economic policy and research), financial stability, financial markets, payments, cash and market infrastructures, and statistics.

32 Several authors who have analysed the issue from the perspective of monetary policy definition argue that it is the optimal number (Sibert, 2006). While five is the usual size among European central banks, the average size at the global level is somewhat higher: 7.6 (Central Banking Institute, 2022). Therefore, if lawmakers decide to keep the hybrid composition of the Executive Commission, the two external members could remain on the Executive Commission while its overall size would still be below the global average. The academic literature – again, from the perspective of monetary policy definition – has identified a correlation between the size of the policy decision-making body and different variables linked to country and central bank characteristics, such as population size and heterogeneity, democratic nature of institutions, number of central bank employees, operating expenses, whether or not it maintains a floating exchange rate, etc. (Berger, Nitsch and Lybek, 2007).

33 For example, if it is decided to increase the current composition of the Executive Commission with the position of a new Deputy Governor.

allocation of responsibilities, identifying functions that should not be entrusted to the same member of the Executive Commission (for example, microprudential supervision and preventive resolution). The Executive Commission itself would then approve the organisational chart and portfolio structure as appropriate, allowing the Bank to adapt swiftly to changes in its mandates and environment.

A function-based structure for the Executive Commission would also make it possible to establish, for example in the IRBE, that the Banco de España's representative on the ECB Supervisory Board should be the member of the Executive Commission responsible for microprudential supervision, as is the case in European central banks, which generally designate a full (voting) member of their policy decision-making body. This would ensure that the Banco de España's representation on the ECB Supervisory Board carries substantial institutional weight, reinforce the personal independence of the relevant member of the Executive Commission in performing that role, and reflect in the regulatory framework the required separation between monetary policy and microprudential supervision functions.

Such a solution would be consistent with the models adopted in many central banks worldwide, in which there is a separation of functions, formally or informally, between the Governor and the person responsible for microprudential supervision. This is particularly the case of Eurosystem central banks, as the Governor participates in the ECB Governing Council, which leads national central banks to designate a different person as a member of the ECB Supervisory Board.[34]

Finally, adopting a model involving an explicit allocation of functions among the members of the Executive Commission would have significant implications for the Banco de España's internal organisation and for the other two dimensions of the governance model.

- At the **organisational level**, it would require reconsidering the role of the Steering Committee and of the current Directorates General. If the members of the Executive Commission were to become directly responsible for the different functional areas, the need for a general coordination body composed of the executive members of the Executive Commission and the heads of the organisational units would need to be reconsidered, at least in its current form. It would likewise be more consistent with this model for the participation of the latter in the Executive Commission to be confined ad hoc to matters within their remit where their specialist knowledge is useful.
- As regards the **vertical dimension**, a model based on a fully executive policy decision-making body with portfolio allocation requires strengthening the dual nature of the model (see Chapter 3), by making the separation between the exercise of policy and oversight powers clearer.
- As regards the **granular dimension**, this model might require reconsidering the rules on the appointment and term of office of the members of the Executive Commission (and, potentially, of

34 Indeed, in those central banks where a person, from among the members of the policy decision-making body, is appointed as Deputy Governor, Vice-Chair or a similar position, and is assigned the function of standing in as alternate for the Governor on the Governing Council of the ECB, that person is not necessarily in charge of the microprudential supervisory function. In fact, this is not customary.

the Governing Council), to ensure that the policy decision-making body incorporates the range of expertise needed to cover all portfolios.

4.4 Beyond the composition of the Executive Commission

Ensuring a sound deliberative process in the policy decision-making body also depends on how debate is designed and conducted, including its rules, information flows and sequencing and communication practices. These are key levers for fostering more open, diverse and rigorous deliberations and for countering groupthink.

First, the organisation of the decision-making process and the management of information have a decisive influence on the quality of deliberations and can prevent collegiate bodies from becoming forums that merely ratify proposals that have already been decided elsewhere. To this end, members of collegiate bodies should have sufficient time to process information. This is easier when the decision-making process is structured in stages that separate the presentation of information, the analysis of alternatives and the decision. It is also essential to ensure equal access to information among all members, limit the potential influence of caucuses or informal channels that may bias debate and provide external members with appropriate technical support so that they can play a substantive rather than merely formal role. The quality of deliberations can also be improved through explicit mechanisms designed to widen the range of scenarios and analyses presented, for example by using alternative models, systematically presenting tail scenarios or establishing protocols that ensure a broad range of data and analytical frameworks.

Second, the internal procedures of the meetings themselves also play a crucial role, including the order in which members speak and vote, the role of the chair, decision-making rules and deliberative design techniques. In particular, the order of interventions and voting may feed information cascades that may discourage the expression of minority views, since members who speak or vote later tend to align with those who have spoken first. This has led several central banks to adopt practices such as randomising the speaking order or having the Chair speak last in order to mitigate that risk, as well as instruments such as role allocation, time limits on interventions to avoid dominance and parallel or structured thinking techniques.

Third, external communication and transparency strategies feed back into internal dynamics. Decisions on whether to publish more or less detailed minutes, reveal individual votes, provide official forecasts or hold press conferences immediately after meetings influence how members of collegiate bodies prepare their interventions, the extent to which they defend individual positions rather than seek the best collegial decision, and the way compromises are negotiated within the deliberative body.

In the case of the Executive Commission, this procedural aspect is especially important because of its hybrid composition. For this reason, as indicated in Chapter 1, in recent years the Banco de España has pursued a process of continuous improvement in its internal decision-making procedures, both in the Governing Council and in the Executive Commission. This includes reviewing how proposals are prepared and presented, the systematic use of alternative scenarios in particularly complex matters, the deadlines for sending documentation to external members, the structure of debates and the role of preparatory bodies such as the Steering Committee.

In the same vein, and as a result of the analysis carried out by the internal working group, the Governing Council is currently preparing a reform of the IRBE that would require the Governing Council itself to carry out periodic self-assessment exercises of the institution, with the aim of identifying procedural areas for improvement. The Banco de España already has an Independent Evaluations Office, which reports to the Governing Council and could be responsible for promoting such exercises.

Finally, it should be underlined that collegiality and specialisation interact closely with the granular dimension of the governance model. It is therefore also necessary to analyse in detail the rules determining who is responsible for designating those who will participate in decision-making, and even the rules on the duration of terms of office, since these may, for example, result in collegiate bodies comprising members with different perspectives and reinforce the gradual renewal of viewpoints. Chapter 5 analyses those rules.

CHAPTER 5: GRANULAR DIMENSION

The model's granular dimension focuses on the analysis of the specific mechanisms that shape and renew the composition of the Banco de España's governing bodies and the impact of these processes on the balance between independence, democratic legitimacy and institutional continuity.

The chapter is organised into two distinct parts. Section 5.1 examines the appointment mechanisms for the specific individuals who make up the institution's oversight and policy decision-making bodies.

Section 5.2 focuses on the length and staggering of terms of office, aspects that may affect the independence of senior officials, as well as the stability and continuity of the collegiate functioning of the governing bodies.

5.1 Appointments

Deciding who appoints those involved in the institution's governance, and by what procedure, is of considerable institutional importance, as it has a direct bearing on the balance between independence and democratic legitimacy. Ultimately, it is an issue that goes beyond the governance of the Banco de España itself, since it is linked to Spain's model of a democratic state governed by the rule of law and to the relationship between the different branches of government – matters which are therefore outside the scope of this report.[1]

This section aims to show how central bank governance frameworks have incorporated demands for greater democratic legitimacy into the rules on appointments, and assesses the implications of the different solutions adopted.

- First, it examines the implications of giving national parliaments – where democratic legitimacy is anchored – a more prominent role in appointment procedures, given that, for most central banks, appointment powers are vested primarily in the executive branch (see Section 5.1.1).

1 Indeed, this matter should be addressed in the broader context of Spain's institutional architecture for independent authorities, which also falls outside the scope of this report.

- Second, it considers models in which central banks themselves are assigned a more active role in the procedures for appointing the members of their policy decision-making bodies, generally at the candidate shortlisting stage (see Section 5.1.2).

