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ACTIVITY REPORT

JANUARY

**18 January**

The Director General of Financial Stability, Regulation and Resolution of the Banco de España is elected a new member of the Management Board of the European Banking Authority

26 January

Publication of the “Study on cash use habits”

FEBRUARY

**7 February**

International conference on household expectations in the Financial Survey of Families

24 February

Publication of Banco de España Circular 1/2023, of 24 February 2023

MARCH

**20 March**

32 workshops during Open Government Week

29 March

First report on climate aspects of the Banco de España's investment portfolios

APRIL

**17 April**

Cooperation and Technical Assistance Agreement with the Central Bank of Paraguay

20 April

Publication of the *Catalogue raisonné of Banco de España timepieces*

MAY

**4 May**

New Banco de España website (www.bde.es)

10 May

Publication of the Banco de España's *Annual Report 2022*

JUNE

**2 June**

Agreement with the Elcano Royal Institute Foundation for International and Strategic Studies

21 June

Seminar “NGEU Funds: monitoring, allocation and impact”

JULY

**3 July**

First quarterly report of the Observatory of Business Margins

19 July

The European Central Bank grants approval to the new IMBISA plant for the manufacture of the quota of euro banknotes allocated to Spain

AUGUST

**30 August**

The Governor participates in the Annual Congress of the European Economic Association, on inflation and household income distribution

31 August

Publication of the monthly balance of payments position

SEPTEMBER

**18 September**

First external evaluation of the Banco de España's research activities

20 September

First Banco de España blog

OCTOBER

**2 October**

Financial Education Day

18 October

The Eurosystem moves to the next phase of the digital euro project

NOVEMBER

**14 November**

Presentation of the main results of the 2021 Survey of Financial Competences

29 November

Publication of the annual results of non-financial companies 2022

DECEMBER

**1 December**


Periodic dissemination of official benchmark rates for the mortgage market

19 December

Presentation of the projections for the Spanish economy and analysis of the main economic challenges for the 2023-2026 period

1 PREVIEW OF THE STRATEGIC PLAN 2024

PREVIEW OF THE STRATEGIC PLAN 2024



What does it consist of?

It is the institution's first comprehensive strategic planning exercise and has a five-year execution horizon, from 2020 to 2024.

Why is it important?

It allows the Banco de España to better adapt to a changing economic, social and technological environment, and to achieve greater efficiency and quality in the services it provides, as well as to set common objectives for its entire workforce.


What does the Banco de España do?

Develop different initiatives to achieve the strategic objectives of the Strategic Plan 2024, with the desire to contribute to the prospects and well-being of Spanish society within the scope of its functions.

What is the objective?

To be a landmark central bank, dynamic and committed to society.

In 2023, progress continued to be made on the initiatives included in the institution's first Strategic Plan (SP 2024). Given the approach of the end of its term, scheduled for 2024, Figure 2.1 shows the most significant advances that have occurred in the five strategic objectives since its approval.



For more information on [SP 2024](#), see the Banco de España's website



The Banco de España's first Strategic Plan was approved in 2020, with a five-year execution horizon.

Figure 2.1

PROGRESS OF THE STRATEGIC PLAN 2024 OVER ITS LIFETIME



OBJECTIVE 1

EARLY REACTION TO RISKS TO FINANCIAL AND ECONOMIC STABILITY

The increased global complexity and uncertainty existing in the current environment demand a strengthening of risk and vulnerability analysis tools. Thus, to achieve this objective, the Banco de España's **Financial Stability Committee was established**. This committee is focused on the promotion of specific actions to respond to and mitigate risks to financial and economic stability, establishing the institution's position for national, European and international macroprudential forums and committees.

Exercises were also carried out to analyse the impact of new risks on Spanish institutions —risks associated with climate change, for example — and **data analysis capacity was strengthened** in order to anticipate risks to financial stability and adopt the most appropriate response measures.

OBJECTIVE 2

MODERNISATION OF THE BANCO DE ESPAÑA

In a context in which society demands greater efficiency and effectiveness of public authorities' actions, the Evaluation Programme was launched, involving a process of continuous improvement of the institution and strengthening its transparency, governance and accountability.

With regard to internal management and organisation, the results achieved with the **implementation of the Digital Transformation Programme**, aimed at achieving greater resource efficiency, stand out. In particular, the implementation of 61 robotisation, automation and data analytics projects from the start of the plan until the end of 2023 made it possible for efforts to be devoted to activities with greater added value. Since 2020, more than 390,000 hours of work, which previously involved manual and repetitive tasks, are carried out through automated processes.

It is also worth highlighting the improvement of data exploitation and visualisation through the use of **new artificial intelligence technologies and models**, the adoption of a **data governance model and the strengthening of cybersecurity in the face of cyber threats**. Special mention should be made of the development of a **technological platform for the processing and analysis of data from the Central Credit Register (CCR)**, which incorporates greater capacities for individualised monitoring of lending conditions and the risk profile of operations for monitoring and analysis.

Finally, a new corporate policy for the management of spaces and buildings was adopted, making it easier to achieve results in a more flexible environment, regardless of the location of the properties.



OBJECTIVE 3

BOOSTING EXCELLENCE THROUGH TALENT MANAGEMENT

Talent management is one of the cornerstones of SP 2024. As such, this objective justified the adoption of a **model of teleworking and digital disconnection** in line with the current work environment.

This flexibility was accompanied by an improvement in training and development, and by defining a talent and leadership model that describes the competencies that guide the way Banco de España employees work and collaborate. In addition, the commitment to equality, diversity and inclusion was reflected in various promotional actions, such as the signing of the **1st Banco de España Equality Plan**.

With regard to the new additions, and within the framework of SP 2024, the simplification of profiles was addressed to standardise and homogenise processes. In addition, there was a significant increase in the number of applicants as a result of the **promotion of the employer's brand in relation to particularly sought-after groups**. This promotion was carried out through the employment section of the Banco de España website and with the launch of specific recruitment campaigns on social media.

SOURCE: Banco de España.

Figure 2.1

PROGRESS OF THE STRATEGIC PLAN 2024 OVER ITS LIFETIME (cont'd)**OBJECTIVE 4****INCREASING THE INFLUENCE OF THE BANCO DE ESPAÑA**

In order to maximise the relevance of its analytical work, the **analytical and research priorities that guide the work of the institution's research staff were updated**. In addition, the **Banco de España Business Activity Survey (EBAE)** was launched, having been carried out quarterly since 2020 in order to provide qualitative information on the short-term evolution of activity, employment and prices in Spanish companies. This survey is a clear example of the Banco de España's commitment to improving the diagnosis of the current situation of the Spanish economy.



This survey is a clear example of the Banco de España's commitment to improving the diagnosis of the current situation of the Spanish economy. The promotion of cooperation and the strengthening of national and international influence are becoming increasingly important in a highly interconnected and internationalised banking industry. To this end, the Banco de España must act with a single voice and optimise how it positions itself in the fora and committees in which it participates. Specifically, the number of management and leadership positions in strategically relevant groups held by active staff has doubled since 2020, such as with the chairmanship of the **Basel Committee on Banking Supervision (BCBS)** since 2019 and of the **Center for Latin American Monetary Studies (CEMLA)** in May 2023. The visibility of publications prepared by the Banco de España also increased, in particular with regard to the number of articles published in prestigious research journals¹, which has increased by 12.7% since 2020. It also highlights the greater relevance of the institution's research and analysis in public debate and, specifically, in parliamentary debates, as a result of the macroeconomic context (inflation, rising interest rates, etc.).

Finally, the launch of the **BeGlobal community** reinforces the link with people on leave of absence and expatriates in international economic organisations, while at the same time enriching the institution's outlook.

**OBJECTIVE 5****GREATER TRUST IN THE BANCO DE ESPAÑA**

The promotion of financial stability requires not only sound identification and analysis of risks, but also adequate oversight of the conduct of financial institutions and promotion of financial education. After the creation of the Directorate General Financial Conduct and Banknotes in 2022, conduct supervision was strengthened in 2023, among other measures, through the **improvement of early warning tools and the supervisory planning process; increasing the visibility of conduct actions, and the adoption of more a proactive communication strategy** with entities.

Moreover, the **guiding principles and general lines of the institution's financial education strategy**, based on the Financial Education Plan, were developed. In this regard, the growing interest of society in general in aspects of financial education was illustrated by the significant increase in the number of enquiries via **the Bank Customer Portal**. Specifically, in January 2023, for the first time, there were more than one million monthly visits, with the visits to the section with the mortgage simulators ahead of the rest.

As for the institution moving closer to citizens, it is worth noting, on the one hand, the **remodelling of the Transparency Portal and the Banco de España website**, with a more modern and attractive design that favours more intuitive browsing, and, on the other, the **creation of Communication and Financial Education committees**.

In addition, the operation of the **Banco de España database laboratory (BELab)** was boosted, making databases, tools and analysis methodologies available to external analysts and researchers. The way in which BELab was received among the research community was remarkable, with **48 external research projects** launched so far. Regarding access to new databases, **an agreement was signed with the National Institute of Statistics, the tax revenue service (AEAT) and the social security administration** to commence joint work on developing a system of access to their databases for scientific purposes in the public interest. What is more, it is worth highlighting how, in this framework, collaboration with other international institutions (for example, with the Institute for Employment Research in Germany) was enhanced.

Finally, the Banco de España participates in different **international fora responsible for promoting and analysing the role of the financial sector in the ecological transition** — such as the Network for Greening the Financial System (NGFS) or the Task Force on Climate-Related Financial Disclosures (TCFD) — and works to **reduce the carbon footprint it generates through its activities, as well as to review its internal waste management procedures**.

SOURCE: Banco de España.

- 1** According to the selection of journals by the Web of Science, one of the most important databases for evaluating research, widely used in universities and research centres.

2 EVALUATION PROGRAMME

EVALUATION PROGRAMME



What does it consist of?

It promotes independent evaluations of the Bank's functions and activities.

Why is it important?

It makes it possible to strengthen the culture of learning and consolidate the external credibility of the Banco de España, as well as guiding the institutional strategy towards actions that inspire cultural change in the organisation.

What does the Banco de España do?

Approve annual evaluation plans so that renowned external appraisers can examine the actions being carried out.

What is the objective?

Modernise the institution, incorporate criteria to increase the effectiveness of its actions and establish a process of continuous improvement.

The initiatives established in SP 2024 include the creation of an evaluation programme, aimed at promoting the modernisation of the Banco de España, introducing criteria to increase the efficiency of its actions and establish a process of continuous improvement.

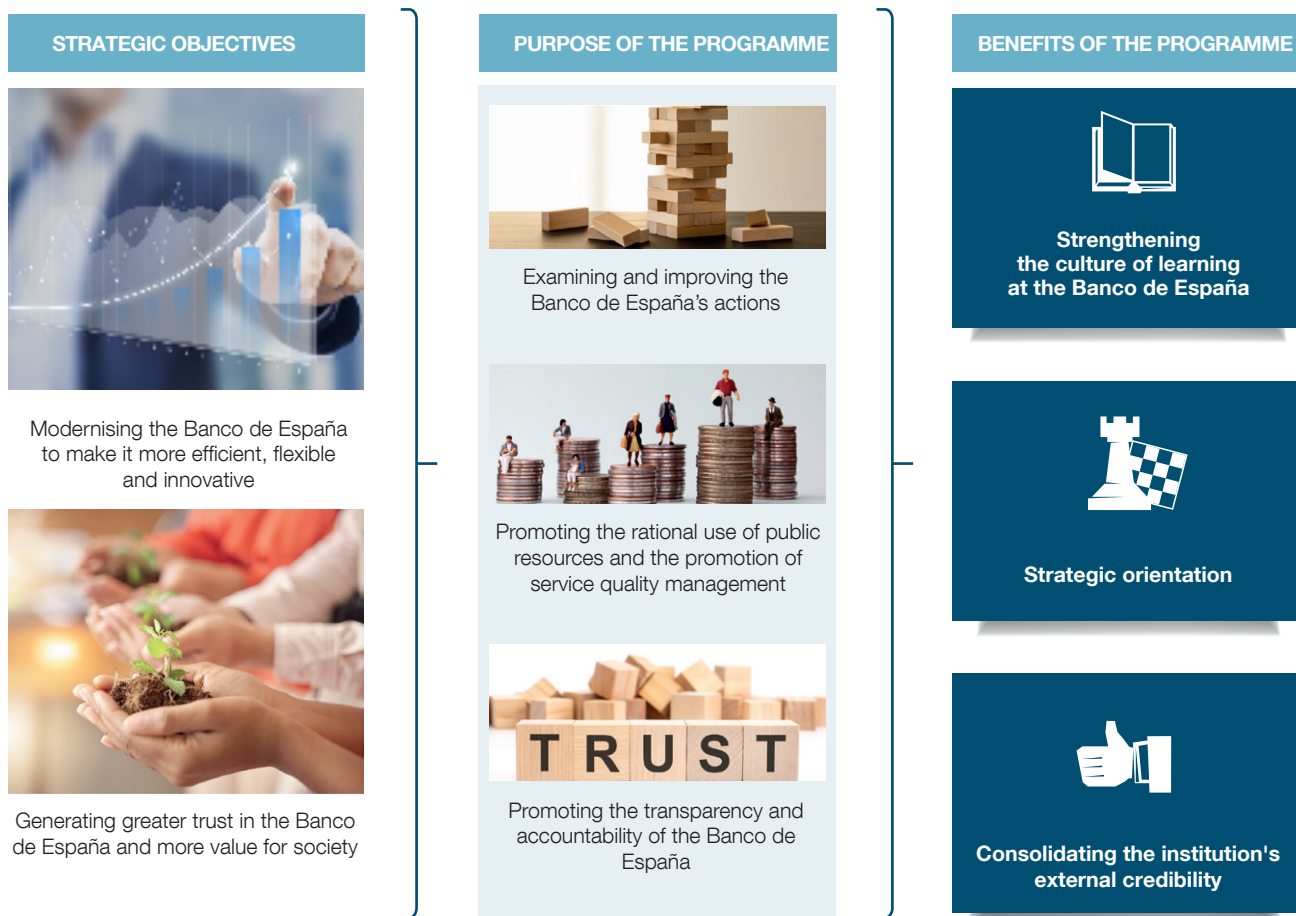
In March 2022, the first Banco de España Evaluation Programme was approved. Its objectives are, therefore, aligned with SP 2024 and with the values that govern the tasks entrusted to the institution, which are the following:

- Examine and improve its actions.
- Promote the rational use of public resources and boost service quality management.
- Foster transparency and accountability.

The achievement of these specific objectives will make it possible to obtain a set of benefits aimed at **strengthening the culture of learning**, through the analysis of best practices for adapting to a constantly changing environment; **consolidating the external credibility of the Banco de España**, by reinforcing the transparency of its actions, and orienting the institutional strategy towards transformational actions that inspire **cultural change within the organisation**.

Schema 2.1 outlines the objectives and benefits of the Banco de España Evaluation Programme.

Schema 2.1

OBJECTIVES AND BENEFITS OF THE EVALUATION PROGRAMME

SOURCE: Banco de España.

Within the framework of the first **Evaluation Plan 2022-2023**, during the second half of 2023, the three evaluations planned for that period were completed. These evaluations were carried out by external evaluators of great international academic and professional prestige. The resulting reports include a set of strengths and recommendations for improvement for each of the functions examined, which are summarised below

a) External evaluation of research activities

This exercise consisted of assessing the scientific quality of research activities, as well as their impact and visibility, governance, relevance to the functions assigned, and impact on economic policy messages and external communication in general.

As strengths, evaluators highlighted the proper integration of the research function in monetary, economic and financial policy decision-making; the positive results that

this integration has achieved since its implementation; the competitive research advantage available in the analysis of large microeconomic databases and in issues related to the labour market, macroeconomics and financial stability, and the high research quality of Banco de España economists.

On the other hand, as possible areas for improvement, the evaluators underlined the following: the advisability of establishing formal mechanisms that, in addition to the current management culture, make it possible to maintain the high level of integration of research results in the institution's positions and in macroprudential and monetary policy decisions going forward, and the need to strengthen collaboration between areas related to the research function of the Banco de España. In addition, they pointed out the importance of continuing to improve the incentives and resources – technological and human – available to researchers and of focusing efforts on research projects with a high impact and influence.

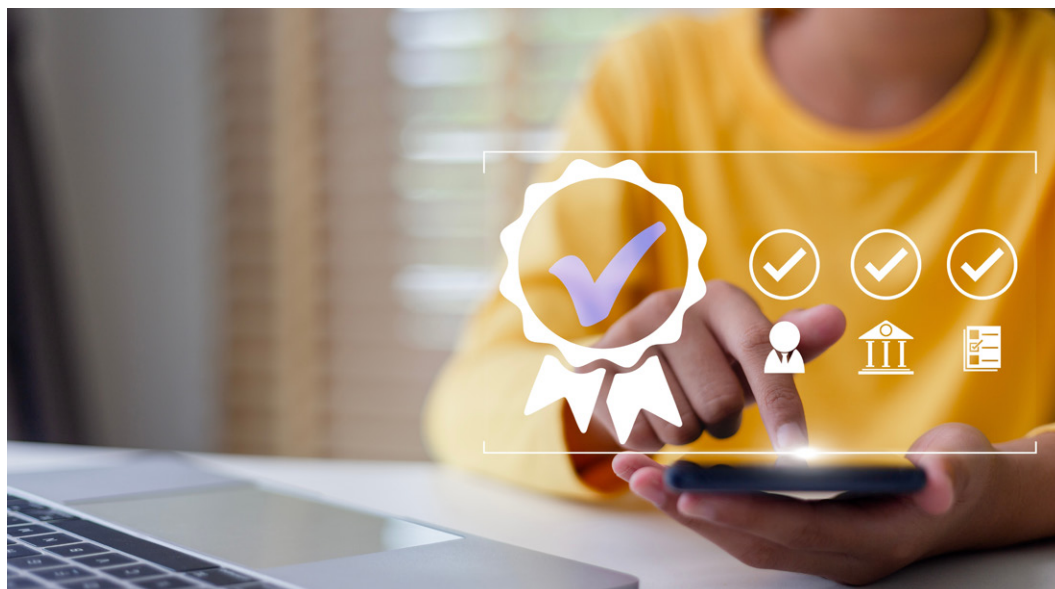
Among the actions envisaged to address the areas of improvement identified, are the creation of a research committee to oversee the proper functioning and promotion of research activities; the preparation of a road map for the improvement of resources associated with the development of the research function; and the expansion of collaboration agreements with prestigious institutions in doctoral programmes. It is also planned to continue with the current policy of promoting temporary postings outside the institution and to assess the impact and trajectory of the analytical articles published by the Banco de España.

b) External evaluation of macroeconomic projections

This exercise focused on evaluating the quality and external impact of macroeconomic projections, as well as governance, methods and models, and accuracy.