5.1.1 A stronger role for Parliament[2] in appointment procedures

In 1994, the Spanish legislature opted for a model with very limited parliamentary involvement in the process for nominating and appointing members of the governing bodies:

- The Governor is appointed by the King at the proposal of the Prime Minister. The only parliamentary involvement provided for is a hearing for the Minister for Economy, Trade and Business[3] before the competent committee of the Congress of Deputies, purely for information purposes. Accordingly, Parliament has no power to examine directly, to confirm or veto the proposed candidate, and the candidate is not required to attend a prior parliamentary hearing. Parliamentary practice nevertheless provides for the Governor, once appointed, to appear at the start of their term of office to present the institution's broad lines of action.
- The LABE makes no provision for parliamentary involvement in the nomination and appointment of the remaining members of the governing bodies. Nor does it provide for a specific hearing for the candidates, either before or after their appointment:
  - The Deputy Governor is appointed by the Government at the proposal of the Governor.
  - The members of the Governing Council are likewise appointed by the Government, following consultation with the Governor. The two members who will also sit on the Executive Commission are appointed by the Governing Council at the proposal of the Governor.

As Figure 5.1 shows, an examination of the legal frameworks of European central banks, and of the main central banks worldwide, reveals that the arrangements provided for in the LABE are not uncommon. As in Spain, responsibility for nomination and appointment procedures lies primarily with the executive branch, while the legislative branch's involvement is limited and generally non-binding.[4]

2 Under the Law of Autonomy of the Banco de España (LABE), only the Congress of Deputies (the lower house of the Spanish Parliament) is assigned a role in the process for nominating and appointing the members of the Banco de España's governing bodies. The term "Parliament" is used throughout this report because, in principle, the Spanish legislature could extend participation in this procedure to the Senate, should it deem this appropriate. Indeed, as regards the parliamentary hearing of the Governor, the LABE expressly mentions the possibility of the Governor being called before committees of the Congress of Deputies or the Senate, or before joint committees of both chambers (LABE, Article 10(1)).

3 The LABE refers to the "Economy and Finance Minister".

4 In the case of the ECB, the appointment of the six members of its Executive Board, including the President and Vice-President, is subject to non-binding consultation with the European Parliament and the ECB Governing Council. A more prominent role is conferred on the European Parliament in relation to the Chair and Vice-Chair of the ECB Supervisory Board, whose appointment is subject to its approval.

Figure 5.1

Authorities involved in the nomination and appointment of members of governing bodies in European central banks

	BE	FR	IE	IT	NL	UK	ECB	ES
Role of Government	• Appoints Governor and council members at proposal of central bank's oversight body.	• Appoints Governor and Deputy Governors, two oversight body members, Vice-Chair of ACPR and several ACPR members.	• Governor: Submits proposal to President of Ireland following open selection procedure. • Deputy Governors: Subject to ministerial approval.	• Submits proposal to President of the Republic.	• Appoints Governor and other policy decision-making body members, based on shortlist of three candidates submitted by central bank's oversight body.	• Organises open and competitive selection processes and submits proposal for appointment to Crown.	• European Council appoints all Executive Board members.	• Governor: Prime Minister submits proposal for appointment to King. • Deputy Governor: elected members: Appointment.
Role of Parliament	⊗	• May veto appointment of Governor and appoints members of BdF's oversight body and of ACPR.	⊗	⊗	⊗	⊗	• Non-binding hearing and opinion (but does have to approve appointment of Supervisory Board Chair).	• None (Minister attends parliamentary hearing to submit proposal for Governor's appointment).
Role of central bank	• Oversight body proposes policy decision-making body members (directeurs) for appointment by Government.	⊗	• Deputy Governors: Organises selection processes and makes appointments.	• Oversight body submits proposal to Government.	• Oversight body submits shortlist of three candidates to Government.	⊗	• Non-binding opinion (proposes Chair and Vice-Chair of Supervisory Board).	• Governor proposes appointment of Deputy Governor, is consulted over appointment of Council members and selects Governing Council members to sit on Executive Committee.

The main exception is found in countries with a presidential form of government, where it is common for the candidate nominated by the country's president to subsequently be subject to a parliamentary approval mechanism, which may take different forms, such as ratification, non-objection, etc. Among European central banks, France is a paradigmatic case: the finance committees of both chambers may veto the candidate by a qualified majority of three fifths.[5] Across the Atlantic, the United States provides another example, as the US Senate's approval is required for members of the Federal Reserve's Board of Governors. It is worth noting that these arrangements are not specific

5 In the recent vote on the appointment of Emmanuel Moulin as the new Governor of the Banque de France, the proposed candidate received more votes against than in favour, but the veto majority was not reached. Slovenia provides another example of a country in which the legislative branch may veto the candidate proposed by the Government: the President of the Republic proposes the candidate, but appointment is subject to approval by the legislative branch.

to the nomination and appointment of the Governor, but form part of broader legislative oversight mechanisms concerning the appointment powers vested in the president under the respective constitutional frameworks.[6]

Another notable exception is found in the Scandinavian models, where the power to appoint candidates ultimately resides in the legislative branch rather than the executive branch. These are generally fully dual models, with a clear separation between policy and oversight functions (see Chapter 3), where the oversight bodies, elected by the legislative branch, are responsible for appointing the members of the policy decision-making body.[7]

The Scandinavian models illustrate further means of legislative involvement in the nomination and appointment of members of governing bodies, by allowing the legislative branch to appoint certain members of the central bank's oversight body, even where responsibility for appointing the members of the policy decision-making body lies with the executive branch. Another example is France, where the legislative chambers appoint four of the six external members of the Banque de France's oversight body (Conseil général). The remaining two are appointed by the executive branch, which also appoints two of the full members of the decision-making body responsible for microprudential supervision (the ACPR's Collège de supervision).

In short, leaving aside the exceptions noted above, the model designed by the Spanish legislature in 1994 does not differ substantially from the arrangements provided for in the legal frameworks of other European central banks (in countries with non-presidential systems of government).

However, it does depart from the model that was subsequently designed for other Spanish independent authorities, which requires candidates to attend a prior hearing before the competent parliamentary committee and provides for that committee to issue an opinion on their suitability and the absence of conflicts of interest. This mechanism is currently laid down in Law 3/2015 of 30 March 2015, regulating the holding of senior offices in central government.[8] It applies to candidates for the offices of Chair and, where applicable, Vice-Chair – and, in some instances, also to candidates for membership of the governing bodies – of the main independent authorities, including the National Securities Market Commission (CNMV), the National Markets and Competition Commission (CNMC) and the

6 This is the case in France, where an organic law establishes the list of civil and military offices to which the oversight mechanism established by the French Constitution applies, including the office of Governor of the Banque de France (see *Loi organique n° 2010-837 du 23 juillet 2010 relative à l'application du cinquième alinéa de l'article 13 de la Constitution*).

7 In Sweden, the members of Sveriges Riksbank's policy decision-making body (*Direktionen*) are appointed by the oversight body (*Riksbanksfullmäktige*), whose members are appointed by the legislative branch. Another example is Finland, where the oversight body of Suomen Pankki is a supervisory council (*pankkivaltuusto*) elected by the Finnish Parliament. This council proposes the appointment of the Governor to the President of the Republic of Finland and directly appoints the members of the policy decision-making body (*johtokunta*). By contrast, Latvia does not follow a dual but a unitary model (see footnote 20): Parliament directly appoints the members of the central bank's council (*padome*), including the Governor (*prezidents).*

8 See its third additional provision.

Independent Authority for Fiscal Responsibility (AIReF),[9] and of any other regulatory or supervisory body. It also applies to the candidate for the position of Director of the Spanish Data Protection Agency (AEPD).[10] As regards the Chair of the Spanish executive resolution authority (FROB), Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms establishes a specific procedure whereby the candidate attends a hearing to set out the qualifications and experience that make them suitable for the position.[11]

When undertaking a critical assessment of the current model, it is important to acknowledge that the solution adopted in the LABE has sound theoretical foundations. It is grounded in the traditional conception of central bank legitimacy, according to which central banks are independent authorities entrusted with essentially technical functions that should remain outside the political contestation within Parliament. Moreover, it is consistent with the design of Spain's constitutional framework, which assumes that the Prime Minister enjoys the support of a parliamentary majority, which is not always the case in presidential systems. The model may also be understood in light of the Governor's hybrid status as a member of an EU institution.[12]

Nevertheless, three decades after the adoption of the LABE, it is worth considering whether Parliament should be given a more prominent role in the nomination and appointment of the members of the Banco de España's governing bodies, in line with the approach adopted, following approval of the LABE, for other independent State authorities. Indeed, this was one of the recommendations made

9 For the President of AIReF, Article 24(2) of Organic Law 6/2013 of 14 November 2013 establishing the Independent Authority for Fiscal Responsibility provides for a specific regime whereby the proposal of the Finance Minister must be endorsed by Parliament, in accordance with specific majority rules: "Congress, acting through the competent committee and by agreement adopted by an absolute majority, shall accept the proposal. If fifteen days have elapsed since the appearance without such acceptance, a simple majority of the competent Senate Committee shall suffice to accept the proposal."

10 For the Chair (and Vice-Chair) of the AEPD, Article 48(3) of Organic Law 3/2018 of 5 December 2018 on the protection of personal data and the safeguarding of digital rights also provides for a specific regime under which the Congress of Deputies must ratify the proposal, in accordance with particular majority rules: "After assessing the merit, capacity, competence and suitability of the candidates, the Government shall submit to the Congress of Deputies a proposal for the Chair and Vice-Chair, together with a reasoned report. Following the candidates' mandatory hearing, the proposal shall be ratified by the Justice Committee, in a public vote, by a majority of three-fifths of its members at the first vote or, if that majority is not reached, by an absolute majority at a second vote held immediately thereafter. In the latter case, the votes in favour must come from members of Congress belonging to at least two different parliamentary groups."

11 See Article 55(1) of Law 11/2015: "They shall be appointed and removed by Royal Decree of the Council of Ministers, at the proposal of the Minister for Economic Affairs and Competitiveness, after consulting the supervisory authorities, and once the proposed candidate has appeared before the Economy and Competitiveness Committee of the Congress of Deputies to set out the experience, qualifications and skills that render them suitable for the position."

12 Nor is parliamentary endorsement required where the Prime Minister or the Council of Ministers nominates or proposes a candidate for appointment to the European Commission. Pursuant to Article 51 of Law 2/2014 of 25 March 2014 on State External Action and Service, "[t]he Government shall promote the candidacy of Spanish officials for the relevant bodies of the European Union and of international organisations of which Spain is a member, with a view to furthering the European Union's Foreign and Security Policy and multilateralism." It should be noted that, in the procedure for proposing candidates for appointment as judges and advocates general of the Court of Justice and the General Court of the European Union, provision is made for the involvement of the judiciary: one member of the selection committee is a member of the judiciary appointed by the General Council of the Judiciary, which is consistent with the jurisdictional nature of the function (see Royal Decree 972/2020 of 10 November 2020 regulating the selection procedure for the proposal of candidates by the Kingdom of Spain in the appointment of members of the Court of Justice of the European Union and of the European Court of Human Rights).

by the independent experts[13] and expressly noted by the Governing Council itself, as reflected in its statement of 29 July 2025.

A stronger role for Parliament in these procedures would help strengthen:

- first, the central bank's democratic legitimacy – of origin – and the public acceptance of those appointed;
- second, the formal channels of accountability to Parliament and, therefore, legitimacy of exercise in the performance of its functions; and
- third, the central bank's independence. Involving multiple actors in the nomination and appointment process would reduce the scope for personal or political ties between the central bank's governing bodies and the executive branch that could compromise independence.

However, the scope of such involvement is less clear.

At this stage, it would seem advisable to move towards a model in which candidates themselves, rather than those proposing them, are required to attend a parliamentary hearing. This requirement should apply not only to candidates for the office of Governor but also to candidates for Deputy Governor and for membership of the Governing Council, since they are likewise nominated by the Government and form part of the Bank's governing bodies.[14] It would be more consistent for all members of those governing bodies to share the same source of democratic legitimacy, namely legitimacy of origin.

By contrast, greater caution would be advisable in assessing models involving some form of binding parliamentary ratification,[15] as these may entail risks of institutional deadlock, particularly in contexts of parliamentary fragmentation and polarisation.[16] As recent history shows, including within the closer context of the EU, such risks are not purely theoretical.[17] Moreover, the risk would not be confined

13 See Section IV of the independent experts' report, recommendation i).

14 The LABE should be amended to make such hearings mandatory, although there is nothing to prevent them from taking place voluntarily, at the request of the Government, of Parliament or on the candidates' own initiative.

15 To mitigate that risk, it would be advisable to expressly define the scope of the assessment to be carried out by Parliament: whether it should be limited to good repute and the absence of conflicts of interest, or also encompass the experience, qualifications and skills of the person proposed for the position, as in the case of the presidencies of AIReF, the AEPD and the FROB (see footnotes 9, 10 and 11). A further mechanism to reduce the risk of deadlock would be to require the Banco de España's Governing Council to issue a prior opinion on the same matters. Such an opinion would foreseeably not reflect the political considerations that might arise in the case of the Parliament's opinion. In any event, even if the Parliament's opinion were not binding, an unfavourable opinion on the proposed candidate could still entail a risk of loss of legitimacy and credibility for the institution.

16 If this approach were chosen, mechanisms to minimise that risk should be explored, such as staggered terms of office, the allocation of appointment powers across the different branches of government, or provision for members to remain in office with full powers until a new appointment is made, etc. A veto mechanism subject to stricter majority requirements, as in France, could also be considered. This scenario would also entail (see footnote 5) a potential risk of loss of legitimacy and credibility for the institution if, despite the veto threshold not being met, the proposed candidate were to receive a significant number of votes against.

17 By way of example, once Boštjan Vasle's term of office as Governor of Slovenia's central bank (Banka Slovenije) expired in January 2025, the central bank was left without a governor for over a year, until the Slovenian Parliament was able, in February 2026, to assemble the majority to confirm Primož Dolenc.

to the national institution: in the case of the Governor's appointment, it could also affect the normal functioning of the European Central Bank's (ECB) policy and oversight body, by depriving the ECB Governing Council of a voting member.

These risks point to the need to explore alternative mechanisms that would reinforce the institution's democratic legitimacy of origin without calling its normal functioning into question. In this respect, and in line with the analytical framework described in the preceding chapters, any effort to strengthen the democratic and representative dimension of Parliament's involvement in nomination and appointment procedures should focus specifically on the composition of the Governing Council. Under this model:

- A more prominent role could be assigned to Parliament in appointing members of the Governing Council, which is responsible for designing and exercising the internal checks and balances that safeguard the central bank's sound governance, as well as its transparency and accountability mechanisms. For example, Parliament could be empowered to appoint some of its members directly, thereby strengthening democratic legitimacy and representativeness in the exercise of those powers. Moreover, from the standpoint of institutional independence, the more widely appointment powers are distributed, the lower the risk of political capture. However, in order to reduce the risk of deadlock in the performance of the central bank's functions, any such measure should be accompanied by a further deepening of the dual nature of the governance model, so that the Executive Commission, whose members would continue to be appointed by the executive branch, would fully assume responsibility for the exercise of all central bank functions. This would also be consistent with comparative practice: in countries where the legislative branch is empowered to appoint representatives to the central bank's oversight body, that oversight body does not exercise policy functions, meaning that the performance of the central bank's functions remains shielded from any short-term political pressures within Parliament.

- As regards the appointment of members of the Executive Commission, which is responsible for performing the central bank's functions with objectivity, rigour, technical excellence and independence, appointment powers could remain with the executive branch, as has been the case to date and as is the prevailing model among European central banks. Nonetheless, the legitimacy of origin provided by parliamentary involvement could be strengthened, as indicated above, by requiring candidates to attend a hearing before the competent parliamentary committees and by resorting to other mechanisms to avoid the risk of political capture and reinforce personal and institutional independence (see Section 5.1.2).