The evaluators highlighted the high quality of these projections, the clarity of their narrative and their ability to adapt to changing circumstances. This is because the personnel who work in the institution are highly qualified, which translates as an exhaustive knowledge of the Spanish economy and the tools that make it possible to analyse it. They also highlighted the influence of the Banco de España on society through forecasts and their usefulness in the adoption of economic policy decisions.

Regarding potential areas for improvement, the evaluators indicated the models used, governance and the procedure followed for their preparation and communication. Thus, they recommended incorporating the tools currently used to inform expert judgement as part of the Banco de España's Quarterly Model (MTBE) whenever possible and regularly preparing and publishing long-term projections of the Spanish economy, as well as an assessment of the cyclical position of the economy.



Reputable external evaluators examine the actions carried out by the institution.

Moreover, they also suggested studying the design of a non-quantitative risk assessment procedure and the systematic generation of alternative scenarios and sensitivity analysis.

As part of the plan of action envisaged for implementing the necessary reforms, the Banco de España is to carry out a cost-benefit analysis of the possible inclusion of some auxiliary models in the next version of the MTBE and will publish, on an annual or biennial basis, an analysis of the economy's potential growth capacity in the medium and long term, which will include a regular assessment of the cyclical position of the economy. In addition, when necessary, the Banco de España will resume publishing alternative scenarios and sensitivity analyses, and will assess (and, where appropriate, implement) the appropriateness of a non-quantitative procedure for determining risk factors in projections, the likelihood that they will materialise, the magnitude of their possible impact, as well as the possibility of establishing ranges with regard to the inclusion of uncertainty in the projections.


c) External evaluation of the application of technological innovation to the prudential oversight function

The exercise included an analysis of the Suptech strategy, governance, training, development and recruitment of profiles, as well as the institution's degree of maturity in this field.

The report prepared by the evaluation committee and its corresponding action plan are to be published in the near future, and will include the measures proposed by

the management of the Banco de España in relation to the areas of improvement identified during the year and the recommendations made by the evaluators.

In addition, given the systematic nature of the Evaluation Programme, the Evaluation Plan approved in April 2023 by the Banco de España Governing Council for the 2023-2024 period envisages carrying out three evaluations during this term. The first two, which began at the end of 2023 and are expected to end during the first half of 2024, will evaluate the conduct supervision activity and international cooperation activity. The third, which is scheduled to start at the end of the first quarter of 2024, ending in the last quarter of 2024, will address the Banco de España’s macroprudential policy.



For more information on [the evaluations completed in 2022-2023](#) and [the evaluations in progress](#), see the Banco de España website.

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3 ECONOMIC ANALYSIS, RESEARCH AND STATISTICS

ECONOMIC ANALYSIS, RESEARCH AND STATISTICS			
	What does it consist of?		
	It is based on the analysis of the national and international economic situation and the preparation of the statistical data necessary to carry it out.		
	Why is it important?	It makes it possible to inform the monetary policy decisions adopted by the European Central Bank and in which the Banco de España participates, as well as the measures designed to guarantee financial stability. It also makes it possible to provide advice to the Government.	What does the Banco de España do?
	What is the objective?	Facilitate economic decision-making in the public and private sectors, in particular decisions on monetary policy and financial stability.	
			Prepare and publish reports, research and statistics on the current economic situation and future projections, both for the real and the financial sector of the economy.

3.1 Economic analysis and research

In 2020, the strategic framework for the Banco de España's medium-term analysis and research priorities was defined. These priorities were structured around five major themes:

- central bank policies and interactions;
- long-term trends in the Spanish economy;
- risks and opportunities arising from the international environment;
- the aggregate consequences of the heterogeneity of households and firms;
- the challenges posed by new technologies.

For each of these priority analysis blocks, different lines of work were established, which, due to the changing economic environment in which economic analyses and research are carried out, are reviewed every year. The 2023 [update](#) states that, over the next few quarters, efforts will focus primarily on the analysis of:

- Inflation dynamics and the monetary policy stance, and their impact on the financial markets, the main macroeconomic aggregates, households, firms and the banking sector.
- Appropriate bank solvency levels in Spain, bearing in mind the characteristics of the Spanish banking system and the Spanish economy and how they compare with the situation of other European financial systems, and cost-benefit analysis of macroprudential tools such as a positive neutral countercyclical capital buffer rate.
- The fiscal policy stance and its implementation, its interaction with monetary policy, and public debt sustainability, all against the backdrop of a new fiscal governance framework for the euro area.
- The latest developments in the Spanish labour market and the main factors – such as demographic change and new technologies – that will influence labour market behaviour in the coming years.
- Recent residential housing market dynamics in Spain and their determinants, with particular focus on affordability issues.
- Recent international bank crises and their outcome, the involvement of new technologies, the role of prudential supervision and the functioning of the regulatory framework.
- The implications of the digital euro for monetary policy, the financial system and the economy overall.

Research related to the analysis of the economic and financial impact of the inflationary uptick and the change in monetary policy tone gained importance in 2023. In addition, the usual research activities at the Banco de España's headquarters continued, such as seminars (33 [seminars by external speakers](#) and 39 by internal researchers) and [conferences](#) (16 organised or co-organised by the Banco de España in 2023), which were held in either on-site or hybrid formats. This year's [annual research conference](#) was dedicated to the implications of a context of high inflation for monetary policy; meanwhile, the [second edition of the annual conference on issues especially relevant to the Spanish economy](#) dedicated its sessions to the labour market, productivity, monetary policy and public finance and energy markets. Mention should also be made of the participation of the Bank's researchers in Eurosystem and international research initiatives and networks, such as Research Clusters, the new research network on the challenges for the transmission of Eurosystem monetary policy and the annual Joint Research Programme promoted by the Centre for Latin American Monetary Studies (CEMLA), as well as in numerous top-level specialised seminars and conferences.



In 2023, the analysis of the possible impact of rising energy prices and the ecological transition on the long-term growth of the Spanish economy was important.

Box 2.1 summarises the main documents related to economic analysis and financial stability published by the Banco de España in 2023.



Section 5 of chapter 1 of this Report contains more information about the Banco de España publications.

Research activities throughout 2023 covered a wide range of areas.

With regard to the analysis of the economic situation in Spain, once the most acute phase of the energy crisis had been overcome, the priorities for analysis focussed on the persistence of inflation episode and the characteristics of the deflationary process, with special emphasis on the evolution of the most stable components and the knock-on effect of inflation on business margins and labour costs. In addition, the fiscal and macroeconomic impact of the measures deployed to mitigate the effects of the price uptick was analysed in detail, as well as their ability to focus on the most vulnerable agents. Special attention was also paid to issues related to the greater strength of activity in Spain throughout 2023, compared to the wider European context, and it was deduced that the greater resilience of the Spanish economy could be related, at least in part, to the lower comparative weight of the manufacturing branches. In addition, within these branches, those that are more energy intensive – which are the ones that are showing the greatest weakness – have been showing a better relative performance in Spain than in the euro area.

On a longer-term horizon, priority was given to further studying the factors affecting the economy's potential growth. Specifically, in addition to continuing to make progress in the analysis of the impact on potential growth of Next Generation EU

PUBLICATIONS RELATED TO ECONOMIC ANALYSIS AND FINANCIAL STABILITY

- In the course of 2023, 34 [Working Papers](#) and 19 [Occasional Papers](#) were published. In terms of external publications, there were a total of 37 articles in peer-reviewed academic and professional journals, in addition to another 28 articles that had been accepted and were pending publication at the end of the year. Furthermore, 9 articles were published in other journals and books, and another had been accepted and was pending publication at the end of 2023.
 - Meanwhile, the [Annual Report](#) contains numerous original analytical contributions in both chapters 1 and 2, on recent developments in the Spanish economy and the challenges facing economic policies in Spain, respectively, and in the thematic chapters. In 2023, the [2022 Annual Report](#) was published, which focused mainly on [the episode of inflationary tension in the euro area and the monetary policy response](#) and [short-term adjustment as well as the remaining challenges in Spain and the European Union \(EU\) in the face of the energy crisis](#).
 - Moreover, four times a year, [macroeconomic projections for the Spanish economy](#) are published, setting out the Banco de España's vision of the macro prospects for the economy, usually for the next three years. The projections are presented to the media, at a press conference, the same day they are published. During 2023, these projections were also presented to social agents and the academic community, specifically in Badajoz, Palma, Valladolid and Murcia.
 - Since 1979, the [Economic Bulletin](#) has gathered together the institution's economic studies and analyses of the current economic situation. In early 2023, the Economic Bulletin was converted into an electronic publication. In addition, the analysis articles previously published under the Analytical Articles and Economic Notes series, as well as the old boxes of the "Quarterly Report", now form part of this bulletin. The last article of each quarter corresponds to the ["Macroeconomic projections and quarterly report on the Spanish economy"](#), which analyses the recent evolution of the economy and includes in its analysis an update of the macroeconomic projections for the Spanish economy.
- In 2023, 54 bulletin articles were published, in addition to the 4 reports.
- Twice a year the Banco de España publishes the [Report on the Latin American Economy](#), which analyses the key recent macro-financial developments in Latin American economies, particularly those in which the Spanish banking system is most involved. The February and July 2023 reports examined, among other issues, the evolution of inflation and monetary policy responses in the region, as well as the situation of its banking systems and its external and fiscal vulnerabilities.
 - Also on a half-yearly basis, in spring and autumn, the Banco de España publishes the [Financial Stability Report \(FSR\)](#), which appraises the main risks and vulnerabilities affecting the stability of the Spanish financial system, analyses the resilience of banks and reviews the main macroprudential analysis and policy issues.
 - In 2023, two editions of the [Financial Stability Review \(REF\)](#) were published, in the spring and autumn, with a total of 11 articles by in-house researchers and experts from the Banco de España as well as external ones. The main topics discussed include recent events, such as the transfer of key interest rates to bank deposits, the new prudential regulation on crypto-assets or the banking crises of March 2023 in the United States and Switzerland, as well as structural issues in the banking sector related to climate risks. Other works published in this edition analysed energy derivatives markets in the EU and the institutional activity of the European Central Bank in the field of financial stability.
 - Likewise, also on a half-yearly basis, the [Report on the Financial Situation of Households and Firms](#) is published.
 - Additionally, since the end of 2020, the results of the [Banco de España Survey on Business Activity \(EBAE\)](#) have been published. This quarterly survey collects qualitative information on business perceptions about the evolution and prospects of turnover, prices, investment and, in general, the factors that condition the activity of Spanish companies. Nearly 6,000 companies collaborate in it.

funds, efforts were given over to analysing the possible impact of rising energy prices and the ecological transition on the long-term growth of the Spanish economy.

In the area of the international economy and the euro area, a priority focus was the analysis of the effects of geopolitical conflicts, such as the war in Ukraine or the war in the Middle East, in various dimensions: a) the effects on economic activity and prices as a result of the energy crisis and other raw materials; b) the implications of a possible deglobalisation for geopolitical reasons, and c) the promotion of the agenda for greater strategic autonomy of the European Union (EU).

Inflation received particular attention in preparation for the ECB Governing Council meetings. In this regard, numerous analyses were carried out to understand the origin of the increase in consumer prices in the euro area from different angles: a) the pressures from energy, including oil, electricity and natural gas, and also from food; b) the different influence of supply factors, such as bottlenecks or energy; c) the possible asymmetries in the transmission of the shock of energy and food raw materials to consumer inflation; d) the effects of inflation on public finances, and e) the discretionary measures taken by governments to moderate the impact of the energy shock on household incomes. Projects aimed at the analysis of the most significant emerging economies for the euro area and for Spain due to their systemic nature, such as China, or due to the material exposure of the Spanish banking system, Latin America in particular, and those related to climate change, continued to play a major role.

As regards **research on financial issues**, in 2023 a series of studies were conducted on the transmission of the increase in benchmark interest rates to the cost of financing for households and companies in Spain and in the euro area. In addition, the impact of these interest rate increases on the financial burden of Spanish companies and households, especially those under significant financial pressure, was studied. The effects of inflation on the financial situation of families were also analysed and several studies were carried out on the recent evolution of business margins in the different sectors of activity. In relation to the real estate market, a line of research was initiated that seeks to analyse the problem of access to housing in both the buying and rental markets. Finally, the Banco de España continued its research related to the evaluation of the programmes to support corporate liquidity and solvency implemented in Spain during the COVID-19 crisis.

Research in the area of monetary policy focused on the analysis of the normalisation and subsequent tightening of the Eurosystem's monetary policy via different instruments. Work also continued on a variety of issues, such as the decomposition of the interest rate curve, the interactions between monetary and fiscal and/or macroprudential policy, the redistributive effects of inflation, the implications of the hypothetical launch of a digital euro for monetary policy and



Numerous analyses were conducted in 2023 to gain an insight into the source of consumer price increases in the euro area.

the relationship between monetary policy and the risks associated with climate change.

Research work encompassed multiple projects in the area of financial stability and macroprudential policy. Specifically, the following research actions stood out:

- Analysis of the impact on credit and capital of the activation of the countercyclical capital buffer in EU member states until 2019 and of its subsequent release after the outbreak of the pandemic.
- A study, with growth-at-risk models, of the impact of macroprudential policy and its interaction with monetary policy, as well as of bank profitability, on the evolution of credit to households and companies.
- Continuation of the modelling of the impact of macroprudential measures and their interaction with monetary policy and climate transition risks.
- Empirical study of different aspects relevant to the financial stability of business credit.
- Examination of the effect of prudential restrictions on the distribution of bank dividends during the health crisis on the willingness of investment funds in the euro area to finance the banking sector.

- Analysis of the effect on financial stability of the current transfer of the increase in official interest rates to interest rates for bank loans and deposits.
- Study of new indicators of imbalances in the commercial real estate sector and indicators of financial conditions, analysing their predictive capacity.
- Completion of the empirical study of the effect of the environmental degradation of the Mar Menor on the local housing market and the start of the analysis of the impact that the gradual process of desertification in Spain could have on business credit.

In terms of microeconomic research, the main contributions can be grouped into the following areas:

- **In terms of households and individuals**, new surveys and initiatives were implemented to measure the population's financial knowledge and access to payment services or housing, paying special attention to differences according to sex and age. In addition, the analysis of the consequences that a fall in income and the increase in inflation have on household expenditure was addressed. With regard to human capital, the evolution of the educational performance of Higher Education Vocational Training and university education after the financial crisis was examined, as well as the development of human capital throughout the life cycle —referring to both education and health— and its transmission over generations. Also worth noting is the evaluation of randomised experiments of teaching tutoring programmes for primary school teachers and financial education in secondary education. Finally, tools were developed to analyse public policies, theoretically studying the best way to tax income and spending. Meanwhile, from an empirical point of view, the progressivity of personal income tax and the impact of changes in the pension system were analysed, and certain measures, such as the minimum living income, or of specific situations, such as the provision of information on public actions during COVID-19, were monitored and evaluated.
- **In the area of companies and the labour market**, the analysis of price formation in companies in an inflationary context and their reaction to rising energy prices was intensified. At the institutional level, analysis began on the impact of the labour reform of December 2021 on the business sector, according to information from Social Security records. Likewise, the Banco de España is working with microeconomic information from employment records and online employment portals in order to examine the possible difficulties faced by companies in hiring and retaining workers. With regard to the evaluation of public policies, microsimulators



In the area of energy and climate change, the Banco de España has been analysing the distribution of CO₂ emissions from Spanish homes and the energy efficiency of companies.

were developed that allow us to characterise different dismissal cost and unemployment benefit patterns. Finally, in relation to the challenges of aging and automation, the evolution of health status at ages close to retirement is being studied; likewise, work is being carried out aimed at modelling the effect that automation processes have on monetary policy.

- **In the area of energy and climate change**, the local macroeconomic impact of business closures and the ability of renewable investments to attract population are being analysed. In addition, the study of the distribution of CO₂ emissions from Spanish homes and the energy efficiency of companies is worth highlighting, as well as the requirements for green vacancies compared to traditional offers.



Further information about the [Banco de España's area of economic analysis and research](#) is available on the institutional website.


3.2 Statistics

In 2023, the statistical offer continued to expand and new communication products were introduced to make information more accessible. This information is intended not only for traditional or more regular users — economic policy managers, economic analysts or researchers — but also for other types of professionals, students and the general public. The Banco de España works every day to make statistical information

more user-friendly and understandable to anyone, without the need to be an expert in the field. In this regard, the collection of information videos and interactive overviews continues to expand. In addition, a brochure has been published [that summarises the statistical offer](#) and the formats in which it is available.