- Such a mechanism, which would also be consistent with the broad range of models found among European central banks – from France to the Scandinavian central banks – would make it possible to balance several objectives. First, to continue safeguarding the exercise of the central bank's functions from any short-term political pressures within Parliament. Second, to avoid disruptions to the exercise of policy functions and to the functioning of the ECB Governing Council. And third, to enhance, in a transparent manner, the legitimacy of origin and representative character of the institution's oversight body, as well as the transparency and accountability of the members of the policy decision-making body.

In any event, given the singular nature of the Banco de España as a hybrid institution straddling EU and national law, it would seem advisable for the model ultimately adopted to be expressly provided for in the LABE, rather than introduced by amending the legislation regulating the holding of senior offices in central government.

5.1.2 A stronger role for the Banco de España in the appointment process

Another mechanism identified in the literature and comparative experience as an effective means of strengthening central bank independence is to give central banks a more active and decisive role in shaping their governing bodies, particularly their policy decision-making bodies, which are entrusted with discharging the central bank's functions with objectivity, rigour, technical excellence and independence.

This mechanism helps to mitigate the perceived politicisation in senior executive appointments by giving them a stronger appearance of objectivity and professionalism. Structured selection processes conducted by the central bank itself are understood to limit the risk of appointments that are insufficiently aligned with the institution's technical needs, thereby fostering internal cohesion, collegiality[18] and the institution's external credibility.

Moving in this direction would bring the Banco de España into line with international best practice, where central bank involvement in the selection of their policy decision-making bodies is increasingly common, as Chart 5.1 shows. Thus, although appointments are formally made by the Government, the initiative comes from the central bank, which conducts the technical assessment, ensuring that shortlisted candidates for policy decision-making bodies have the required competences and reducing the scope for appointments based solely on political considerations. The models vary widely, ranging from direct selection to the submission of shortlists to the executive branch.[19] Several

18 By ensuring that the composition of governing bodies reflects a diversity of specialised knowledge. Similarly, where appointments do not depend on the decision of a single individual, but are made following procedures conducted by groups or committees, or within procedures involving different actors, the resulting appointments can be expected to display greater diversity.

19 Examples of central banks in which the oversight bodies nominate (some of) the members of their policy decision-making bodies include those of Belgium, Ireland, Italy and the Netherlands. At the Banque nationale de Belgique, while the members (*directeurs*) of the policy decision-making body (*Comité de direction*) are selected by the central bank's oversight body (*Conseil de régence*), which has an appointments and remuneration committee for that purpose, the formal appointment is made by the King of Belgium, acting on a proposal from the competent minister. In the case of the Irish central bank, its oversight body (known as the "Commission") nominates and appoints the Deputy Governors with the consent of the competent minister. At the Italian central bank, the formal appointment is made by an external authority, but the power to nominate members of the policy decision-making body (*Direttorio*) other than the Governor (*Governatore*) is vested in the oversight body (*Consiglio superiore*), on a proposal from the Governor. The appointment of the Governor is subject to prior consultation with the central bank's oversight body. The central bank of the Netherlands provides a paradigmatic example of the model based on submitting candidate shortlists to the Government. The central bank's oversight body (*Raad van Commissarissen*) is entrusted, among other tasks, with preparing vacancy profiles for the policy decision-making body (*Directie*), including for the office of Governor (*President*). After conducting a selection process, it prepares a shortlist – normally comprising three candidates for each vacancy – and submits it to the competent minister.

central banks also conduct open and competitive selection processes through calls for expressions of interest.[20] Such practices help make the appointment process more objective and professional, thereby strengthening the perception of independence. Candidates selected through transparent competition are more likely to be viewed as impartial and suitably qualified, thereby enhancing the central bank's credibility.

At present, the Banco de España's involvement in the selection of members of its governing bodies is limited and asymmetrical, although it is present at certain key stages of the process. Specifically, the LABE provides for the Governor's views to be taken into account when the composition of the governing bodies is determined. Accordingly, the Governor is empowered to submit a proposal to the Government for the appointment of the Deputy Governor, to be heard in relation to the appointment of the members of the Governing Council, and to propose to the Governing Council which two of its members should also serve on the Executive Commission.

If such an approach were pursued, any changes to the LABE could be framed consistently within an amendment to the governance framework that more clearly defines policy and oversight functions. More specifically, the institution's oversight body – the Governing Council – could be given a more prominent role in proposing the members of the policy decision-making body – the Executive Commission – through a wider use of the expressions-of-interest procedures that the Banco de España has begun to apply to the selection of its senior management. To exercise those powers, provision could be made for the creation of a specific appointments committee within the Governing Council, as is the case in many European central banks.[21]

Moreover, conferring that power on the Governing Council would help mitigate one of the main risks identified in the academic literature concerning the involvement of central banks, and independent institutions more broadly, in the selection of members of their own governing bodies: the risk of technocratic silos. Entrusting the design and conduct of the selection process to a body with enhanced democratic legitimacy and representativeness could help to offset that inertia.

Such an approach would also be consistent with a model in which each member of the Executive Commission assumes clearly defined responsibilities for particular functional areas, as examined in the previous chapter. Selection processes could therefore be designed to take into account the specific profiles needed by each functional area represented on the policy decision-making body, while

20 This is the case, for instance, of central banks following the Anglo-Saxon tradition. In the euro area, the most paradigmatic example would be that of the Central Bank of Ireland, which provides for an open, international selection procedure, including for the office of Governor. While the selection process is formally conducted by the Irish Department of Finance, with the support of an external firm specialising in the recruitment of senior executives, the central bank is directly involved in the procedure. The Bank of England issues calls for expressions of interest for the appointment of the non-executive members of its oversight body, the Court of Directors.

21 For example, in Belgium, the Netherlands, the United Kingdom and Switzerland, where there are standing appointments (and remuneration) committees. In some countries, such as Iceland, ad hoc appointment committees are created.

ensuring that the institution itself, which has more direct and in-depth knowledge of those needs, is consulted during the selection process.

Pursuing this course, in line with other European central banks, would enable a system to be developed in which powers relating to the composition of the institution's governing bodies are more evenly distributed, thereby strengthening the independence, legitimacy and collegiality of decision-making that underpin the sound functioning of a central bank within a democratic system.

5.2 Terms of office: length, renewal and staggering

Questions concerning the length and staggering of terms of office relate more directly to independence than to representativeness. At the same time, changes to term lengths or to the pace at which governing bodies are renewed also have implications for collective dynamics and for the transmission of experience within those bodies. Similarly, as explained below, these issues cannot be considered separately from the vertical and horizontal dimensions addressed in the previous chapters.

5.2.1 Length and renewal of terms of office

The LABE's current provisions[22] set out a broadly homogenous framework. All office-holders – Governor, Deputy Governor and Council members – serve six-year terms. However, only Council members may have their term renewed, and only once.[23] No statutory staggering system is provided for, although Council member appointments have in practice been spread over time to some extent.

As shown in Figure 5.2, this model contrasts with those adopted in other European countries, which generally follow one of two alternatives:

- A longer, non-renewable, term of office (normally eight years).[24] This is the model followed, for instance, in the United Kingdom and by the ECB.
- A shorter, renewable, term of office (normally five or six years).[25] This is the most common model.

In some central banks, the length of the term of office varies according to the type of member, which in practice results in a staggered system of renewal, the benefits of which are examined in the following subsection.

22 See Article 25.

23 Council members appointed to the Executive Commission shall hold that position for the remainder of their ordinary term of office as Council members.

24 There are examples of considerably longer terms: in the United States, for example, the seven members of the Fed's oversight and policy decision-making body, the Board of Governors of the Federal Reserve System, serve 14-year terms of office.

25 Renewal is also permitted in some countries with seven-year terms (Ireland and the Netherlands) and even eight-year terms (Germany).