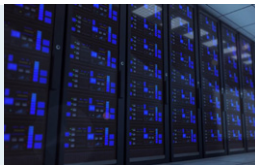
In addition, to provide the best information to support the institution's continuous improvement process, the second **“Banco de España Statistics User Satisfaction Survey”** was launched at the end of 2023, the results of which will be analysed in 2024. Finally, information sessions were held for the media, an aspect that is essential if the information is to reach the general public.

The **statistical offer** was expanded with [new BELab microdata bases](#), a [new table with details of the holding sectors of securitization bonds and commercial papers](#) and [new tables with information on business margins of non-financial corporations](#). The dissemination of new historical data sets also continued, this time with [information by Spanish autonomous communities and provinces](#). In the area of sustainability, the European System of Central Banks (ESCB) Statistics Committee began publishing [experimental European indicators](#) on sustainable finance and on physical risks and the carbon footprint of financial institutions' portfolios.



To learn what BELab offers to the research community, see the following video:

PLAY ▶







In 2023, the results of the [2021 Survey of Financial Competences](#) were also published. The objective of this survey is to study the degree of understanding of basic financial concepts, as well as the level of knowledge, possession, acquisition and use of different financial vehicles for savings, insurance or debt. The [results of this survey](#) were published on the new institutional website, meaning that they can be viewed and downloaded interactively.

The production of statistics became more efficient through the incorporation of **new tools**. For example, machine learning techniques began to be applied in information classification methods. Other tools, such as those relating to “business intelligence”, which have been in use for some time, are being applied to new tasks, such as the detection of outliers.

Schema 2.2 shows the progress of the Banco de España's statistical activity in 2023.

2023 was a year to celebrate for the Central Balance Sheet Data Office, focusing on the collation of economic-financial information from non-financial companies since 1983. Several events were organised to commemorate its 40 years


DEVELOPMENTS IN THE BANCO DE ESPAÑA'S STATISTICAL ACTIVITIES IN 2023

 <p>BELab</p>	<ul style="list-style-type: none"> — New microdata databases: <ul style="list-style-type: none"> — Loans from the CCR and economic indicators from the Central Balance Sheet Data Office (CIR_CBI). — Foreign Portfolio Investment (ICE). — Sustainability Indicators (CBS). — Information meetings at Spanish universities and collaboration with other data laboratories.
 <p>Statistical offering</p>	<ul style="list-style-type: none"> — New datasets with information by autonomous communities and provinces. — 2021 Survey of Financial Competences. — Adaptation to new European regulations on international business statistics (<i>Structural Business Statistics</i> and <i>Foreign Affiliates Statistics</i>). — New table with details of the holding sectors of securitisation bonds and commercial papers. — New tables with information on business margins of non-financial corporations.
 <p>Statistical communication</p>	<ul style="list-style-type: none"> — Redesign of web pages with more accessible and visual information. — New website for the Survey of Financial Competences. — Increased offering of information videos, with one dedicated to the Central Balance Sheet Data Office and the other to BELab. — New informative brochures, on the statistics released by the Banco de España and their formats, and on the Central Balance Sheet Data Office. — 2023 Banco de España user satisfaction survey statistics. — Surveys of partner and non-partner companies with the Central Balance Sheet Data Office. — New interactive visualisations of supervisory statistics for credit institutions and the housing market. — Media information sessions on statistics compiled by the Banco de España.
 <p>Publications</p>	<ul style="list-style-type: none"> — “Micro-database for sustainability (ESG) indicators developed at the Banco de España (2022)”. Statistical Notes 17, Banco de España. — 2021 Survey of Financial Competences. Banco de España. — Banco de España Statistics Information Bulletin. Monographic issue on the Central Balance Sheet Data Office.

SOURCE: Banco de España.


of activity. The aim of one of them was to convey the Banco de España's gratitude to the people and institutions that, through their work, have contributed to the development of this service. This anniversary was also celebrated in Madrid and Barcelona, with the collaborating companies and with the researchers who use these data. These events were an opportunity to analyse achievements as well as future challenges.

Finally, an information video was produced about the activity of the Central Balance Sheet Data Office, which is a contrast to the video that was created in 1984 reflecting the first steps taken in this area.




The following video explains the activities carried out by the Banco de España's Central Balance Sheet Data Office:

PLAY



4 MONETARY POLICY IMPLEMENTATION, ASSET AND FINANCIAL RISK MANAGEMENT, AND PAYMENT SYSTEMS

MONETARY POLICY	
	What does it consist of? It is the set of decisions and measures adopted by the monetary authority, the Eurosystem, to influence the cost and availability of money in the economy, with the primary objective of achieving price stability.
	<div> <div> Why is it important? The economy works best when prices remain stable, as money retains its value and individuals and companies can plan their spending and investments more efficiently. </div> <div> What does the Banco de España do? As part of the Eurosystem, it works, together with the ECB and other central banks in the euro area, on the design and execution of monetary policy. </div> </div>
What is the objective? The objective is an inflation rate of 2% in the medium term.	

4.1 Monetary policy implementation

A contractionary monetary policy was implemented in the Eurosystem during 2023, continuing the cycle that began in 2022. Faced with high and sustained inflationary pressure, the Governing Council of the ECB agreed to six consecutive increases in its three official interest rates and put an end to reinvestments under the asset purchase programmes.

Official interest rates were the main instrument of monetary policy. The three official interest rates increased during the year by a total of 200 basis points (bps), reaching 4.5% for the main financing transactions, and 4.75% and 4%, respectively, for the marginal credit facility and the deposit facility. Half of the increase was concentrated in the first quarter of the year, as rates increased by 50 bps at the Governing Council meetings in February and March, in line with higher inflationary pressures. However, the increases fell to 25 bps in the next four meetings, which were held from May to September. In October, the Governing Council of the ECB paused the increases for the first time since July 2022, because although inflation was still high, it had begun to fall due to the firm and ongoing effect that the previous interest rate increases were having on financing conditions in the economy.

The remuneration of the minimum reserves that credit institutions are required to hold, on average, in their Eurosystem national central banks **decreased** as of September 2023 **and was set at 0%, rather than at the deposit facility rate.** The Eurosystem thus seeks to preserve the effectiveness of monetary policy, maintaining

the current degree of control over the direction of that policy and ensuring the full transmission of the decisions of the Governing Council on interest rates to the money markets.

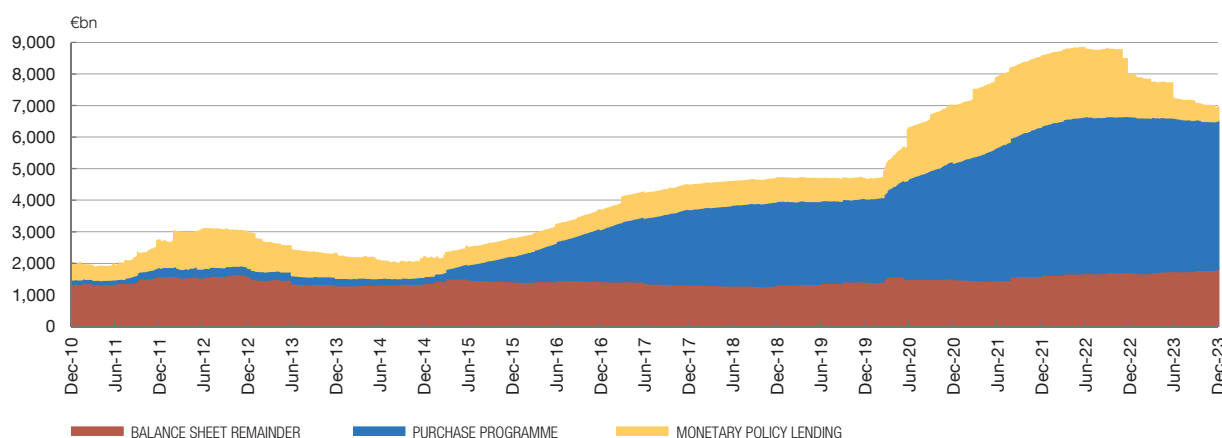
a) Longer-term financing operations

The long-term funding that the Eurosystem granted to banks through longer-term operations with a specific objective (TLTRO-III) fell by **925 million euros in 2023**. Of this amount, 506 million euros accounted for the amortisation of transactions that matured in June. The rest was the result of: a) the banks' decision to prematurely amortise part of the financing received from the TLTRO-III in the different windows scheduled for this purpose during the year, and b) the maturities that occurred in March, September and December.

Thus, the balance of TLTRO-III transactions at the end of 2023 stood at 392 million euros, compared to its maximum value of 2,206 million euros reached in September 2021. **This is the factor that most contributed to the Eurosystem's balance sheet decreasing by 821 million euros in the year**, since its replacement by another type of Eurosystem financing was residual, as seen in Chart 2.1.

Chart 2.1

EVOLUTION OF THE EUROSISTEM'S BALANCE SHEET



SOURCE: Banco de España.

b) Collateral framework

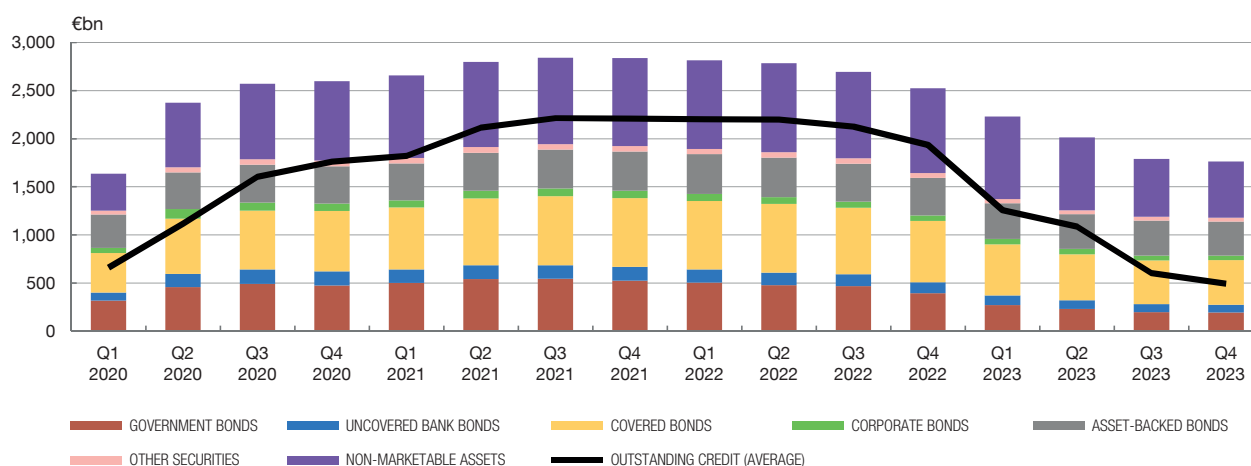
During 2023, the Eurosystem continued to withdraw the easing measures from the collateral framework adopted in April 2020. It is worth noting, on the one hand, the elimination of the remaining 10% of the temporary reduction in the valuation haircut, which applied to all eligible assets, and, on the other, the cessation of the

acceptance of State-backed loans managed by the Official Credit Institute (ICO) as discountable collateral by the Banco de España.

Chart 2.2 shows the significant decrease that occurred over the year in the total amount of collateral assets used (30%), from 2,525 million to 1,762 million euros. This decline occurred mainly as a result of the reduction in the use of government bonds (50%), non-marketable assets (34%) and covered bonds (28%), due to counterparties' reduced financing needs.

Chart 2.2

USE OF COLLATERAL WITH THE EUROSISTEM



SOURCE: ECB.

c) Asset purchase programmes

The Eurosystem used asset purchase programmes to provide monetary stimulus to the economy, in a setting in which the key ECB interest rates are very low. The programmes in place during 2023 were the Pandemic Emergency Purchasing Programme (PEPP) and the Asset Purchase Programme (APP).¹ Currently, the Eurosystem only makes reinvestments in the PEPP, depending on the maturities that occur in the programme. Meanwhile, reinvestments in the APP were suspended in July 2023. The main features of these programmes are:

¹ Net purchases of these programmes ended in March and July 2022, respectively, for the PEPP and the APP.

Asset Purchase Programme²

In December 2022, the Governing Council of the ECB announced that the full reinvestment of maturities would continue until February 2023, and that thereafter reinvestments would be reduced at a limited and predictable rate. Specifically, it stated that until the end of the second quarter of 2023, the reduction in reinvestment would amount to 15 million euros per month on average, with the rate of reduction for subsequent periods to be determined at a future date. On 4 May 2023, the Governing Council announced that it expected to suspend reinvestments under the APP as of July 2023, which was confirmed in its decision of 15 June 2023.

With regard to the inclusion of climate considerations in the monetary policy framework, the Eurosystem aims to implement a decarbonisation path that is compatible with the objectives of the Paris Agreement. In July 2022, the Governing Council resolved to take further steps to include climate considerations in the Eurosystem's monetary policy framework: (i) to adjust its holdings of corporate bonds in the monetary policy portfolios and its collateral framework; (ii) to introduce climate disclosure requirements; and (iii) to improve its risk management practices. The aim of these measures is to take into account the financial risk associated with climate change in the Eurosystem's balance sheet and to support the green transition of the economy in line with the EU's climate neutrality objectives. In addition, these measures seek to provide incentives for companies and financial institutions to reduce and be more transparent about their carbon emissions. As a result, the Eurosystem decided to tilt reinvestments towards issuers with better climate performance.

Pandemic Emergency Purchasing Programme³

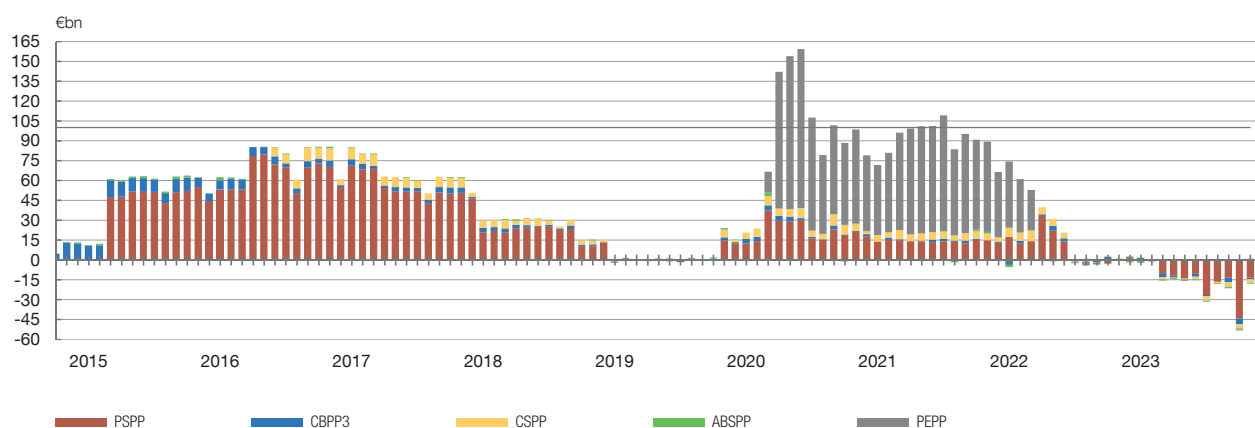
On 14 December 2023, the Governing Council of the ECB: a) decided that the maturities of the securities acquired under the PEPP should be fully reinvested until the end of the first half of 2024; b) reported that, as of that date, reinvestments would decrease at an average rate of 7.5 million euros per month; and c) indicated that reinvestments in this framework were expected to conclude at the end of 2024.

In this regard, in the event of further pandemic-related market fragmentation, the Eurosystem may adjust PEPP reinvestments at any time in a time-flexible manner

² The APP has been implemented since late 2014. It consists of several subprogrammes, defined according to the type of asset purchased: PSPP, CBPP3, CSPP and ABSPP. On 9 June 2022, the Governing Council of the ECB decided to suspend net asset purchases under the APP as of 1 July of that year, but to continue to reinvest the full amount of the principal of the securities that matured.

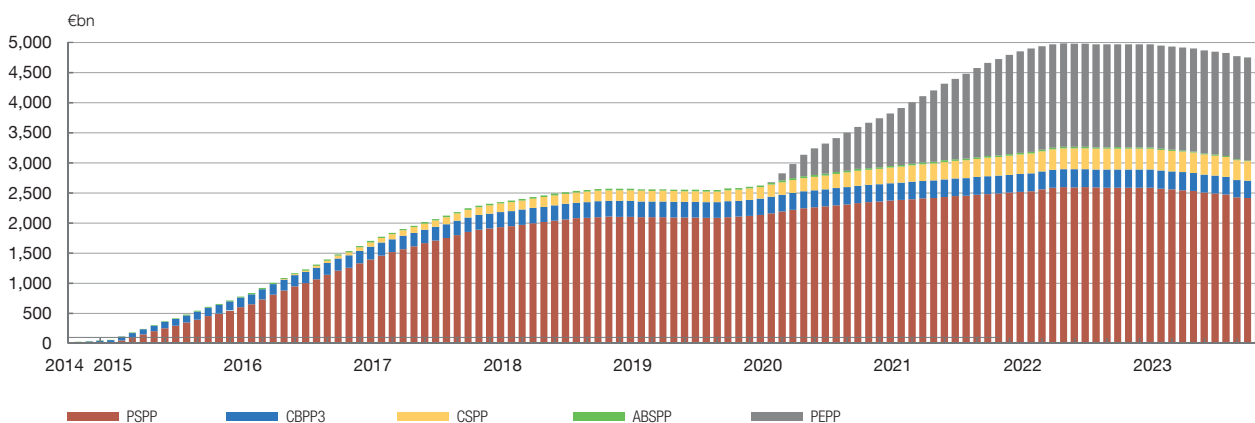
³ This programme was launched in March 2020 to counter the impact of the pandemic on the monetary policy transmission mechanisms and on the economic outlook for the euro area. Eligible assets for the PEPP are similar to those of the APP, however, the PEPP is endowed with greater flexibility. Its initial budget was 750 million euros, later extended to 1,850 million euros, with cumulative final net purchases that amounted to a total of 1,718 million euros.

Chart 2.3

MONTHLY PURCHASES, BY PROGRAMME (APP AND PEPP)

SOURCE: ECB.

Chart 2.4

CUMULATIVE PURCHASES UNDER THE APP AND THE PEPP

SOURCE: ECB.

across asset classes and across jurisdictions. This reinvestment adjustment mechanism is the first line of defence against fragmentation.

Also, with the aim of fostering the smooth functioning of markets, securities lending facilities for APP and PEPP holdings were established in the Eurosystem, thereby helping to reduce tensions in the repo market, especially in the quarter-end and year-end periods. These facilities functioned satisfactorily throughout 2023.

Charts 2.3 and 2.4 show the evolution of monthly purchases of the APP and the PEPP, as well as cumulative purchases.

Transmission Protection Instrument

This tool can be activated to counteract disorderly market dynamics that jeopardise the effective transmission of monetary policy in the euro area. Faced with the eventuality of an unjustified fragmentation of the public debt market,⁴ in July 2022, the Governing Council of the ECB approved the creation of the Transmission Protection Instrument (TPI). Provided certain criteria are met,⁵ the Eurosystem can make secondary market purchases of public sector bonds issued in jurisdictions with deteriorating financing conditions that are not attributable to country-specific fundamentals. Purchases under the TPI will be conducted in such a way that the programme does not have a permanent impact on the Eurosystem's balance sheet and, therefore, does not affect the monetary policy stance. The TPI will constitute the second line of defence against fragmentations.



See the [frequently asked questions about monetary policy](#) on the Banco de España website.

4.2 Asset and financial risk management

As regards the management of own portfolios, the diversification of foreign reserve holdings continued, both across currencies and across issuers with high credit ratings. Likewise, the agent-brokered securities lending programme for the US dollar portfolio (introduced in 2020) continued, as did tasks undertaken for third parties, such as the management of a portion of the ECB's foreign reserves and acting as a financial agency in relation to the portfolios of the Social Security Reserve Fund and the Deposit Guarantee Scheme.

The management of the financial risks arising from these portfolios is underpinned by a strict control process to ensure that these risks are prudently assumed and that the investments provide an efficient risk/return mix.

For the fifth consecutive year, and in response to the second of the recommendations published by the Network for Greening the Financial System (NGFS) in 2019,⁶ **sustainability and responsibility principles were applied in own-portfolio investment decisions**, increasing the proportion of green bonds through the

⁴ This programme is mainly oriented at public sector securities with a maturity of one to ten years. However, private sector securities may be included.

⁵ These criteria are the following: a) compliance with the EU fiscal framework; b) absence of serious macroeconomic imbalances; c) fiscal sustainability, and d) sound and sustainable macroeconomic policies.

⁶ For more details, see NGFS. (2019). *A call for action – Climate change as a source of financial risk*.



The Banco de España is committed to promoting sustainable finance.

broadening of an impact portfolio. This increase will materialise through direct investment in green bonds denominated in different eligible currencies.

The incorporation of sustainability criteria in the management of its own portfolios reflects the Banco de España's commitment to the NGFS objective of promoting sustainable finance. It is also consistent with the common position reached within the Eurosystem in February 2021 to incorporate sustainable and responsible investment principles into non-monetary policy portfolios.⁷ In this regard, the Banco de España continued to make progress in the process of identifying, assessing and managing the exposure of its own portfolios to climate change-related risks. The institution monitored these contingencies as part of the overall risk management process, which also includes the solvency analyses of non-financial corporations carried out by the Banco de España's in-house credit assessment system.

In March 2023, the first report on the climate aspects of investment portfolios in euros not related to monetary policy was published, entitled *Climate-related aspects of the Banco España's non-monetary policy portfolios*. This report follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) for the disclosure of the process of incorporating climate aspects in terms of governance, strategy, risk management, metrics and objectives.

⁷ This common stance is the outcome of the work carried out by a high-level group within the Eurosystem, of which the Director General of Operations, Markets and Payment Systems is a member, and by other Eurosystem working groups in which other members of that Directorate General continue to participate.



For further information on environmental sustainability at the Banco de España, see [section 10 of this chapter](#).

4.3 Payment systems and market infrastructures

Securities payment and settlement systems are basic mechanisms for countries' economic and financial activity. Broadly put, they constitute the infrastructure through which assets are mobilised in an economy.

The Banco de España manages the Spanish component of the TARGET large-value euro payments system, which in 2023 settled a total of close to 7 million transactions, with a value of more than 15 billion euros. Compared to 2022, these figures represented an increase of almost 1% in the number of transactions and of more than 12% in their total value. 73 Spanish entities participate directly in TARGET, providing service to 105 other entities.

Of the TARGET services mentioned in Box 2.2, **the Banco de España is a T2S provider for the Eurosystem and, consequently, is responsible for the operation and maintenance of this platform.** This activity is carried out together with the central banks of Germany, France and Italy. During 2023, five new central securities depositories migrated to T2S. These include the Finnish one, which is characterised by the management of a system for the direct holding of securities accounts at end investor level, so its incorporation meant the adaptation of T2S to be able to operate a large number of accounts.

The Banco de España also **acts as a provider in the development of the Eurosystem project called ECMS for the creation of a single platform that manages guarantees in its financing operations.** It will also be responsible for its future maintenance and operation. This system will replace the 20 systems currently in force in the national central banks that make up the Eurosystem. In 2023, this project was immersed in the testing phase by users. It is scheduled to come online in November 2024.

The common platform that the Banco de España and the Banque de France use to manage **central bank market operations (MAPS)** handles the end-to-end processing of these operations from trading to final settlement and accounting. In 2023, work was carried out for the integration of the Central Bank of Ireland, which was to take place in February 2024. With this addition, the list of national central banks that use it will increase to six, representing almost 40% of the euro area's GDP.

THE COMPLETION OF THE T2-T2S CONSOLIDATION PROJECT

On 6 December 2017, the Governing Council of the European Central Bank approved the T2-T2S consolidation project, with the objective of consolidating and optimising TARGET2 and TARGET2-Securities (T2S), reducing costs and improving liquidity management in its various services. As a result, on 20 March 2023, the new TARGET system was successfully launched.

As the operator of the Spanish component of TARGET, the Banco de España manages and coordinates the project, with the participation of a large number of the institution's departments. In addition, the Banco de España assists the Spanish banking community, made up of more than one hundred entities, throughout the migration process. The successful launch reflects the commitment and efforts of all parties.

TARGET provides central liquidity management services, including the settlement of central bank transactions, the real-time gross settlement of large payments, cash payments in connection with the settlement of securities, and the settlement of immediate payments.

The services mentioned above are structured as follows:

- **T2**, with two components:
 - **CLM**, centralised liquidity management and monetary policy operations.
 - **RTGS**, real-time gross settlement for payments in euros, where interbank payment transactions, customer payments and settlements of linked systems (vaults) are settled.
- **T2S (TARGET2-Securities)** is the technical infrastructure through which the Eurosystem provides central securities depositaries with domestic and cross-border securities settlement services, through the delivery versus payment procedure in central bank money.
- **TIPS (TARGET's instant payment settlement service)** is the technical infrastructure through which the Eurosystem provides participants with the settlement of instant payment orders in central bank money. It is available 24/7/365 and allows funds to be credited to the end beneficiary's account in a matter of seconds.

Finally, the Banco de España is actively participating, together with the rest of the Eurosystem's central banks, in the **digital euro project**, as detailed in Box 2.3.



For further information on [payment systems and market infrastructures](#), see the Banco de España website.

THE DIGITAL EURO PROJECT

The Eurosystem has been analysing the possibility of issuing a digital euro for several years now. It would essentially be a digital version of cash that would allow people who so wish to make their electronic payments with central bank money. It would not be a new currency nor would it mean the disappearance of banknotes and coins. It would simply consist of offering society two different, but complementary, forms of public money. However, it is a complex decision because of the multiplicity of designs that a digital euro could adopt and because of its possible impact on the stability of the financial system or the effectiveness of monetary policy. Therefore, in order to analyse these issues, **in July 2021, the Eurosystem launched the digital euro project.**

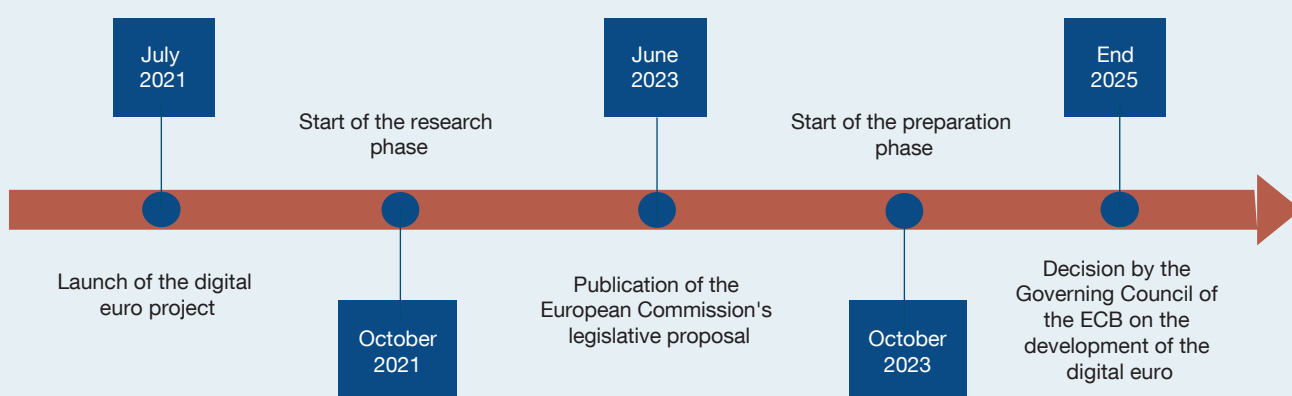
Two years after its inception, **in October 2023, the research phase concluded.** Over these two years, the Eurosystem has analysed the different design options, as well as distribution models, and the viability of a settlement model. The results of this analysis¹ led to the conclusion that **it is possible to design a digital euro that responds to the needs of society and that, at the same time, does not introduce distortions to the financial and monetary system.**

Thus, **the digital euro would be a new electronic payment method issued by the Eurosystem,**

accessible to all individuals and legal entities in the euro area through supervised intermediaries. Given its nature as a public asset, it would be free for basic operations and easy to use via a mobile phone, for example. It could be used to make payments between individuals, in physical or online commerce, and the payment of funds would be instant. It would also include an offline mode, meaning it could be used without the need for an internet connection. This option would also offer a level of privacy very similar to cash, since the operation would be carried out between user devices, without the intervention of an intermediary.

In view of the conclusions of the research phase, **the Governing Council of the European Central Bank (ECB) agreed, in October 2023, to continue to advance work on the digital euro, thus giving way to the project preparation phase.** The aim of this new phase is to lay the foundations that would allow the Eurosystem to develop a digital euro. However, **the decision to issue it has not yet been taken.** Among other things, any decision on its possible issue is subject to the existence of an appropriate regulatory framework. In this regard, the [legislative proposal](#) adopted by the European Commission in June 2023 is a step forward in building the necessary legal support.

Schema 1
CALENDAR OF THE DIGITAL EURO PROJECT



SOURCE: Banco de España

¹ These results are set out in the report entitled *A stocktake on the digital euro*, published by the ECB on 18 October 2023.

5 BANKNOTES AND COINS

BANKNOTES AND COINS



What does it consist of?

Among the most significant functions entrusted to the Banco de España are the issuance of euro banknotes, carried out together with the Eurosystem, and the circulation of euro coins on behalf of the State.

Why is it important?

Cash performs two basic roles in society: it is a means of payment and a store of value. In addition, it is available to everyone, is key to the social inclusion of vulnerable people and allows payments to be settled without the intervention of third parties.

What does the Banco de España do?

Estimate future needs for banknotes and coins; control the production of banknotes; safeguard and distribute cash; verify the authenticity and state of use of cash, and destroy banknotes unfit for circulation.

What is the objective?

To ensure that the demand for cash is met throughout Spain and to safeguard the integrity of banknotes and coins, ensuring that they are in good condition and there are no counterfeits.

5.1 Banknote and coin management

The Banco de España, as a member of the ESCB, has functions that include issuing legal tender euro banknotes, which it does together with the ECB and the other euro area national central banks. It also puts euro coins into circulation on behalf of the Spanish State.

Banknote and coin management is guided by a twofold objective: (i) to ensure that the demand for cash is met throughout Spain and (ii) to safeguard the integrity of banknotes and coins, i.e. to ensure that they are in good condition and there are no counterfeits.

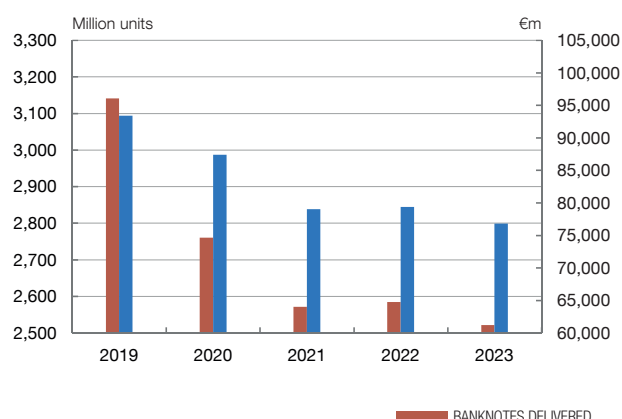
To achieve these objectives, the Eurosystem ordered a production of 3,141.70 million banknotes for 2023, of which the Banco de España, through IMBISA, produced its corresponding share.

a) Banknote issuance

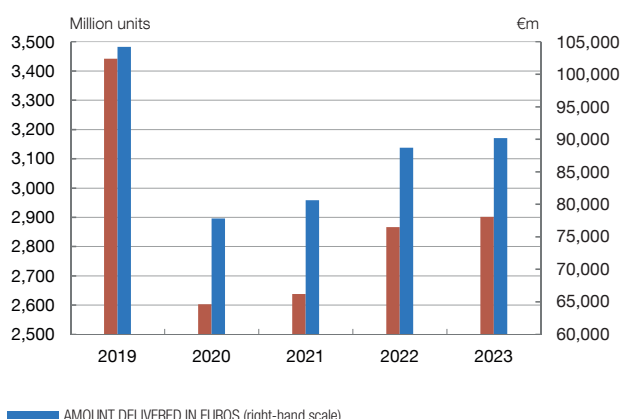
In 2023 the Banco de España delivered 2,521 million banknotes to credit institutions, for a total amount of 79,362 million euros, which represents a fall in the value of banknotes put into circulation of 3.2% on 2022 and of 17.8% on 2019. These banknotes were subsequently distributed by credit institutions over the counter

Chart 2.5
EURO BANKNOTES

1 PUT INTO CIRCULATION



2 WITHDRAWN FROM CIRCULATION



SOURCE: Banco de España.

and through ATMs both to individuals and legal entities to meet their payment needs (see Chart 2.5).

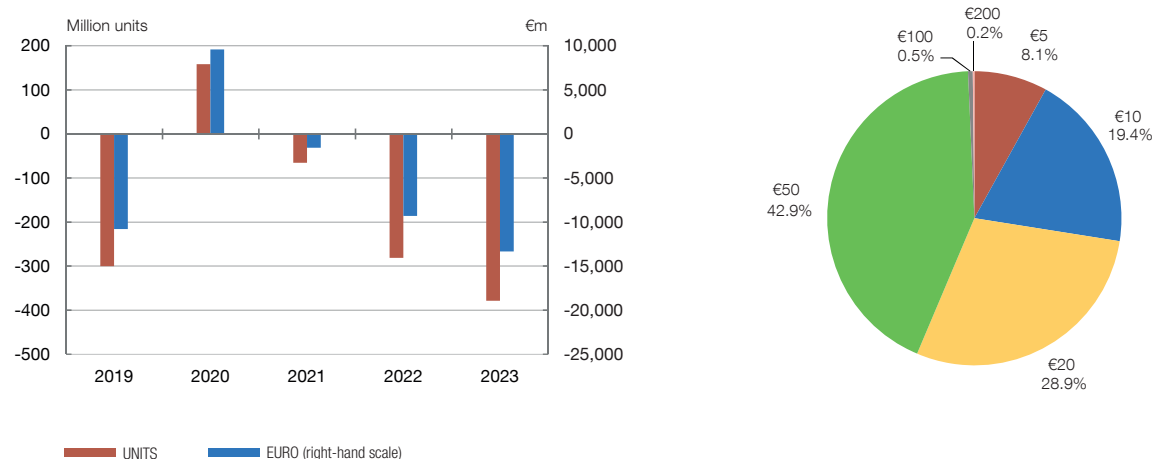
In 2023, the institution withdrew more banknotes from circulation than the previous year. Thus, **2,901 million banknotes were withdrawn in 2023, for a total of 90,140 million euros**, 1.6% more than in the previous period and 13.5% less than in 2019, both percentages in terms of amount (see Chart 2.5).

In 2023, the difference between the banknotes put into circulation and those withdrawn gave a **negative net issue of 379 million banknotes, equivalent to 13,350 million euros**, which accentuates the negative trend observed historically, with the exception of the period affected by the COVID-19 pandemic (see Chart 2.6). This is due to the relevance of the tourism sector in Spain and the cash flow from tourists' countries of origin.