Figure 5.2
Length and renewal of the terms of office of members of policy decision-making bodies in European central banks

	BE	FR	IE	IT	NL	UK	ECB	ES
Length of term of office*	Governor: 5 years Policy decision-making body members (directeurs): 6 years	6 years	Governor: 7 years Deputy Governor: 5 years Commission members: 5 years	6 years	7 years	Governor: 8 years Deputy Governor: 5 years Non-executive members of Court of Directors: 4 years	8 years (5 years for Chair of Supervisory Board)	6 years
Renewal*	✓	✓	✓	✓	✓	Governor: ✗ Deputy Governor: ✓ Non-executive members of Court of Directors ✓	✗	Governor: ✗ Deputy Governor: ✗ Non-executive members of Court of Directors ✓

Accordingly, while the length of the terms of office of members of the Banco de España's governing bodies is aligned with that of most European central banks, many of those countries do allow for renewal, including those with strong institutional traditions of central bank independence.[26] Several euro area central bank governors are, in fact, currently serving a second term,[27] and there are even cases where a governor appointed by one government has been renewed by another government of a different political orientation.[28] Similarly, within the EU institutional framework, although the presidency of the ECB is not renewable, the Chairs of the European Supervisory Authorities may be re-elected. These authorities are the EBA, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA).[29]

Therefore, both the possible and effective length of terms of office in other European central banks are, in practice, longer than at the Banco de España.[30]

26 See, for example, Germany, where re-election also occurs in practice. Jens Weidmann was appointed for a second term in 2019.

27 Among European central banks, renewal in office is not only possible in theory but also common in practice. Several current members of the ECB Governing Council are already serving a second term of office as governors, including Pierre Wunsch in Belgium, Olli Rehn in Finland, Gabriel Makhlouf in Ireland and Mārtiņš Kazāks in Latvia, as well as François Villeroy de Galhau, who until recently was Governor at the Banque de France.

28 See, for example, the case of the last Governor of the French central bank, François Villeroy de Galhau, who was appointed by François Hollande, of the Socialist Party, and subsequently reappointed by Emmanuel Macron, then of *La République En Marche!* (now *Renaissance*). In the United States, despite a strong bipartisan divide, Paul Volcker was appointed Chair of the Board of Governors of the Federal Reserve System by President Jimmy Carter, a Democrat, and later had his term renewed by President Ronald Reagan, a Republican.

29 Again, this is not merely a theoretical possibility. José Manuel Campa's term of office as Chairperson of the EBA, for example, was extended for a further five years.

30 The literature on the subject indicates that half of the world's central banks do not set a statutory maximum for the office of Governor, while 42% limit it to two terms of office (see Central Banking Institute, 2025). Only in 5% of countries worldwide, including Spain, is re-election not permitted. In practice, the average length of a governor's term of office is around five and a half years.

On this issue, it is argued that long and protected terms of office, subject to legally defined grounds for removal, reinforce governors' personal independence from political pressures. Moreover, longer terms provide greater institutional stability and allow appointees the time needed to consolidate their internal leadership and strengthen their influence within the ECB and other international bodies.

However, the specific use of renewal as a mechanism for enabling longer terms raises concerns from a theoretical standpoint.

- On the one hand, it may be argued that renewal allows the institution to benefit from the knowledge, leadership and influence acquired, that it could serve as an incentive for good performance and, to the extent that it creates a point at which the governor's performance can be assessed, may function as an accountability mechanism.
- On the other, one could argue that, where the legal framework allows for renewal, a governor seeking reappointment may have incentives to take into account the interests of the authority or authorities responsible for that decision. By contrast, where renewal is not permitted, governors may be better placed to adopt unpopular but necessary decisions without fear of jeopardising their position.[31]

In light of the above, if legislative changes were contemplated to extend the theoretical maximum terms of office of members of the Banco de España's governing bodies, one option would be to establish, at least for the Governor, a term of office somewhat longer than the current one. More specifically, an eight-year term, comparable to other non-renewable terms of office in European central banks. Such a term would allow the office-holder to span several political cycles, while maintaining the prohibition on renewal that also applies to most Spanish independent authorities.[32] This solution, recommended by the independent experts in their report,[33] would align term lengths at the Banco de España with those of the President of the ECB and of the other members of its Executive Board. If this model is adopted, formal accountability mechanisms should be strengthened to compensate for the absence of a renewal-based assessment.

Hybrid models could also be considered: for instance, aligning the Governor's term of office with that of the President of the ECB – eight years without renewal – while establishing a six-year renewable term for the remaining members of the policy decision-making body. As discussed in the preceding

31 Despite these concerns, re-election is permitted in most countries worldwide. This could be understood as indicating that, in practice, the possibility of re-election does not necessarily undermine independence, and that the rule should not be considered in purely abstract terms, as it may operate differently across political and institutional frameworks.

32 This is, for example, the case of the CNMV, the CNMC and AIReF, also with six-year terms of office, or the FROB, whose Chair has a five-year term. By contrast, the Chair and Deputy Chair of the AEPD are appointed for five-year terms, which may be renewed for one additional period of the same length (see Article 48(5) of Organic Law 3/2018 of 5 December 2018 on the protection of personal data and the safeguarding of digital rights).

33 This solution was likewise defended by the former Governor, Pablo Hernández de Cos, in his testimony before the parliamentary Audit Committee on Democratic Quality on 22 December 2020. It was also the option chosen by the United Kingdom after the financial crisis, shifting from a five-year renewable model to an eight-year non-renewable model, with the exception of Mark Carney's term of office. It is important to note that the United Kingdom adopted this solution only for the office of Governor. Deputy Governors serve five-year renewable terms.

paragraphs, this model has been adopted in other European countries and could be justified by the Governor's distinct institutional position, without undermining the collegiality of the policy decision-making body. Indeed, an argument that is often used in support of this type of solution is that it strengthens the collegiality of the policy decision-making body by ensuring staggered terms of office (see Section 5.2.2). In addition, if the composition of the policy decision-making body were to evolve towards more professionalised models, senior executives within the institution could pursue longer institutional careers, thereby helping to retain talent and leadership.

In any event, whatever solution is chosen, the new rules should apply only to persons appointed after the new framework has entered into force.

5.2.2 Staggered terms of office

It is uncommon for legal frameworks to expressly provide for staggered terms of office for members of their governing bodies, although some examples – of limited scope – can be found among European central banks.[34] In most cases, staggering occurs in practice, usually due to circumstances unrelated to the governance framework design, such as resignations or retirements. They may, however, also arise from specific legal mechanisms, for example, where different term lengths are envisaged for members of governing bodies (see Section 5.2.1).[35]

While the LABE determines the length of the terms of office, it does not provide for a formal staggering rule, which may lead to the concentration of renewals. Indeed, this arrangement means that the terms of the two executive members – the Governor and the Deputy Governor – overlap, so that each Governor serves alongside one Deputy Governor throughout their term.[36]

Staggered terms of office for members of governing bodies have a number of benefits:

- First, they allow governing bodies to be renewed without undermining institutional stability and continuity in decision-making, while also helping new members to become gradually acquainted with the functioning of the institution and supporting the intergenerational transfer of internal knowledge.

34 For instance, the Banque de France provides for a statutory staggering mechanism for the members of its oversight body *(Conseil général)* appointed by the legislative chambers. These members serve six-year terms, and each chamber appoints one member every three years. The Fed is often cited as an example of a structured staggering mechanism. Its legal framework expressly establishes 14-year terms for the seven members of the Board of Governors of the Federal Reserve System, with one term expiring every two years on predetermined dates (where a vacancy is filled mid-term, the appointment is only for the remainder of that term). This ensures that no US president can change the Board's entire composition over a short period, thus preserving continuity across administrations of different political orientations. The legal frameworks of the central banks of Chile and Mexico also contain formal staggering rules serving the same purpose.

35 In the ECB's case, it was decided that the initial members of the Executive Board would serve terms of varying lengths, which in practice resulted in periodic renewals. The ECB Governing Council is also renewed periodically, reflecting changes that occur in the governance of the national central banks.

36 In the case of the current Executive Commission, one of its members will end their term of office in February 2029 and the other three in September 2030.

- Second, they facilitate the search for talent, avoiding the need to address, within a short timeframe, the challenge of almost entirely renewing its collegiate bodies.
- And third, staggered terms of office reinforce independence and collegiality. On the one hand, they reduce the risk of institutional capture by preventing the appointing authority from fully renewing the collegiate bodies, meaning that shifts in the political cycle are less likely to produce an abrupt and substantial reshaping of the central bank's governance that could compromise its independence. On the other, they require members appointed by different authorities to work together, thereby fostering a plurality of perspectives within the governing bodies.

Given the benefits referred to above, any legal reform of the Banco de España's governance model could consider the introduction of a mechanism to strengthen the staggering of appointments, as proposed in the group of experts' report. For example, if Parliament were entrusted with appointing members of the Governing Council, a statutory staggering mechanism similar to those existing in other central banks could be established.[37] This approach could likewise be applied to the policy decision-making body – the Executive Commission – for example, by establishing different term lengths for the Governor and the remaining members. While such a solution would foster collegial decision-making within the Executive Commission, it might nevertheless weaken cohesion within the senior management team compared with the current model, where the Governor and the Deputy Governor in practice serve concurrent terms and share a common strategic project.

37 See footnote 34 of this chapter.

Final Remarks

The Banco de España's governance model, established by lawmakers three decades ago, has a number of singularities. Most of these stem from the composition of its governing bodies, responding to a hybrid model in which the Executive Commission is set up as a subset of the Governing Council. As a result, the characteristics of the two governing bodies do not reflect with sufficient clarity the different nature of the functions they are called upon to perform.

- First, as regards their respective **functions**, the Governing Council retains competences that are inherent to the policy functions, partly blurring its nature as an oversight body.
- Second, despite the different nature of their functions, the two governing bodies follow the same **composition** model, as they comprise two internal executive members (Governor and Deputy Governor) along with external Council members.
- Lastly, due to the foregoing, the rules on **appointments and term of office** are applied to the two bodies in the same way, without the design of these rules reflecting the different principles underlying the exercise of policy and oversight functions.

At the same time, as noted by the Governing Council in July 2025 when assessing the independent expert group's report, it might be appropriate to move towards a more collegial governance model, based on international best practices. This would make it possible to reinforce the needed counterweights to the predominant role that, under the LABE, is conferred solely on the Governor in the exercise of policy and oversight functions.

Moving towards greater collegiality, as well as greater transparency and clarity in how policy and oversight functions are exercised, would require a legal reform extending to all the rules that determine how the three dimensions analysed in this report affect the institution's governing bodies.

(a) The Executive Commission

As regards the Executive Commission, strengthening collegiality would warrant considering the possibility of establishing it as a decision-making body made up of a broader group of internal executive members who share the same institutional status and have the same access to the organisation's information and resources. This composition should also be reflected in the rules on the appointments and terms of office of its members.

- Under this model, the Executive Commission could comprise a larger group of internal members (for example, five, including the Governor), in accordance with most European central banks' practices and with the specialised literature.[1] All members would have the same institutional status, i.e. the same legitimacy of origin and equivalent safeguards for the independent exercise of their functions (in particular, specific grounds for removal from office). This would allow decisions to be taken regarding the exercise of the institution's competences by a greater plurality of voices that, irrespective of their title, would all share the same institutional status, serve the institution on a full-time and exclusive basis and have direct and daily access to the resources and information relevant for decision-making.

This legal structure would enable the Executive Commission to move towards a model in which, without prejudice to collegial decision-making, there is a balanced allocation of functional responsibilities among all its members. They would assume management of the respective areas of competence, such that the institution's organisation chart would reflect the organisational link between those areas and the corresponding member of the Executive Commission in each case. This would help strengthen technical expertise and functional separation without undermining the required coordination and collegiality in the decision-making process.

To enable the governance framework to respond swiftly to changes in the environment and in the central bank's mandates without the need for regular legislative reforms, it seems advisable for the Executive Commission to approve the organisation chart and the distribution of areas of responsibility at any given time, in line with comparative experience. Under this set-up, the LABE could just establish the number of members of the Executive Commission and the IRBE could set out general allocation criteria, identifying any functions that could not be vested in the same individual (for example, those relating to microprudential supervision and preventive resolution).

If this model were adopted, the role of the Steering Committee, at least in its current terms, could be reconsidered as a general coordination body comprising the executive members of the Executive Commission and the individuals responsible for the organisational units.

Lastly, although it might a priori seem more consistent with the rationale underlying this model, if the Executive Commission were to solely comprise internal members, there would be nothing to prevent the continued presence of external members in order to foster coordination between bodies. In that case, limits on the maximum number of years that external members may sit on the Executive Commission could be considered.

- As regards the rules on nominating and appointing members of the Executive Commission, there do not appear to be compelling reasons to change the current arrangement whereby the power of selection remains vested in the executive branch, in line with other European countries whose parliamentary system of government is similar to that of Spain. However, legitimacy of origin could be strengthened through the candidates' prior appearance before the corresponding parliamentary committees.

1 And in line with the recommendations made by the independent experts in their report.

In addition, the Governing Council could be given a more active and decisive role in shaping the composition of the Executive Commission, at least with regard to the members other than Governor or, where applicable, Deputy Governor.[2] To this end, the Governing Council – or a committee set up within it for that purpose – could lead or participate directly in structured selection processes (for example, through an expressions of interest mechanism) that take into account the specific profiles required by the Executive Commission, taking into account the functional responsibilities distributed among its members. Such a committee could be responsible, for example, for selecting a shortlist of three candidates, which would be submitted to the Minister for Economy, Trade and Business.

Thus, the nomination and appointment process would incorporate, in addition to the views of the executive branch, the institution's own knowledge of the technical needs of its Executive Commission (now comprising executives with defined responsibilities over specific functional areas) and the views of the legislative branch, through the candidates' direct appearances.

- Lastly, the rules on the length, renewal and staggering of terms of office could also be used to reinforce independence and collegiality within the Executive Commission, minimising unnecessary losses of talent and leadership.

(b) The Governing Council

The Governing Council's status as the oversight body could be strengthened by reinforcing the principle of representativeness and democratic legitimacy that should underpin its composition. In particular, its role as an internal accountability mechanism could be boosted, in view of the more diffuse nature of external checks and balances (a natural consequence of the institution's necessary independence).

- To this end, the first potential improvement available to lawmakers would be to concentrate the Governing Council's functions on the exercise of oversight powers, in particular on the task of overseeing the proper exercise of policy functions. This would entail ensuring, inter alia, that the institution's operational and financial management is sound, that resources are used effectively and efficiently and that transparency and accountability mechanisms operate properly.

  Consideration could also be given to assigning to the Governing Council some of the powers relating to proposals or consultations concerning the composition of governing bodies (and of the Executive Commission in particular) that are conferred solely on the Governor under the

2 This reference to "Deputy Governor" should be understood as referring to the member of the Executive Commission who replaces the Governor when the post is vacant or in the event of absence or illness.

LABE.[3] To this end, and as indicated in section (a), provision could be made for the creation of an appointments and remuneration committee within the Governing Council, as occurs in the oversight bodies of other European central banks.

Likewise, to move towards a more coherent delimitation of powers for the two governing bodies, the Executive Commission could be vested with the powers that could be classified as policy functions and are currently assigned to the Governing Council (specifically regulatory and sanctioning powers). This would offer a solution to the problems posed by the voting rights of the ex officio members of the Governing Council on microprudential supervision matters, as highlighted by both the IMF and the group of independent experts.

- A second area of possible reform refers to the composition of the Governing Council and the closely related matter of the rules governing the nomination of its members.

  It seems appropriate for external members to continue to form the core of its membership. Progress could focus on strengthening the Governing Council's legitimacy of origin, which would be consistent with the principle of representativeness underlying the exercise of oversight powers. To this end, if it were decided to deepen the dual nature of the model (concentrating the Governing Council's functions on the exercise of oversight powers), consideration could be given to increasing Parliament's role in the nomination of some of its members. This would strengthen the institution's legitimacy and representativeness, while partly reducing the risks of any institutional deadlock, especially in scenarios of parliamentary fragmentation and polarisation, as the exercise of the central bank's functions (concentrated in the Executive Commission, whose members would continue to be appointed by the executive branch) would be shielded from any short-term dynamics giving rise to parliamentary political conflict.