The most demanded banknotes in 2023 were those usually issued by ATMs: the €50 banknote, with 42.9% of the total, followed by the €20 banknote, with 28.9% (see Chart 2.6).

In order to guarantee the quality of the banknotes in circulation, the Banco de España checks the authenticity and the fitness of banknotes received from credit institutions, companies and individuals. In addition, it monitors the cash management carried out by cash-in-transit companies' sorting centres and credit institutions.

Chart 2.6

NET BANKNOTE ISSUANCE BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

In 2023, the **Banco de España processed approximately 2,955 million banknotes**, using automated processing systems. 75.1% of the banknotes that were recovered, given their good condition, were put back into circulation; the rest were destroyed.

In addition, the **Banco de España carried out 515 control visits to the premises of cash-in-transit companies and 223 visits to bank branches**, during which the operation of 744 processing machines was checked, as well as compliance with relevant regulations and established procedures for verifying authenticity. The fitness of the banknotes and their recirculation was also verified.

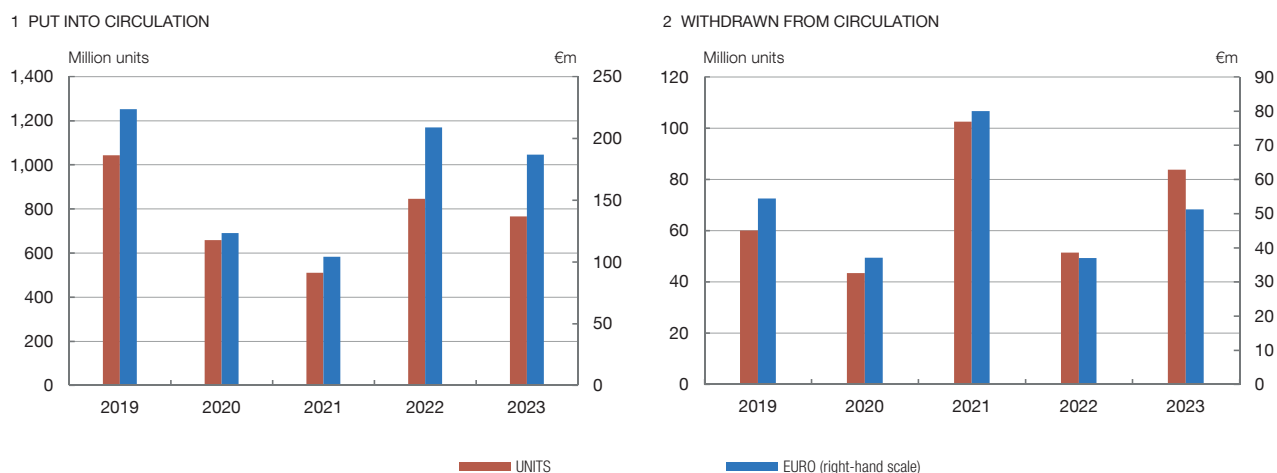
b) Coin issuance

Coin issuance increased in 2023 compared with 2022. **The Banco de España put 765.4 million coins into circulation, for a total of 208.8 million euros**; this was up 9.4% on 2022 and 26.6% down on 2019 (in terms of millions of coins) (see Chart 2.7).

In this regard, the release of the 1 euro coin into circulation, which accounted for 13.8% of the total, and of the coins with the lowest face value (5, 2 and 1 euro cents), which represented 61.4% of the total number of coins (see Chart 2.8), stands out.

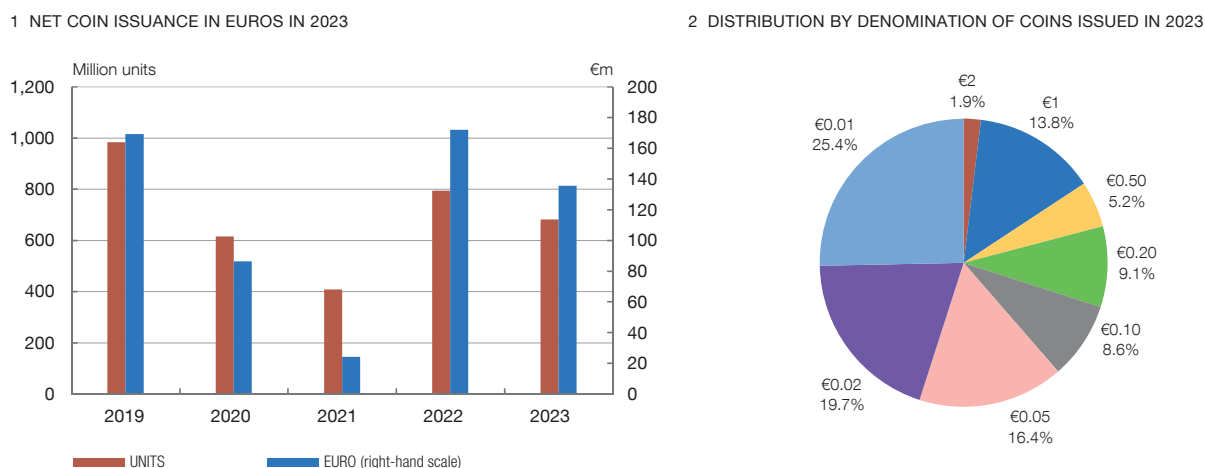
Meanwhile, a total of 83.8 million coins, amounting to 51.2 million euros, were withdrawn from circulation; 63.1% less than in 2021, in terms of the number of coins. It should be noted that the coins withdrawn from circulation were mainly 2, 1 and 0.50 euros, which represented 47.8% of the total in number. Those with the

Chart 2.7

COINS DELIVERED AND COLLECTED BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

Chart 2.8

NET COIN ISSUANCE BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

lowest face value, of 5, 2 and 1 euro cents, on the other hand, represented only 25.3% of the total number of pieces (see Chart 2.7).

The difference between the coins distributed and collected by the Banco de España, i.e. net issuance, was 681.9 million units, amounting to €135.6 million euros. As a result, in 2023 the net issuance of coins in terms of units and euro value was down by 14% and 21%, respectively, on 2022 (see Chart 2.8).

Small coins of 1, 2 and 5 euro cents accounted for 65.9% of the year's net issuance. The most demanded coin (among those of high denomination) in Spain was the €1

coin (12.7 %). This is in contrast with other Eurosystem countries, which prefer the €2 coin.

In order to ensure the authenticity and optimal condition of the coins in circulation, in 2023 the Banco de España conducted inspection visits at 19 processing centres, representing 32% of the total and checked the correct functioning of the coin processing machines. Overall, around 1,100 million coins of the three highest denominations (€2, €1 and €0.50 coins) were checked.



See the “[Banknotes and coins](#)” section of the Banco de España website for information on the issuance of banknotes and the circulation of coins.

5.2 Cash and other means of payment

In 2023, the second edition of the *Study on cash use habits* was published. This document analyses the habits of the Spanish population, small businesses and the hospitality sector in relation to the most common means of payment and to cash, in particular. In addition, it contains information on current issues related to cash, such as access to physical money in towns without a bank office, alternative payment methods, new forms of cash withdrawal or the digital euro.

This edition shows little change, compared to 2022, in the frequency of use of traditional payment methods: cash continues to be what the highest percentage of Spaniards use daily in physical establishments (65%), followed by bank cards (32%). In third place, use of mobile devices is on the up, favoured by 10% of the population, compared to 7% in 2022.

Age and level of education continue to be the determining factors in the use of means of payment, as can be seen in Table 2.1. Thus, in all age groups – except for those between 25 and 34 years of age – cash is used more than the rest of the means of payment. People over 54 years of age use cash the most, in their daily lives, to make payments, while those between 25 and 44 use cards the most; in addition, younger people use mobile devices more frequently. Regarding the level of education, in all groups the use of cash is higher than other means of payment, although people with a basic education are the ones who use cash the most on a daily basis, while cards are more used by people with a middle and higher education, with mobile devices used by those with a higher education.

The main reasons for using cash are convenience, habit and spending control. On the other hand, convenience and speed are the most common reasons for using cards.

Table 2.1

PERCENTAGE OF DAILY USE OF MEANS OF PAYMENT

%	Cash		Card		Mobile devices	
	2022	2023	2022	2023	2022	2023
Total	64	65	32	32	7	10
18-24 years	43	48	32	30	23	25
25-34 years	53	46	48	47	16	23
35-44 years	60	62	38	43	8	13
45-54 years	70	67	35	31	3	6
55-64 years	71	77	30	27	1	4
65 years	71	74	19	20	3	1
Basic education	72	75	22	23	4	5
Intermediate education	63	66	36	36	7	11
Higher education	55	51	42	41	11	15

SOURCE: Company awarded the study.

In the short term, most people do not expect big changes in the use of cash, although this perception also varies by age.

On the other hand, the ATM is the main source for obtaining cash for three out of four people. And, although the withdrawal points are perceived to be slightly further away than in 2022, eight out of ten people in Spain can access cash within a kilometre.

Alternative channels for accessing cash, such as cash withdrawal (cashback or cash-in-shop) or the *Correos Cash* service, are still little known to the public. The same



The payment method most used by Spaniards in physical establishments is cash.

applies to the digital euro project, knowledge of which among the population remains low, albeit rising, now at 20%, compared to 17% in 2022. Once again, age has an impact when it comes to preparedness to use it, with young people showing a greater predisposition.



For more information on the *“Study on cash use habits 2023”* see the Banco de España website.

5.3 Combating banknote and coin counterfeiting

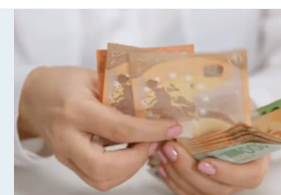
The Banco de España is tasked with analysing and identifying suspected counterfeit euro banknotes and coins in Spain. The detection of counterfeit banknotes and coins is coordinated with the Banco de España Monetary Offences Investigation Brigade, attached to the Central Economic and Fiscal Crime Unit of the General Judicial Police Force, which is responsible for investigating and prosecuting crimes related to the counterfeiting of national and foreign currency.

In addition, the Banco de España carries out an exhaustive check of the condition of the machines that process banknotes or coins, in order to guarantee their reliability and detect counterfeits. At the same time, it encourages the dedication of resources to the training of citizens and professionals involved in the recirculation of cash.



For more information on how the fight against counterfeiting is structured, see the following video:

PLAY ▶



a) Banknote counterfeiting

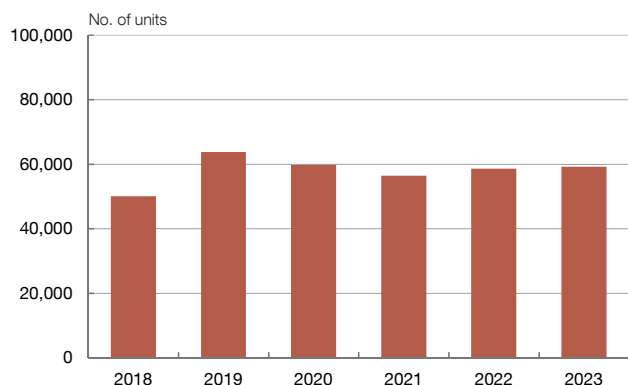
In 2023, a total of 59,196 counterfeit euro banknotes were withdrawn from circulation in Spain, up 1% on the 2022 figure, with an increase in the traditional forms of counterfeiting. In addition, in 2023 the NAC (National Analysis Centre) recorded a further 84,143 counterfeit banknotes that were seized by the police before going into circulation.

As was the case in 2022, illegal reproductions of euro banknotes were significant in 2023. These are banknotes that, even though they have inscriptions specifying that they are "copies", "not legal tender" or are to be "used only for films or as props" can be confused with authentic banknotes.

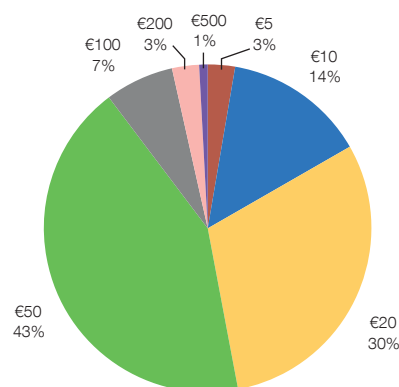
Chart 2.9

COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN. TIME SERIES (2018-2023) AND BREAKDOWN

1 TIME SERIES



2 BREAKDOWN BY DENOMINATION IN 2023




SOURCE: Banco de España.

Chart 2.9 shows developments in counterfeit euro banknotes withdrawn from circulation since 2018, and a breakdown by denomination in 2023.


The €50 denomination is the most counterfeited banknote, followed by the €20 and €10 denominations; together, these account for approximately 87% of all counterfeits withdrawn from circulation.

In 2023, Spain ranked third in the Eurosystem for the identification and withdrawal from circulation of counterfeit euro banknotes. The likelihood of receiving a counterfeit banknote was very low, with just 17 counterfeits per million genuine banknotes in circulation.



Verifying the legitimacy of a banknote is very simple with the “touch, look, turn” method, which is explained in the following video:

PLAY ▶



b) Coin counterfeiting

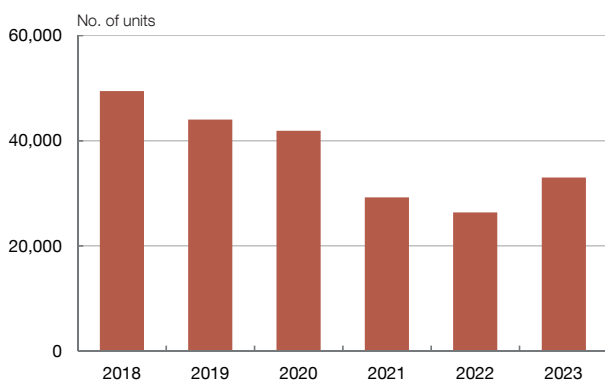
In 2023, the total number of 32,969 counterfeit coins were removed from circulation in Spain, 25% more than in 2022, when 26,362 coins were removed.

Chart 2.10 shows developments in the number of counterfeit euro coins withdrawn from circulation since 2018, and a breakdown by denomination in 2023.

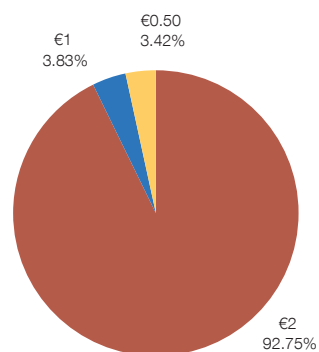
Chart 2.10

COUNTERFEIT EURO COINS WITHDRAWN FROM CIRCULATION IN SPAIN. TIME SERIES (2018-2023) AND BREAKDOWN BY DENOMINATION

1 TIME SERIES



2 BREAKDOWN BY DENOMINATION



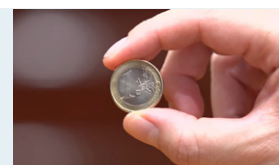
SOURCE: Banco de España.

The €2 coin remains the most counterfeited denomination, accounting for virtually 93% of all counterfeit coins withdrawn from circulation in Spain. As with banknotes, the likelihood of receiving counterfeit coins is very low, with an average of seven counterfeit coins per million of the three highest denominations in circulation.



The following video shows how to check the legitimacy of a coin with the “five-step rule”:

PLAY ▶



In the “[Banknotes and coins](#)” section of the institutional website, you can learn more about the euro counterfeiting statistics in Spain, both for [banknotes](#) and [coins](#).

c) Training on banknotes and coins

In order to contribute to the fight against counterfeiting, **the Banco de España promotes awareness of the characteristics and security features of euro banknotes and coins among professional cash handlers.** In 2023 it continued its awareness-raising work in this area, providing training to over 7,500 specialist agents.

In addition to online and videoconference training, which makes it easier to bring training closer to the workplace, during 2023 the institution offered face-to-face courses both at its facilities and at those of the professionals who requested them.




The Banco de España promotes knowledge of the characteristics and security measures of euro banknotes and coins, through face-to-face and online training.

Among the most significant were the course on "Euro banknotes and coins" and the online "Manual cash selection" course.



For more information on courses related to design elements and cash security, for cash professionals and the general public, see the [training programme](#) on the Banco de España website.

6 SUPERVISION OF FINANCIAL INSTITUTIONS

SUPERVISION OF FINANCIAL INSTITUTIONS	
	What does it consist of?
	<p>Its purpose is to verify that the operation of the financial system complies with regulations and best practice.</p>
Why is it important?	<p>The financial system plays a key role in economic development, channelling savers' money to businesses and families that need it. In addition, payment systems provide efficient mechanisms for the payment of any purchase of goods and services.</p>
What does the Banco de España do?	<p>Verify compliance with regulations related to the financial situation and solvency of institutions, payment services and customer protection.</p>
What is the objective?	<p>Promote the proper functioning of institutions and payment systems with the ultimate objective of safeguarding the stability of the financial system.</p>

6.1 Authorisation and registration of institutions

In general, financial institutions subject to the powers and functions exercised by the Banco de España require **authorisation in order to operate as such**. This is due to the fact that some of the activities they perform are reserved activities or have a **reserved name**.

The institution's involvement in the authorisation processes of the various financial institutions is not the same in all cases. Thus, it can be said that:

- Following the launch of the SSM, the ECB is the competent authority for authorising the establishment of credit institutions in any of the Member States that participate in the SSM. However, the Banco de España has a major role in this process, as the institution responsible for submitting a motion for resolution to the ECB in relation to the creation of Spanish credit institutions.
- The Banco de España is the competent authority to grant and revoke the authorisation or registration of electronic money institutions (ELMIs), payment institutions (PIs), payment service providers exempt under Article 14 of Royal Decree-Law 19/2018,⁸ account information service providers, specialised

⁸ Royal Decree-Law 19/2018, of 23 November 2018, on payment services and other urgent financial measures.

lending institutions (SLIs) that provide payment services (SLIs-PIs) or issue electronic money (SLIs-ELMIs), real estate lenders, real estate intermediaries, currency-exchange bureaux, and providers of services for the exchange of virtual currency for fiat money and the safekeeping of custodial electronic wallets. It is also the competent authority to decide on applications for approval of appraisal companies. Similarly, it is responsible for carrying out certain verifications in relation to payment service providers.