  In addition, rules on the staggering of terms of office could be established for the (elected) members of the Governing Council.

  If the Governing Council's functions were reorganised along these lines, it could continue to have two ex officio members. This would help maintain the current coordination with the Treasury and with the CNMV and, as regards the latter, it would also preserve the symmetry in the composition of their respective governing bodies. Nevertheless, if a more comprehensive reform of the microprudential and macroprudential supervisory architecture in Spain were undertaken, other inter-supervisory coordination models that better align with each institution's role could be explored.

3 Under the LABE, it falls to the Governor to propose to the Government the candidate for Deputy Governor (Article 24(2)), to be consulted on the proposals made by the Minister for Economy, Trade and Business for the appointment of Council members (Article 24(3)) and to propose to the Governing Council which Council members shall also be members of the Executive Commission (Article 24(4)). Under the IRBE, it also falls to the Governor to propose to the Executive Commission the appointment (subject to ratification by the Governing Council) and removal of the Directors General (Articles 37(7) and 70(1)).

To ensure close coordination and cohesion between the two governing bodies, it may be appropriate for Executive Commission members (at least the Governor and the Governor's alternate) to continue to sit on the Governing Council as well.

Lastly, the presence of the Representative of the Personnel at Governing Council meetings (provided for by lawmakers in 1994 as an additional mechanism separate to works council or trade union representation) would also be more consistent with the proposed reorganisation of functions between the two governing bodies, in which the Governing Council is established as the body responsible for the institution's general governance, without direct policy functions.

Annex I:

BRIEF DESCRIPTION OF THE CURRENT GOVERNANCE MODEL

The governance framework defined in the LABE includes single-member and collegiate bodies, along with senior management structures and internal control mechanisms (Figure A1.1).

First, there are two single-member bodies, the **Governor** and the **Deputy Governor,** whose functions combine executive management, institutional representation and the chairing of the Bank's collegiate bodies. The Governor chairs the collegiate bodies (both the two governing bodies – the Governing Council and the Executive Commission – and the senior management coordination body – the Steering Committee), manages the Bank's overall activities and represents the institution at both domestic and international level, reflecting a role that extends beyond internal responsibilities. In particular, the Governor is a member of the ECB's Governing Council, albeit in a personal capacity rather than as a representative of the Banco de España. The Deputy Governor stands in for the Governor in the circumstances provided for by law, exercises delegated functions and oversees the common internal services.

Second, there are two collegiate bodies with markedly different compositions and functions. The first of these is the **Governing Council,** which the LABE designates as the body responsible for the Bank's general governance. Among other responsibilities, it approves budget proposals, authorises the annual accounts and proposes the allocation of profits, along with approving the annual report and other reports that the Banco de España is required to submit to Parliament, to the Government and to the competent ministries. It also approves, inter alia, the Bank's internal rules and general operational guidelines. The Governing Council consists of six external members appointed by the Government, together with the Governor, the Deputy Governor and two ex officio members who serve by virtue of positions held at other public bodies and institutions.

The second collegiate governing body is the **Executive Commission,** which, under the LABE, has decision-making authority in relation to the various functions legally conferred on the Banco de España, except for those that the LABE reserves for the Governing Council. In terms of its composition, the Executive Commission may be regarded as a subset of the Governing Council, comprising the Governor, the Deputy Governor and two of the six external members of the Governing Council.

The Bank's operational functioning is structured around the **senior executives,** comprising the Directors General and the General Secretary (eight in total). These units, organised by functional

Figure A1.1
Governing bodies of the Banco de España

	Nature and structure	Main functions	Appointment	Term of office
Governor	**Single-member body**	General management of the Bank. Domestic and international representation. Member of the ECB Governing Council. Chair of the Banco de España's governing bodies.	Appointed by the King, at the Prime Minister's proposal.	Six years. Non-renewable.
Deputy Governor	**Single-member body**	Stands in for the Governor when the post is vacant or in the event of absence or illness. Functions delegated by the Governor. Management, at the highest level, of the Banco de España's common internal services. Member of the governing bodies.	Appointed by the Government, at the Governor's proposal.	Six years. Non-renewable.
Governing Council	**Collegiate governing body** Comprising the Governor and Deputy Governor, the six elected members and the two ex officio members (General Secretary of the Treasury and International Financing and the Vice-Chair of the CNMV). Attended by the Directors General and the Representative of the Personnel (non-voting capacity).	Oversight functions (Annual Report, financial and organisational matters). Certain policy functions (approval of external circulars, sanctioning powers).	Governor and Deputy Governor: as indicated above. Elected members: appointed by the Government, after consultation with the Governor. Ex officio members: by virtue of their office.	Elected members: six years, renewable once.
Executive Commission	**Collegiate governing body** Comprising the Governor and Deputy Governor, and two members of the Governing Council elected by the Council itself. Attended by the Directovrs General (non-voting capacity).	Policy functions: adoption of decisions relating to the exercise of the Banco de España's functions, except those reserved for the Governing Council.	Governor and Deputy Governor: as indicated above. Members: appointed by the Governing Council at the Governor's proposal.	Same term as Governing Council members.
Directors General	The Bank's senior executives **Heads of the various directorates general** Members of the Steering Committee and attend Executive Commission and Governing Council meetings (non-voting capacity).	Proposal, technical preparation and implementation of the governing body resolutions. Management of organisational units.	Appointed by the Executive Commission at the Governor's proposal and ratified by the Governing Council, pursuant to the IRBE.	No fixed mandate.
Steering Committee	**Internal coordination body** Comprising the Governor, Deputy Governor the Directors General.	Internal coordination, preparation of proposals and oversight of the implementation of governing body resolutions.	As indicated above for each member.	As indicated above for each member.
Audit Committee	**Delegated committee of the Governing Council** Composition and functioning as provided for in the IRBE.	Reviews the Banco de España's draft annual accounts, supervises internal control systems, internal audit and relations with the external auditor.	Appointed by the Governing Council from among its own members.	No fixed mandate.

area, provide the technical leadership for each area, prepare the proposals to be submitted to the governing bodies and are responsible for implementing the resolutions adopted. The remit and competences of these areas are established in the Banco de España's organisation chart, which is approved and amended by the Executive Commission.

The **Steering Committee** coordinates this executive activity and comprises the Governor, the Deputy Governor and the Directors General. Provided for in the Internal Rules of the Banco de España (IRBE), this body performs a cross-cutting role in terms of preparing proposals, technical alignment and monitoring work progress, ensuring that the decisions adopted by the governing bodies are implemented consistently across the organisation.

Lastly, the governance framework features internal control mechanisms and statutory support structures. These include the **Audit Committee,** a delegated committee of the Governing Council entrusted with overseeing the internal control systems, reviewing the draft annual accounts and channelling relations with external auditors. The IRBE also provides for specialised committees and working structures that enable decisions to be prepared with a greater level of technical granularity, without altering the statutory allocation of competences.

Annex II:

METHODOLOGICAL FRAMEWORK

The purpose of this annex is to briefly describe the methodological approach followed by the working group in drafting the report. For the reasons set out in Chapter 2 – in particular, the limited quantitative empirical evidence available – this approach has been essentially qualitative, based on the following three main elements.

1 The **Banco de España's own experience** built up over the more than 30 years since the LABE entered into force, drawing on the views of both the Bank's internal services and members of its governing bodies. These contributions allowed the comparative experience to be contrasted and qualified in light of the Spanish institutional context.

   As discussed in Chapter 1, this report is part of a wider review and continuous improvement process undertaken by the Governing Council in relation to its internal decision-making procedures. Against this background, efforts to improve institutional quality – i.e. analysing and reinforcing the institutional determinants underlying growth and macroeconomic stability – represent a key line of work for the Bank. These efforts have recently led to the creation of the Global Trends and Institutions Analysis Office, seeking to bolster the Banco de España's analytical capabilities in this area.