- Lastly, the institution must issue a mandatory report on the authorisation of SLIs, mutual guarantee companies (MGCs) and reguarantee companies, which is granted by the Ministry of Economic Affairs, Trade and Enterprise.

Moreover, the official registers of the Banco de España contain information on the authorised activities and contact details of the institutions registered therein. In addition, where institutions are entitled to an EU passport, the official registers also provide information on the EU countries in which they can provide services. These registers are publicly accessible via the Banco de España website, where both current and historical data can be consulted. **Therefore, the registers are configured as a tool available to the public for consulting the main details of registered institutions (name, address, date of registration and deregistration, code, etc.).**

Details of the institutions registered in the registers of institutions since 2021 are set out in Tables 2.2 (for credit institutions) and 2.3 (for institutions other than credit institutions).

As Tables 2.2 and 2.3 illustrate, the institutions recorded in the Banco de España's registers are of a highly diverse nature. Their varying configuration and regulation also determine that the competencies that the Banco de España exercises over these institutions, by legal mandate, are also diverse.

At the end of November 2023, the Executive Commission of the Banco de España made the General Secretariat responsible for supervising the activity and denomination reserve, a role previously performed by the Directorate General for Supervision and the Directorate General for Operations, Markets and Payment Systems. This means that the General Secretariat, through the new Financial Fraud Prevention Unit, is the area currently responsible for carrying out the supervisory functions mentioned above and for submitting the corresponding reports and proposals in this area to the bodies of the Banco de España.

Table 2.2

REGISTER OF CREDIT INSTITUTIONS

	2021	2022	2023		
			Registrations	Deregistrations	Final
Credit institutions	195	194			189
Banks	48	48		1	47
Savings banks	2	2			2
Credit cooperatives	61	61			61
ICO	1	1			1
Branches of EU credit institutions	79	78	1	5	74
Branches of non-EU credit institutions	4	4			4
Financial holding companies		3	4		7
Mixed financial holding companies		1			1
Total	195	198	5	6	197

SOURCE: Banco de España

Table 2.3

REGISTER OF INSTITUTIONS OTHER THAN CREDIT INSTITUTIONS

	2021	2022	2023		
			Registrations	Deregistrations	Final
Specialised lending institutions	23	24	2	1	25
Specialised lending institutions - payment institutions	9	9			9
Branches of financial institutions subsidiaries of EU credit institutions	1	1			1
Real estate lenders	136	146	13	5	154
Real estate credit intermediaries	384	488	120	18	590
Branches of EU real estate credit intermediaries	2	2			2
Mutual guarantee companies and reguarantee companies	19	19			19
Appraisal companies	32	32			32
Currency-exchange bureaux (a)	16	16		1	15
Payment institutions	49	52		2	50
Payment institutions exempt under article 14 of Royal Decree-Law 19/2018	9	10	4		14
Payment service providers excluded under Royal Decree-Law 19/2018	15	18	7	2	23
Account information service providers	1	3	1		4
Electronic money institutions	9	10			10
Branches of EU payment institutions	7	9	2	3	8
Branches of EU electronic money institutions	3	4	2		6
Virtual currency for fiat currency exchange service providers (a)		50	33	2	81
Electronic wallet custody service providers (b)		23	21	1	43
Total	715	916	205	35	1,086

SOURCE: Banco de España.

a Excludes establishments authorised solely for the purchase of foreign currency with payment in euros.

b Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing, includes these providers as obliged parties for the purposes thereof and introduces an obligation to register with the Banco de España. This register was created for the purpose of ensuring compliance by registered entities with the requirements laid down in the regulations on the prevention of money laundering and terrorist financing. Law 10/2010 does not establish rules on financial supervision, prudential supervision, corporate governance, technological security, market conduct or information transparency.

6.2 Prudential supervision

Since November 2014, the institutions of countries participating in the banking union have been supervised by the SSM, which comprises the ECB and the different national supervisory authorities (NSAs). The ECB is responsible for direct supervision of the main credit institutions (“significant institutions” – SIs –), in close collaboration with the NSAs. All other credit institutions (“less significant institutions” – LSIs –) are directly supervised by the NSAs according to a common policy laid down by the ECB. Outside the scope of the SSM, the Banco de España also oversees the ICO and the branches of non-EU credit institutions.

Besides being tasked with the direct supervision of Spain’s LSIs, the Banco de España makes an essential contribution to the supervision of Spain’s SIs, carrying out ongoing off-site supervision through the joint supervisory teams (JSTs) and inspections and investigations of significant institutions’ models.

In late 2023, there were ten Spanish groups of significant institutions,⁹ to which 39 individual institutions belonged— accounting for 90.4% of total assets in the Spanish banking system, **and 56 Spanish institutions or groups classified as less significant, with a total of 67 individual institutions** accounting for 5.2%. The remaining 4.4% related to subsidiaries and branches of foreign credit institutions.

As in previous years, in 2023, the supervisory activity, within a framework of continuity, adapted to the uncertain economic environment, initially created by the pandemic and later expanded by geopolitical tensions or the crisis of certain banks in the United States and Switzerland at the beginning of the year. In this environment, the supervisory work focused on three broad areas:

- Strengthening institutions, through the assessment of credit and financing risks.
- Governance, digital transformation strategy and technological risk, in order to address digital challenges and strengthen the management capacities of governing bodies.
- Other emerging risks, with special emphasis on climate and digital transformation strategy.

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

⁹ Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., Banco de Sabadell, S.A., Unicaja Banco, S.A., Bankinter, S.A., Kutxabank, S.A., Ibercaja Banco, S.A., Abanca Corporación Bancaria, S.A., and Banco de Crédito Social Cooperativo, S.A.



The SSM, made up of the ECB and the various national supervisors, oversees the entities of the countries that participate in the banking union.

supervision. In order to reinforce the independence and objectivity of the findings of the work, both types of supervision are carried out by different teams.

In ongoing supervision, the situation and risk profile of institutions are evaluated, through various actions (primarily carried out by JST teams) that meaningfully contribute to the supervisory review and evaluation process (SREP), in order to adopt appropriate supervisory measures in time and to plan the work and its depth.

JSTs apply the methodology for the SREP contained in the guidelines of the European Banking Authority (EBA) on common procedures and methodologies for the supervisory review and evaluation process (EBA/GL/2014/13) and in the SSM supervisory manuals.

As a result of SREP 2023, Spanish SIs received a total of 97 quantitative and qualitative requirements and recommendations, of which 36% are mandatory requirements. The quantitative capital requirements stand out, as well as the requirements and recommendations regarding governance and credit risk.

In addition, among other tasks, the ongoing supervision teams devoted their remarkable efforts to the cross-cutting review of areas of supervisory priority.

On-site supervision supplements ongoing remote supervision and comprises, in turn, two types of action: inspections and internal model investigations. The latter specifically review capital requirement calculation models, while inspections analyse in depth any other area relating to the institutions.

In 2023, the institution's staff participated in the 19 Spanish SI inspections (as leaders in 13 cases) and in another 3 of other entities in the field of the SSM, leading one of them. Credit risk was the main focus, but business risk, technology risk, and interest rate risk were also prominent.

The institution also participated in 12 model investigations (all on credit risk) including 11 on Spanish SIs. It also led 7 investigations of Spanish institutions and 1 of another institution in the area of the SSM.

In addition, the Executive Commission of the Banco de España approves the supervisory plan for LSIs, as they are subject to its direct supervision; however, the ECB is informed of the content of this plan. **In 2023, 11 on-site inspections were initiated or completed**, with a particular focus on credit and foreclosed asset quality, governance, solvency and IT.

The Executive Commission of the Banco de España was briefed on the 459 decisions and actions of the ECB's Supervisory Board, on which the Banco de España is represented, which affected Spanish institutions: 219 referred specifically to them (215 SIs and 4 LSIs) and another 240 that were of a more general nature or about organisational and/or political aspects of the SSM.

Following the different prudential supervisory tasks carried out on LSIs and the ICO, the Banco de España issued 93 recommendation and requirement letters, of which 59 were on capital decisions, 46 on recovery plans and ten on on-site inspections.

In 2023, the institution processed 404 case files **assessing the suitability** of senior positions in supervised entities, of which 207 were credit institutions, 33 SLIs, 61 Pls, 42 MGCs, 37 ELMIs, 3 foreign currency exchange establishments and 21 evaluators.

Beyond the scope of the SSM, the Banco de España has exclusive supervisory powers over **institutions other than credit institutions** that provide financial services or perform functions related to the financial sector. In 2023, it carried out 281 ongoing remote supervision actions on these entities, initiated 3 inspections and submitted 1 capital decision.

Schema 2.3 presents the main types of institutions supervised by the institution.

On 8 July 2022, Royal Decree-Law 24/2021¹⁰ came into force, giving the Banco de España supervisory powers in relation to covered bonds, and transposing Directive

¹⁰ Royal Decree-Law 24/2021, of 2 November 2021, on the transposition of European Union directives on covered bonds, cross-border distribution of collective investment institutions, open data and reuse of public sector information, exercise of copyright and related rights applicable to certain online transmissions and retransmissions of television and radio programmes, temporary exemptions to certain imports and supplies, of consumers and on the promotion of clean and energy-efficient road transport vehicles.

Schema 2.3

MAIN TYPES OF INSTITUTIONS SUPERVISED BY THE BANCO DE ESPAÑA

CREDIT INSTITUTIONS		Any individual or legal entity, whether Spanish or foreign, wishing to pursue the activities of a credit institution in Spain (especially, taking deposits and other repayable funds from the public) must first obtain the necessary authorisation and be entered in the Banco de España's official registers of credit institutions. Credit institutions include commercial banks, savings banks, credit cooperatives and the ICO.
	COMMERCIAL BANKS	Public limited companies with an initial share capital of not less than €18 million whose business consists of taking deposits and other repayable funds from the public and granting credits for their own account.
	SAVINGS BANKS	Institutions organised as foundations and with a social purpose, whose financial business is essentially geared to taking repayable funds and providing banking and investment services to retail customers and small and medium-sized enterprises.
	CREDIT COOPERATIVES	Companies whose corporate purpose consists of serving the financial needs both of their members and of third parties by pursuing the business of credit institutions.
	BRANCHES OF FOREIGN CREDIT INSTITUTIONS	Centres of activity, having no legal personality, they are part of a foreign credit institution and directly pursue all or any of the operations inherent to the business of that institution.
SPECIALISED LENDING INSTITUTIONS		Enterprises which, while not classed as credit institutions, professionally pursue one or more banking business activities, such as granting loans or credits or providing guarantees. They are subject to a minimum share capital requirement of €5 million. They may also provide payment services or issue electronic money, subject to prior authorisation by the Banco de España and entry in the Banco de España's Special Register, in which case they will be considered hybrid payment institutions or hybrid electronic money institutions, respectively.
ELECTRONIC MONEY INSTITUTIONS		Legal entities authorised by the Banco de España to issue electronic money. They must have minimum initial capital of €350,000 and sufficient own funds. They may also provide payment services, whether or not these are linked to electronic money.
PAYMENT INSTITUTIONS		Legal entities authorised by the Banco de España to provide and execute payment services in Spain (e.g., payment transactions, issuance of payment instruments, money remittances, payment initiation, information on accounts, etc.) with minimum initial capital and own funds requirements according to the payment services provided.
MUTUAL GUARANTEE COMPANIES		Business entities with variable capital established by small and medium-sized enterprises to facilitate their access to credit and related services and generally enhance their financial conditions. They may provide personal guarantees to their members, but they may not extend credit of any kind to them.
REGUARANTEE COMPANIES		Companies whose purpose consists of reguaranteeing guarantees furnished by mutual guarantee companies, to provide sufficient guarantee and cover for the risks assumed by the latter and help reduce the cost of furnishing personal guarantees to members.
CURRENCY-EXCHANGE BUREAUX AUTHORISED TO PURCHASE AND SELL FOREIGN CURRENCY		Individuals or legal entities, other than credit institutions, that purchase foreign banknotes and travellers' cheques. Public limited companies that purchase and sell foreign banknotes and travellers' cheques.
APPRAISAL COMPANIES		Public limited companies that provide appraisal services. They are subject to prior authorisation, independence and secrecy requirements and to a minimum capital requirement of €300,506.
SOURCE: Banco de España.		

(EU) 2019/2162¹¹ on covered bonds, which establishes a harmonised minimum regime in the EU regarding the conditions for the issuance and characteristics of this type of instrument, aimed at promoting the unified development of these markets. Royal Decree-Law 5/2023¹² introduced significant changes in this area. These regulations augment investor protection for covered bonds by shoring up the supervisory regime for these instruments and reducing the level of risk.

The Banco de España performs its corresponding supervisory functions and discloses and regularly updates on its website the list of authorised issuing institutions, as well as the covered bonds issued under the programmes authorised.



For more information on the issuance of a [covered bond programme](#), see the Banco de España website.

In addition, in accordance with the Law on the Promotion of Business Financing,¹³ as amended by the Securities Markets and Investment Services Law, in 2023¹⁴ the institution assumed the supervision of the specific framework for simple, transparent and standardised securitisations, provided for in Regulation (EU) 2017/2402,¹⁵ when the entities issuing these instruments are credit institutions or others supervised by the Banco de España.

In addition, in supervising and inspecting compliance with the **anti-money laundering and countering the financing of terrorism (AML/CFT) obligations** of entities supervised by the Banco de España, the institution cooperates closely with the Commission for the Prevention of Money Laundering and Monetary Offences (CPBCIM) and its Executive Service (Sepblac), within the framework of the provisions of national legislation and in the cooperation and coordination agreement signed with the CPBCIM.

In 2023, the Banco de España completed 2 general inspections on compliance with AML/CFT obligations in 1 SI and 1 LSI, in addition to 1 specific inspection of

11 Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU.

12 Royal Decree-Law 5/2023, of 28 June 2023, which adopts and extends certain measures to respond to the economic and social consequences of the War in Ukraine, to support the reconstruction of the island of La Palma and other situations of vulnerability; to transpose European Union Directives on structural modifications of commercial companies and the work-life balance for parents and carers; and the enforcement of and compliance with European Union law.

13 Law 5/2015, of 27 April 2015, on the promotion of business finance.

14 Law 6/2023, of 17 March 2023, on Securities Markets and Investment Services.

15 Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012.

1 SI's internal control over the activities of its branches and subsidiaries abroad. Additionally, together with Sepblac, 15 thematic inspections on foreign currency exchange were concluded. Already in the second half of the year, the Banco de España carried out 4 other inspections of foreign currency trading establishments.

Finally, it should be noted that Madrid was a candidate to host the head offices of the new authority for anti-money laundering and countering the financing of terrorism, which eventually went to Frankfurt.

6.3 Supervision of institutions' conduct

To generate greater trust in the Banco de España and greater value for society, it is necessary, among other things, to promote the best conduct practices of the entities for whose supervision it is responsible. The objective is to **strengthen the conduct of entities**.

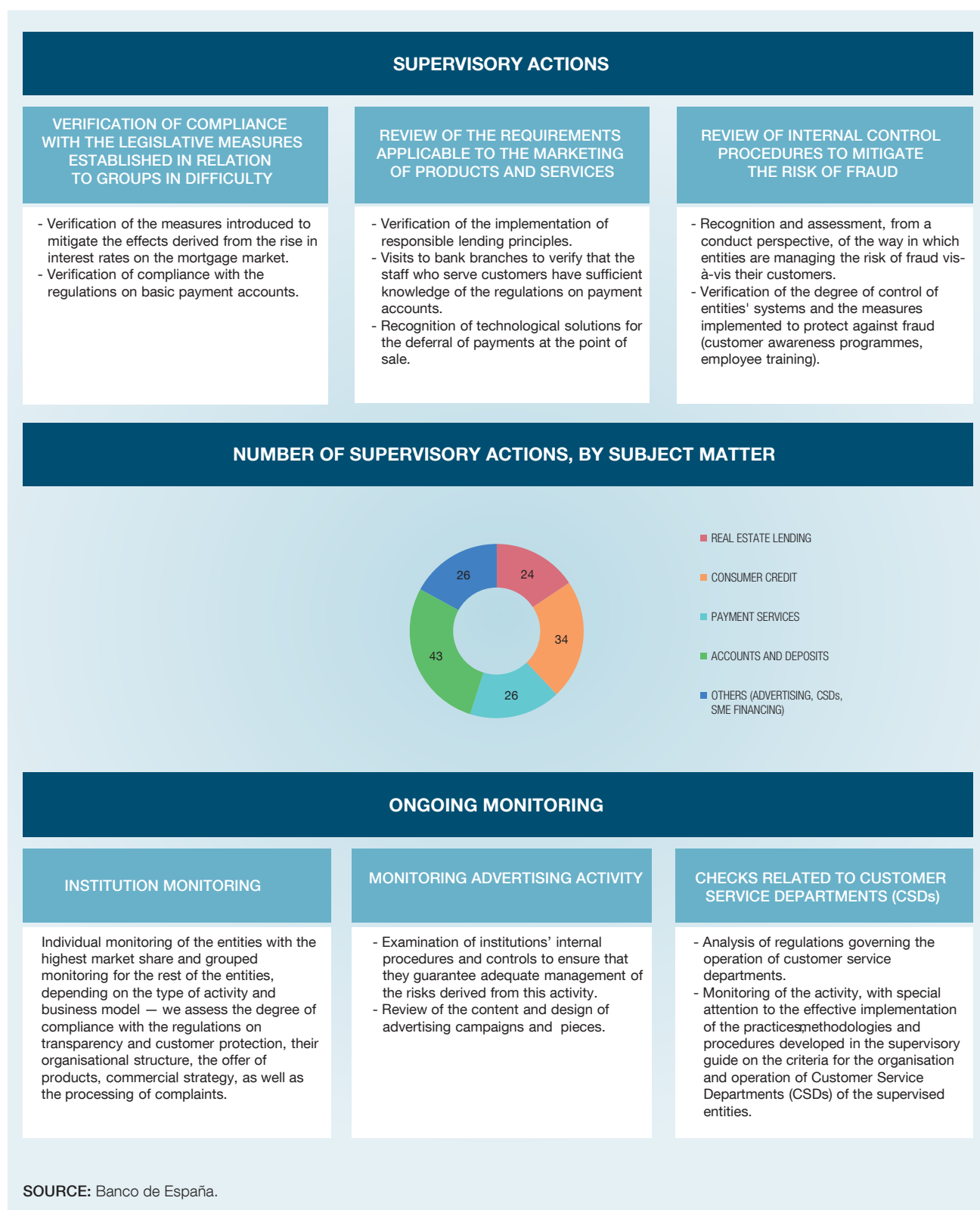
In the exercise of its supervisory functions in matters of conduct and information transparency, the institution's most immediate objective is to verify compliance with applicable regulations. But its long-term purpose is to transform the conduct of entities towards a true **culture** aimed at establishing business models and commercial organisation structures that ensure adequate market practices, with particular attention to relationships between supervised entities and their customers. **The Banco de España's conduct strategy** is structured around two objectives: a) **to promote a preventive oversight approach** —strengthening ongoing monitoring of banks and conduct risks with a potential impact on customers—, and b) to establish **supervisory priorities based on previously identified risk factors and indicators**.