2 The **specialised literature** on central bank governance, independence, collegiality, oversight and policy decision-making bodies, transparency and accountability.

   The scope of this literature remains limited, largely focused on the impact of governance specifically on the monetary policy conduct mandate. Nevertheless, it provides a valuable overview of the governance frameworks at different central banks and the current thinking on contemporary governance challenges at these institutions.

   Within this literature, particular attention has been paid to reports prepared by international organisations, notably the BIS and the IMF. The BIS has set up the Central Bank Governance Forum, with a view to fostering the good governance of central banks as public institutions, enabling central banks from around the world to compile, analyse and share a wide variety of information on multiple aspects of their governance and internal organisational arrangements. The Forum is structured around the Central Bank Governance Group, where governors exchange views on matters relating to the design and operation of their respective institutions, and the Central Bank Governance Network, to facilitate information-sharing among central banks on governance and internal organisational issues. The Banco de España is an active member of this network. The Central Bank Governance Forum may be the most comprehensive and direct source of information on central bank governance, and this report has benefited greatly from its analyses.

Among the specialised sources consulted, the report by the group of independent experts has been especially useful, offering a rigorous and systematic external diagnosis and a series of recommendations that have been taken into account throughout this analysis.

A list of the main publicly available references can be found at the end of this annex.

3 A detailed analysis of the **comparative experience** of a selected group of central banks, primarily within the Eurosystem and other jurisdictions with comparable functional frameworks.

As discussed in Chapter 2, one of the defining features of central bank governance frameworks is their highly idiosyncratic nature. Consequently, an exhaustive analysis of all central banks worldwide would ultimately have yielded little more than a catalogue of unique institutional arrangements, with limited added value. Accordingly, by adopting the comparative experience approach, priority was given to a limited number of central banks selected on the basis of their functional characteristics and relevance to the Banco de España.

Particular emphasis was placed on Eurosystem central banks, given that the Banco de España's membership of the ESCB is a key aspect of its institutional identity. Indeed, as confirmed by the Court of Justice of the European Union, the Banco de España, as an ESCB member, has a hybrid statute that straddles EU and national law.[1]

As explained in Chapter 2, the Banco de España's membership of the ESCB has a direct impact on the configuration of its governance model, which shapes both the composition and functions of the Banco de España's governing bodies and the rules governing its members' statutes (e.g. the guarantee of independence[2] or provisions on the terms of office or grounds for dismissal of governing body members involved in ESCB-related tasks).[3] Moreover, the structure of the ESCB itself has broader implications for the national central banks' governance models (for instance, the fact that their governors sit on the ECB Governing Council in a personal capacity).

The Banco de España is also subject to EU law in its capacity as the Spanish authority charged with microprudential supervision. In particular, the rules governing access to the activity of credit and financial institutions, along with their supervision, include specific provisions on the independence

1 "(...) the ESCB represents a novel legal construct in EU law which brings together national institutions, namely the national central banks, and an EU institution, namely the ECB, and causes them to cooperate closely with each other, and within which a different structure and a less marked distinction between the EU legal order and national legal orders prevails (judgment of 26 February 2019, Rimšēvičs and ECB v Latvia, C-202/18 and C-238/18, EU:C:2019:139, paragraph 69). In this highly integrated system intended by the authors of the Treaties for the purposes of the ESCB, the national central banks and their governors have a hybrid status, inasmuch as, although they constitute national authorities, they are authorities acting under the ESCB which, as was observed in paragraph 79 above, is constituted by those national central banks and the ECB" (judgment of 17 December 2020 in case C-316/19, European Commission v Republic of Slovenia). See also the 19th Additional Provision of Law 40/2015 of 1 October 2015 on the Legal Regime of the Public Sector.

2 This limits the voting rights of government representatives, or even their mere presence, in discussions concerning the performance of ESCB-related tasks within a national central bank: "Participation by representatives of third parties in an NCB's decision-making body with a right to vote on matters concerning the performance by the NCB of ESCB-related tasks is incompatible with the Treaty and the Statute, even if such vote is not decisive. Such participation even without the right to vote is incompatible with the Treaty and the Statute, if such participation interferes with the performance of ESCB-related tasks by that decision-making bodies or endangers compliance with the ESCB's confidentiality regime" (ECB, Convergence Report, June 2025).

3 Article 14.2 of the Statute of the ESCB and the ECB.

of supervisory authorities that directly affect their governance models. These include limits on the terms of office of members of governing bodies (other than governors), requirements relating to objectivity and transparency in their appointment, and restrictions on the participation of government representatives in decision-making related to microprudential supervision.[4]

Accordingly, by adopting the comparative experience approach, priority was given to a limited number of central banks selected on the basis of their functional characteristics and relevance to the Banco de España. The ECB's governance framework has a number of significant particularities, notably its non-dual structure and, given its international scope, emphasis on territorial representation. Nevertheless, certain aspects of its governance framework (especially the granular dimension) are significant in light of the role played by the Governor of the Banco de España on the ECB Governing Council.

Within the Eurosystem, priority was given to those national central banks whose competences and institutional architecture are most similar to those of the Banco de España. For example, the governance model of the Deutsche Bundesbank is not used as a benchmark, as the main microprudential supervisory authority in Germany is the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), although the Deutsche Bundesbank does have significant powers in the area.

Accordingly, the central banks of Belgium (Banque nationale de Belgique/Nationale Bank van België), France (Banque de France), Italy (Banca d'Italia), Ireland (Central Bank of Ireland/Banc Ceannais na hÉireann) and the Netherlands (De Nederlandsche Bank) were selected as the benchmark central banks for the purposes of this comparative analysis. These are also central banks whose governance frameworks have been subject to reforms over the past twenty years, especially following the global financial crisis of 2007-09.

Despite not forming part of the ESCB, the Bank of England's governance framework was also taken into consideration, given its proximity, similar mandate to that of the Banco de España and the extensive reforms to its governance framework in recent years.

For each of the selected central banks, the analysis drew on a combination of public and internal sources. These included the legal and regulatory texts constituting their governance frameworks and publicly available information and documentation published by the central banks themselves, as well as reports and other materials produced by international organisations, notably the BIS, the IMF and the ECB. The analysis also benefited from information and contributions provided directly by the central banks concerned, which shared with the Banco de España their experience and perspectives on governance-related matters.

Conversely, greater caution was exercised when drawing on evidence from central banks whose institutional architecture is based on principles less comparable to those of the Banco de España.

4 See CRD VI, which amends Directive 2013/36/EU to include a new Article 4.

This is the case, for example, of the Federal Reserve, whose governance structure rests on a complex system of territorial representation and a constitutional framework that differs from those in Spain and Europe.

Nonetheless, as readers will see, consideration was also given to the governance frameworks of other central banks, albeit exercising particular caution given the markedly diverse principles underlying their institutional architectures. These include central banks within the ESCB (particularly those of Germany, Finland, Latvia, the Czech Republic and Sweden) and central banks outside the European Union (notably, in Europe, those of Norway and Iceland; in the English-speaking world, the Federal Reserve and the central banks of Australia, Canada and New Zealand; and, in Latin America, the central banks of Argentina, Chile and Mexico).

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Annex III:

ACRONYMS AND ABBREVIATIONS

ACPR	*Autorité de contrôle prudentiel et de résolution*
AEPD	Spanish Data Protection Agency
AIReF	Independent Authority for Fiscal Responsibility
AMCESFI	Spanish Macroprudential Authority
BIS	Bank for International Settlements
CNMC	National Commission on Markets and Competition
CNMV	National Securities Market Commission
CRD VI	Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks
EBA	European Banking Authority
ECB	European Central Bank
ESCB	European System of Central Banks
EU	European Union
Fed	Federal Reserve System
FROB	Spanish executive resolution authority
IMF	International Monetary Fund
IRBE	Internal rules of the Banco de España
LABE	Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism

Annex IV:

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Eurosistema