Within the framework of this strategy, the gradual orientation towards an early assessment of the adequacy of the entity's **internal control framework**, depending on the volume and complexity of the activity it carries out, is intended to contribute to strengthening the conduct of supervised entities and to identify best market practice, which will ultimately result in more effective supervision of conduct.

In a context marked by uncertainty, the growth of inflation and the rise in interest rates in 2023, **supervisory priorities focused on monitoring the relief measures established in relation to groups in difficulty, the supervision of the adequate commercialisation of products and services, and internal controls**, as shown in Schema 2.4.

In addition, in looking for supervision to have a greater impact in this area, the focus was placed on the **structured exchange of information with supervised entities and on the transmission of relevant messages to the sector**, in particular with

CONDUCT-RELATED SUPERVISORY ACTIONS



regard to the timely communication of supervisory priorities and expectations. This early interaction with supervised entities also encouraged them to modify some aspects proactively and prior to the adoption of supervisory measures, confirming the effectiveness of this outreach work.

Another important part of the supervisory work consisted of identifying market trends and best practice, which, based on evidence, serve to feed into an increasingly comprehensive and integrated legal framework. Thus, with regard to the activity of granting consumer credit, the knowledge obtained in the exercise of the supervisory function took the form, on the one hand, of the preparation of the “Guidelines on the governance and transparency of revolving credit” and, on the other, of the identification of best practice criteria related to credit in the form of tacit current account overdrafts. The supervisory *acquis* also served to form the technical opinion transmitted during the revision of European legislation on consumer credit¹⁶, in response to market developments, thus contributing to better regulation of the financial sector, in line with EU principles and best practice.



For more information, see the “[Guidelines on the governance and transparency of revolving credit](#)”.

In 2023, the collaboration of the Banco de España with the State Attorney General's Office and the main banking associations to ensure the financial autonomy of people with disabilities also stood out, as set out in Box 2.4.

6.4 Oversight and supervision of market infrastructures

During 2023, and at the national level, the Banco de España carried out **surveillance activities on retail payment systems: National Electronic Clearing System (SNCE) and Cards and Means of Payment System (STMP) and supervisory activities at Iberpay**, the management company of the SNCE. In addition, it **carried out several actions at Iberclear and BME Clearing**, as the central bank that issues the currency in which they clear and settle their transactions, on behalf of the Eurosystem, and as part of its surveillance activity.

As a result of these surveillance activities, **STMP was classified as the manager of a prominent retail payment system**, responsible for the settlement of card transactions. The system is therefore subject to the Eurosystem's surveillance framework. On the other hand, Redsyst and Cecabank were considered critical

¹⁶ Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC (CCD2).

COLLABORATION BETWEEN THE BANCO DE ESPAÑA AND THE STATE PUBLIC PROSECUTOR'S OFFICE AND THE MAIN BANKING ASSOCIATIONS TO ENSURE THE FINANCIAL AUTONOMY OF PEOPLE WITH DISABILITIES

Law 8/2021,¹ in force since 3 September 2021, represented a root and branch reform of Spanish civil and procedural legislation on disability, resulting from the adaptation of the domestic legal system to the New York Convention, ratified by Spain in 2008.

This convention determines that States parties must take measures to provide persons with disabilities with the necessary support to ensure their full equality in the exercise of their own legal capacity. **The main innovation of this new regulation is the disappearance of the judicial declaration of incapacity**, opting instead for a system based on the autonomy of the person with disabilities. In this way, the judicial procedure now aims at providing support measures to people with disabilities and, **only when the support is insufficient, can the judge decide on the representation of this person in decision-making, for specific acts.**

In particular, the changes introduced in the Civil Code constitute a challenge for society in general and, of course, for financial institutions, mainly because of the new concepts it introduces and because of the transitory regime of existing ones. For example, in cases where the support provided to the disabled person by a de facto guardian is asserted (a role that is particularly strengthened in the new regulation, being transformed into its own legal support institution), entities have to take into account that they must be able to carry out banking operations - as “legal acts involving their assets that have little economic relevance”; entities must also know that the judicial declarations of incapacity existing at the entry into force of the law are maintained on a temporary basis until they are reviewed by the courts.

To facilitate and accompany financial institutions in the process of implementing these new support measures and their future development, minimising potential conflicts that may arise between banks and their

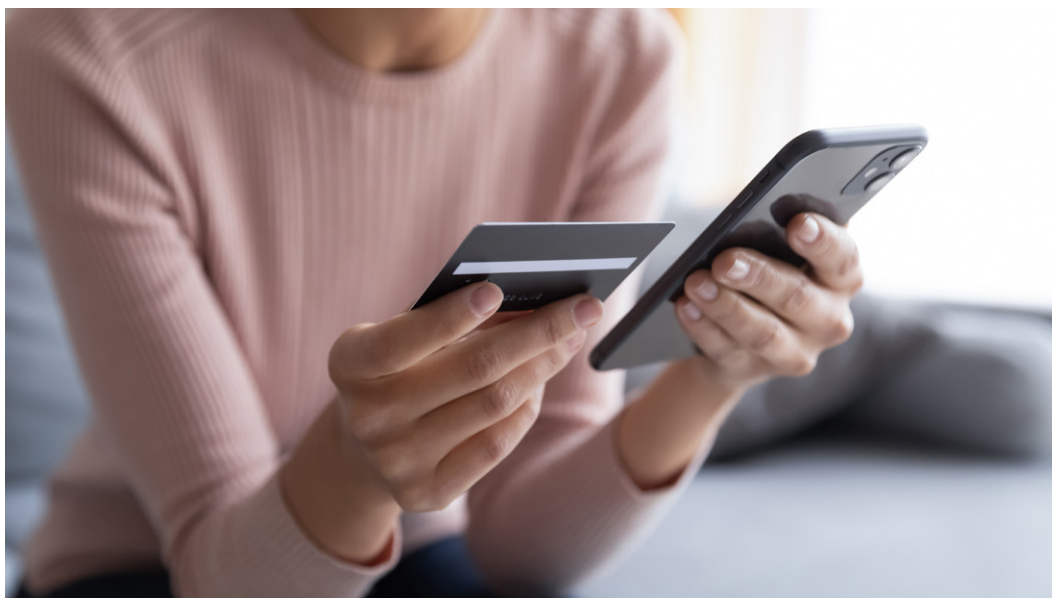
customers, the Spanish Banking Association, the Spanish Confederation of Savings Banks and the National Union of Credit Cooperatives, together with the State Public Prosecutor's Office (FGE), with the intermediation of the Banco de España, reached an agreement on this area.

On 19 July 2023, the FGE and the above-mentioned entities, together with the Banco de España, in its role as observer, signed **a collaboration protocol to guarantee the autonomy of people with disabilities in relation to banking services and products.**

As a result of this agreement, the “**Framework protocol for collaboration in the effectiveness of measures to support the legal capacity of persons with Framework protocol for collaboration in the effectiveness of measures to support the legal capacity of persons with disabilities in the banking sector**” and the “**Interpretative Document to the Framework Protocol between the FGE and banking associations. De facto guardianship in Law 8/21**” were drawn up. In addition, the protocol signed provided for a working group to assess and share best practice in the field of banking in relation to the support system for the exercise of legal capacity by people with disabilities.

Moreover, **the FGE and the banking associations also signed a second supplementary protocol**, the “**General collaboration protocol for the protection of persons with disabilities or in other situations of vulnerability who hold banking products**”, which aims to protect the financial interests of people with disabilities or who are in certain situations of vulnerability. This agreement establishes fluid communication between banks and the regional prosecutor's offices with jurisdiction, in order to bring to light situations that may endanger the financial security of holders, by revealing situations of abuse or undue influence on his/her will, and which will activate an investigation by the Public Prosecutor's Office.

¹ Law 8/2021, of 2 June 2021, amending civil and procedural legislation to support people with disabilities in the exercise of their legal capacity.



In the exercise of its supervisory function, the Banco de España published the *Guidelines on the governance and transparency of revolving credit* in 2023.

service providers, since they execute the processes for calculating the net liabilities – clearing – resulting from this operation for STMP.

Within the Eurosystem, **the institution collaborated in the evaluations of various payment schemes and agreements**, in accordance with the Eurosystem surveillance framework, known as the “PISA framework”, approved for this purpose in November 2022.

In addition, the Banco de España continued to participate in the Eurosystem's **pan-European private payment systems co-operative oversight** groups.

With regard to **supervisory work in the field of payment service providers**, the supervisory measures resulting from the on-site inspection carried out in 2022 of one ELMI were monitored and a new on-site inspection was initiated on another ELMI. Moreover, a remote action was launched, aimed at evaluating adequate **compliance with the guarantee and protection requirements of the funds of payment service users in PIs and ELMIs**. Complaints related to the provision of payment services were also handled and work was carried out to assess compliance with the Delegated Regulation on strong customer authentication and common and secure open standards of communication;¹⁷ the monitoring of the management of serious operational and security incidents; the statistical reporting of fraud; the verification of

¹⁷ Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication.

regulatory compliance in the delegation of operational functions, and the application of the community passport.

Additionally, the institution's staff participated in the numerous **authorisation procedures for new specialised payment service providers**.



More information on [Oversight of Market Infrastructures](#) can be found on the Banco de España website.

6.5 Sanctioning activity

Sanctioning powers, as a corollary of supervisory powers, continued to be exercised in 2023, both in the **prudential area** and in the areas of transparency and customer protection.

In the first area, 10 proceedings were conducted, all of them against the corresponding entities and their respective positions of administration and management, 54 individuals in total. Of those 10 cases, 7 were resolved in 2023.

More specifically, 4 of the proceedings conducted in 2023 in the prudential area concerned facts relating, in general, to the **internal control of entities, to the management of their risks and their governance, as well as to maintaining a sufficient level of own resources to be able to face the risks assumed and possible shocks**. Of these 4 proceedings, 3 were resolved during 2023 and were conducted, respectively, against a financial credit institution, a credit cooperative and an ELMI, as well as against management and administrative positions of those entities. The remaining proceedings, which were not resolved in 2023, were opened at the end of the year against another credit cooperative and their respective administrative and management positions.

Also noteworthy, in the prudential area, are two proceedings brought against individual appraisal firms and their respective administrative and management positions, for conduct related to their organisation, procedures and internal control mechanisms. Both were resolved in 2023.

Finally, also within this prudential area, proceedings were conducted in **various areas relating to compliance with the rules on the acquisition of significant holdings** (a case brought against an ELMI and some of its shareholders, resolved in 2023) or relating to **intrusive activity**. In this last group there are two other proceedings, both still in progress at the close of the 2023 financial year. The first proceedings were brought against a company and its sole directors for using



The Banco de España exercises its sanctioning powers in the prudential area and in the areas of transparency and customer protection.

names reserved for credit institutions, and also for their refusal to provide information to the Banco de España Inspection Services. For its part, the second was conducted against a company and its sole director for allegedly carrying out the activity of buying foreign currency without the mandatory authorisation.


In the area of transparency and customer protection, 2 proceedings were conducted and resolved against, respectively, a bank and an ELMI and the management and administrative positions of the latter, against which one of the above-mentioned proceedings was also initiated in the prudential area.

The breaches involved in these proceedings involved, among other things, deficiencies in relation to the offer and marketing of credit cards, the accrual of interest, the settlement and collection of interest and commissions, as well as the delivery and content of pre-contractual and contractual information.



For more information on supervisory functions, see the *Supervision Report* published annually by the Banco de España.

7 FINANCIAL STABILITY AND PREVENTIVE RESOLUTION

FINANCIAL STABILITY AND PREVENTIVE RESOLUTION			
	What does it consist of?		
	<p>The Banco de España helps to maintain the stability of the Spanish financial system. To this end, it has an analytical framework, supervisory and preventive resolution mechanisms, and the possibility to make macroprudential policy decisions.</p>		
Why is it important?	<p>If a financial system is stable, it will be able to absorb the impact of shocks and the materialisation of risks without affecting the financial intermediation process and causing significant damage to economic activity.</p>	What does the Banco de España do?	<p>Identify systemically important Spanish credit institutions and set their capital buffers, carry out stress tests, draw up resolution plans, etc.</p>
What is the objective?	<p>Continue working to secure financial stability, which is key to the well-being of society.</p>		

7.1 Financial stability and macroprudential policy

One of the Banco de España's responsibilities is to contribute to maintaining the stability of the Spanish financial system in the face of systemic risks and vulnerabilities. To this end, current regulations make it possible to use macroprudential policy instruments in the banking system. These instruments, which consist mainly of capital requirements (buffers) applicable to banks, and also limits on concentration and on the conditions under which bank loans are granted, serve to prevent the accumulation of risks and imbalances of a cyclical or structural nature and to mitigate their impact.

The work carried out by the Banco de España in this area is disseminated through various regular and occasional publications. In particular, the *Financial Stability Report*, which is published every year in spring and autumn, provides updated analyses of the risks and vulnerabilities identified for the Spanish financial system. On the other hand, macroprudential policy actions are addressed regularly through press releases. In addition, the research work carried out on this topic, which serves as a basis for risk analysis and decision-making within the framework of macroprudential policy, is disseminated through the *Financial Stability Review* and the Working Papers and Occasional Papers series.



The Banco de España helps to maintain the stability of the Spanish financial system.

Like every year, in 2023, exercises were carried out to identify systemically important Spanish credit institutions, setting their macroprudential capital buffers. These requirements are aimed at strengthening the solvency of these entities and mitigating the systemic effects that they could potentially cause the financial system in the event of difficulties, as well as to offset the possible competitive advantage of these entities in the financing markets compared to smaller entities. In 2023, the Banco de España identified four entities: Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., and Banco de Sabadell, S.A., as other entities of systemic importance at the national level and one entity, Banco Santander, S.A., as an entity of global systemic importance.

On the other hand, in each quarter of last year, the countercyclical capital buffer (CCyB) of banking institutions was reviewed to meet the risk situation, and was maintained at 0%. This instrument is designed to strengthen the solvency of the banking system through the accumulation of capital in phases of economic prosperity. During 2023, the regulatory percentage of the CCyB for credit exposures in Spain did not change, as no evidence of systemic risk accumulation was identified, although special attention is paid to the evolution of the real estate sector.

The Banco de España continues to evaluate the resilience of the Spanish banking system in the face of the hypothetical materialisation of macroeconomic and financial risks. These stress tests are based on an analytical tool developed by the institution, called FLESB (Forward-Looking Exercise on Spanish Banks). The exercise carried out in 2023 showed that the aggregate solvency of all banks would remain at adequate levels in the face of a markedly adverse hypothetical macrofinancial scenario.



Members of the AMCESFI Technical Committee on Financial Stability.

In addition, in 2023, the Fourth Biennial Financial Stability Conference was organised. As usual, the event was organised together with the Centre for Monetary and Financial Studies (CEMFI). This year, 12 research papers were presented and a colloquium took place between the Governor, Pablo Hernández de Cos, and Jerome H. Powell, president of the Board of Governors of the United States Federal Reserve.

At the national level, the Banco de España is part of the [Spanish Macroprudential Authority Financial Stability Council \(AMCESFI\)](#) together with other Spanish authorities. Configured as a collegiate body, the AMCESFI has powers to oversee the entire Spanish financial system and is composed of two structures: Technical Council and Committee on Financial Stability. In 2023, the AMCESFI published its first biennial report on climate change risks for the Spanish financial system in response to the mandate established in the Law on Climate Change and Energy Transition.¹⁸

Among the activities of the Eurosystem, it is worth noting the participation of the Banco de España in the Financial Stability Committee (FSC) of the ECB. As a member of the FSC, it collaborates with other national authorities of the banking union in risk analysis and implementation of macroprudential policy, contributing to the preparation of discussions and documents that are submitted to the Macroprudential Forum and the Governing Council of the ECB. At the EU level, it is also actively involved in the European Systemic Risk Board (ESRB).



For more information on [financial stability and macroprudential policy](#), see the Banco de España website.

¹⁸ Law 7/2021, of 20 May 2021, on climate change and energy transition.

7.2 Preventive resolution

In 2023 the Banco de España drafted resolution plans for a total of 48 Spanish credit institutions (10 SIs and 81 LSIs) and four foreign groups with Spanish subsidiaries, in close collaboration with the Single Resolution Board (SRB) and other resolution authorities in the euro area. Within this collaboration framework, 49 workshops were organised during the year to discuss the most important aspects of resolution planning and to set new objectives to improve institutions' resolvability. On the other hand, during its annual visit, the SRB met with the Spanish SIs.

In addition, it is worth underlining the Banco de España's participation in the resolution colleges and crisis management groups that are organised on a regular basis for the most internationally active institutions to discuss resolution planning matters. Specifically, in 2023 it intervened in the Crisis Management Group of one Spanish SI and the resolution colleges of two Spanish SIs, two foreign SIs with subsidiaries in Spain and one foreign SI with an important branch in Spain. It also participates in the resolution bodies of those central counterparty chambers whose liquidating members are LSIs.

The SRB and the non-euro area EU resolution authorities signed joint decisions in relation to the resolution plans and the minimum requirement for own funds and eligible liabilities (MREL) decisions of two Spanish SIs and three foreign SIs with important subsidiaries or branches in Spain, in whose colleges the Banco De España participates as an observer.

In terms of **resolution planning**, the following was noteworthy in 2023:

- 48 credit institutions were informed of their MREL.
- The recovery plans of ten Spanish significant credit institutions were reviewed (in collaboration with the SRB), as were those of 47 Spanish less significant credit institutions.

Furthermore, in order to further the effective implementation of resolution legislation, the Banco de España participated actively in the development of **preventive resolution criteria and strategies**. Among the actions that, due to their relevance, deserve special mention, it is worth highlighting: a) the monitoring of the current MREL objectives of all credit institutions; b) collaboration with the FROB and with the Deposit Guarantee Fund, which included participation in committees with both institutions; c) the research and analysis of matters related to liquidity, among other issues, the ability to access markets and the analysis of the degree of progress in resolvability of LSIs with a resolution strategy; d) the review and justification of each of the resolution tools contemplated; and e) participation in a simulation exercise to

examine the cooperation process between authorities in the face of a resolution event of a less significant entity whose authorities request the use of the Single Resolution Fund.

7.3 Financial reporting and reporting to the Central Credit Register

In this area, and with regard to new information requirements for institutions, Royal Decree-Law 24/2021¹⁹ established, among other issues, information reporting obligations in relation to the Banco de España for credit institutions that issue covered bonds. These obligations refer to the information considered necessary for the exercise of supervisory functions over the covered bonds entrusted to the Banco de España. This royal decree law also determines the requirements relating to mortgage bonds, mortgage transfer certificates and instruments for mobilising credits or loans secured with a first mortgage or first security without transfer of possession, which can be issued by credit institutions and EFCs. These new reporting obligations to the Banco de España are set out in Circular 1/2023.²⁰ The entities began to submit this information based on data for the month of March 2023.

In addition, the adoption of the EBA guidelines on exercises to compare remuneration practices, the gender wage gap and the highest authorised ratios under Directive (EU) 2013/36/EU (EBA/GL/2022/06) and the guidelines on the exercise of collecting information relating to people with high remuneration under Directive (EU) 2013/36/EU and Directive (EU) 2019/2034 (EBA/GL/2022/08), entailed the approval of Circular 3/2023,²¹ to establish the new remuneration statements that credit institutions and EFCs are required to submit to the Banco de España based on data for the month of December 2023.



During 2023, nearly 400 supervised entities were required to submit a total of 788 financial, statistical and supervisory statements, with different frequencies. In order to ensure that this information meets high quality standards, more than 88,000 accuracy and consistency validations were applied.

19 Royal Decree-Law 24/2021, of 2 November 2021, on the transposition of European Union directives on covered bonds, cross-border distribution of collective investment institutions, open data and reuse of public sector information, exercise of copyright and related rights applicable to certain online transmissions and retransmissions of television and radio programmes, temporary exemptions to certain imports and supplies, of consumers and on the promotion of clean and energy-efficient road transport vehicles.

20 Circular 1/2023, of 24 February 2023, of the Banco de España, to credit institutions, branches in Spain of credit institutions authorised in another member State of the European Union and financial credit institutions, on the information to be sent to the Banco de España on covered bonds and other loan mobilisation instruments, and amending Circular 4/2017, of 27 November 2017, for credit institutions, on public and reserved financial reporting standards, and financial statement models, and the Circular 4/2019, of 26 November 2019, for financial credit institutions, on public and reserved financial reporting standards, and financial statement models.

21 Banco de España Circular 3/2023 of 22 December 2021, amending Circular 2/2016 of 2 February 2016, for credit institutions, on supervision and solvency, completing the transposition into Spanish legislation of Directive 2013/36/EU and Regulation (EU) No. 575/2013, and Circular 1/2022, of 24 January 2022, for EFCs, on liquidity, prudential regulations and reporting obligations.

In relation to the **Central Credit Register (CCR)**, Circular 2/2023 was approved in 2023,²² which incorporates **important modifications to the information that entities must submit**. The following are some of the most relevant: a) since January 2023, reporting entities must report to the CCR, on an individual basis, all the transactions of holders whose cumulative risk in the entity is equal to or greater than 3,000 euros (the previous threshold was 6,000 euros); b) the way in which information is presented in some modules is simplified; c) the accounting data of loans to individuals which, since 2018, were already requested for legal entities, and d) for loans to households, the holder's annual disposable income is required to be sent at the start of the transaction. Thus, reporting entities will have more feedback on their potential customers, and the Banco de España will have a **larger volume of data to carry out the supervision and surveillance of banking system risks and the implementation of macroprudential tools**. All this with a view ensuring financial stability.

In December 2023, the 359 entities that report to the CCR submitted information on more than 25.5 million natural or legal persons who held 61.2 million loans and other risk transactions. The increase in the number of holders (12.3%) and transactions (21.4%) reflects the impact of the reduction of the tax exemption threshold to 3,000 euros, applicable since January 2023. The total amount of risk disposed of in 2023 was 3.4 billion euros. The CCR provided 457 million reports to entities, 20% more than in 2021.

In fact, the great usefulness of this granular information, operation by operation, of all the risks that reporting entities maintain with their clients, generated an increasing demand for this detailed data. In particular, the risk reports issued by the CCR at the request of the entities exceeded 6 million; on the other hand, those requested by the owners reached approximately 700,000. This implies that requests for risk reports increased in 2023, by 1% and 15.5%, respectively.

On the other hand, the increase in the information included in the risk reports distributed by the CCR and the high level of litigation in recent years consolidated the upward trend detected in the evolution of claims in previous years. In 2023, claims filed with the CCR increased by 55% compared to those received in 2022, reaching 17,665. In that same period, 6,630 were resolved, 66% more than in the previous year.

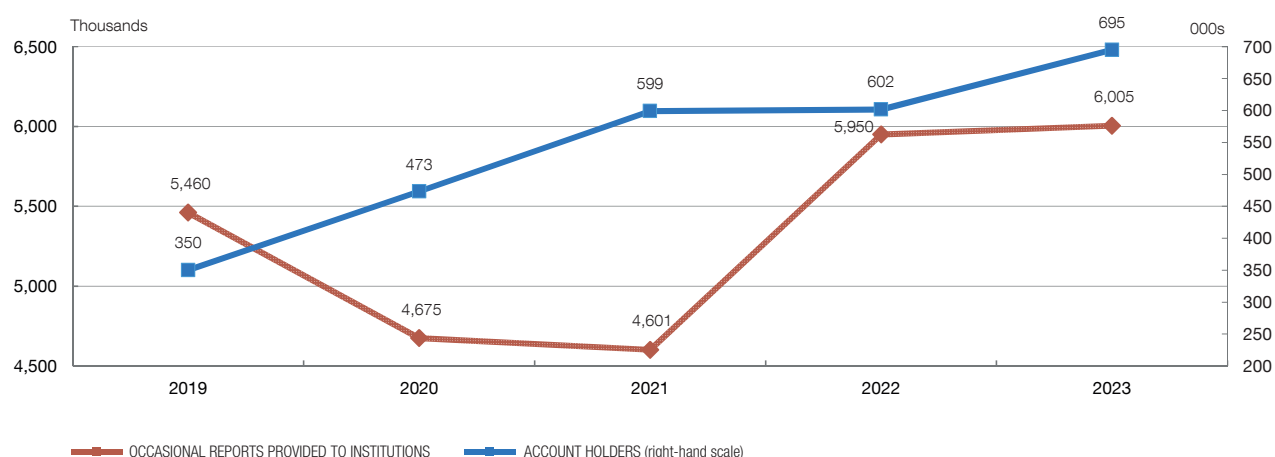
Figures 2.11 and 2.12 contain, respectively, the risk report data provided to reporting entities and holders over the past five years, as well as the number of claims received and resolved during the same period.



For more information about the [CCR and its available procedures](#), see the Banco de España website.

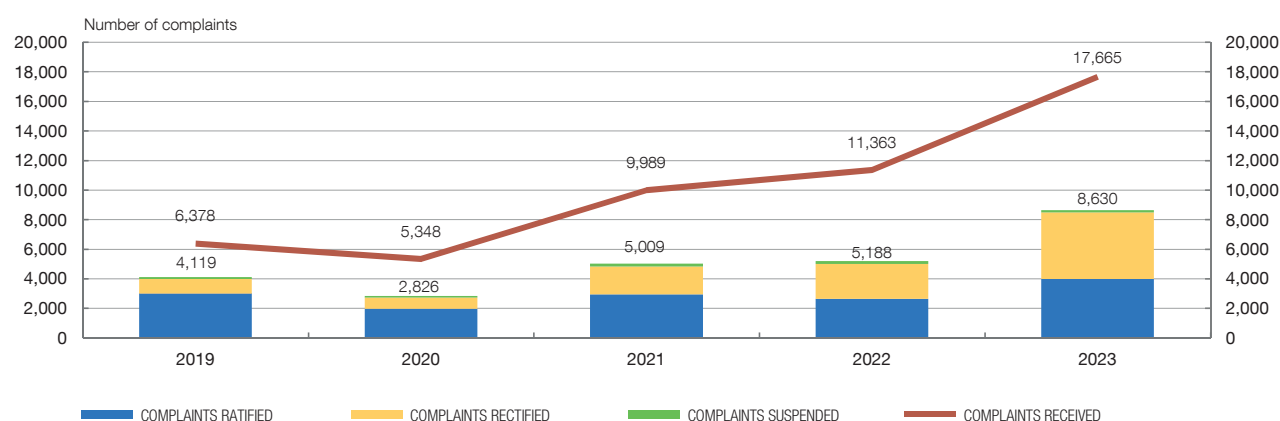
²² Banco de España Circular 2/2023, of 17 March 2023, amending Circular 1/2013, of 24 May 2013, on the Central Credit Register.

Chart 2.11

RISK REPORTS PROVIDED TO INSTITUTIONS AND ACCOUNT HOLDERS

SOURCE: Banco de España.

Chart 2.12

**EXERCISE OF THE RIGHT TO RECTIFY OR DELETE DATA DECLARED TO THE CCR
(COMPLAINTS RECEIVED VERSUS RESOLVED)**

SOURCE: Banco de España.

8 RESOLUTION OF COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

RESOLUTION OF COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS



What does it consist of?

The Banco de España is competent to resolve complaints submitted by users of financial services of supervised entities and to answer their enquiries regarding transparency and customer protection regulations, as well as about the legal channels for exercising their rights.

Why is it important?

This function has a key role to play both in settling individual disputes and in obtaining crucial information for taking regulatory and pre-emptive supervisory action aimed at ensuring that banks conduct themselves appropriately with their customers.

What does the Banco de España do?

Resolve complaints and inform and guide users of financial services who consult the institution about transparency and customer protection regulations.

What is the objective?

Strengthen the transparency and protection of banking customers through the resolution of conflicts between users of financial services and supervised entities and the establishment of criteria for banking best practice.

2023 was a year, like the preceding ones, of intense activity in terms of complaints submitted by banking customers.

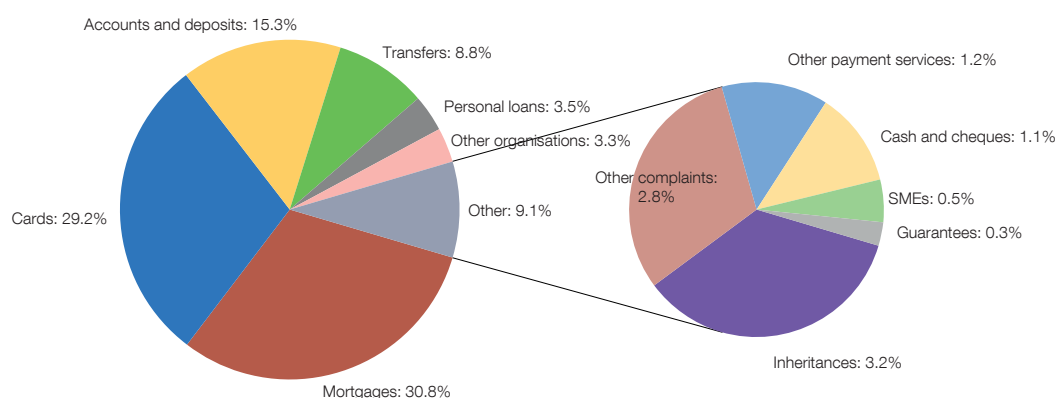
The **complaint files totalled 33,789**, a figure that, although provisional at 31 December 2023, is slightly lower (1.05%) than that recorded in the previous year (34,146). During processing, a total of 161,286 documents were handled, 75,346 incoming and 85,940 outgoing.

As in previous years, the type of claims processed during 2023 varied. In Chart 2.13, which reflects the items claimed depending on the banking product, we can see that **three out of four complaints (75.3%) focused on incidents related to mortgage loans (30.8%), cards (29.2%) and accounts/deposits (15.3%):**

- Mortgage loans were the product for which the most complaints were received (30.8%) in 2023, a 12.6% increase on 2022. This increase was due to the complaints in which banks were asked to reimburse the costs incurred in taking out mortgages before the entry into force of the Law Regulating Real Estate Credit Agreements,²³ an increase that is probably related to clients' desire to avoid the expiry of actions derived from judicial decisions regarding the nullity of this clause. The acquisition of products linked to these loans accounted for the second largest cause of complaints.

²³ Law 5/2019, of 15 March 2019, regulating real estate credit agreements.

Chart 2.13

TYPES OF COMPLAINT (provisional data as at 31 December 2023)

SOURCE: Banco de España.

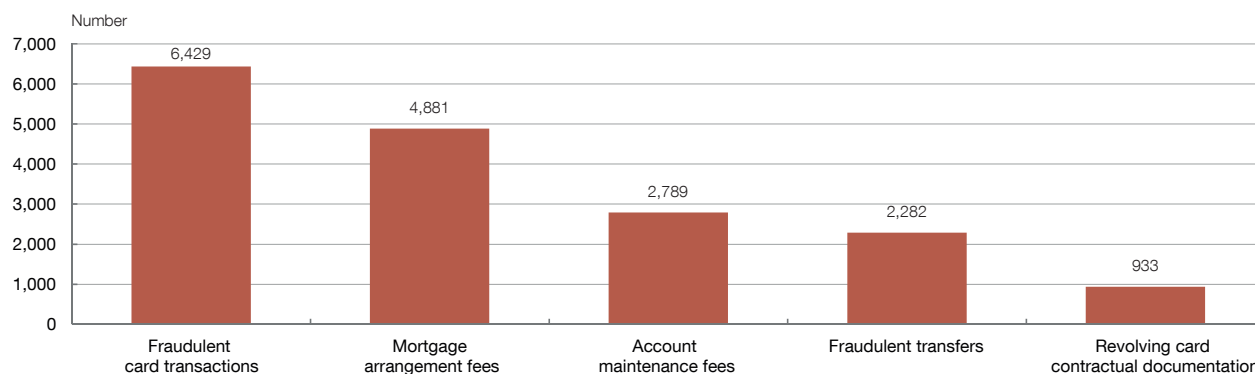
- Credit, debit, revolving and prepaid cards were the second product with the highest number of complaints (29.2%), down 8.2% on the previous year. Within this category, complaints about allegedly fraudulent transactions or non-delivery of documentation to the customer stood out, especially those of the revolving type.
- Complaints relating to current accounts and deposits accounted for 15.3% of the total, down 6.9% compared to 2022. The main cause of dispute between the parties was the charging of fees, both in current and savings accounts and in accounts linked to mortgage loans.

Chart 2.14 shows the issues on which the most complaints were received. It should be noted that, although the main reasons for complaints match with those of the previous year, accounting for 51.2% of the total number of files handled, in 2023 the number of files processed for each subject changed.

Thus, complaints relating to fraud affecting payment transactions, carried out with cards (19%) or transfers (6.8%), were once again the most prominent by volume of activity, accounting for 25.8% of the total, although they fell by 4.2% compared to 2022. Those focused on mortgage formalisation expenses (14.4%) up by 10.6%, ranked second in terms of the number of claims received by subject matter - in 2022 they ranked fifth. Finally, account maintenance fees (8.3%) went from second place to third, representing a decrease of 5.8% compared to the previous year.

On 6 October 2023, the 2022 Complaints Report was published, in which, in addition to the usual data on complaints and enquiries, several new features are

Chart 2.14

MOST FREQUENT TYPES OF COMPLAINT IN 2023 (provisional data as at 31 December 2023)

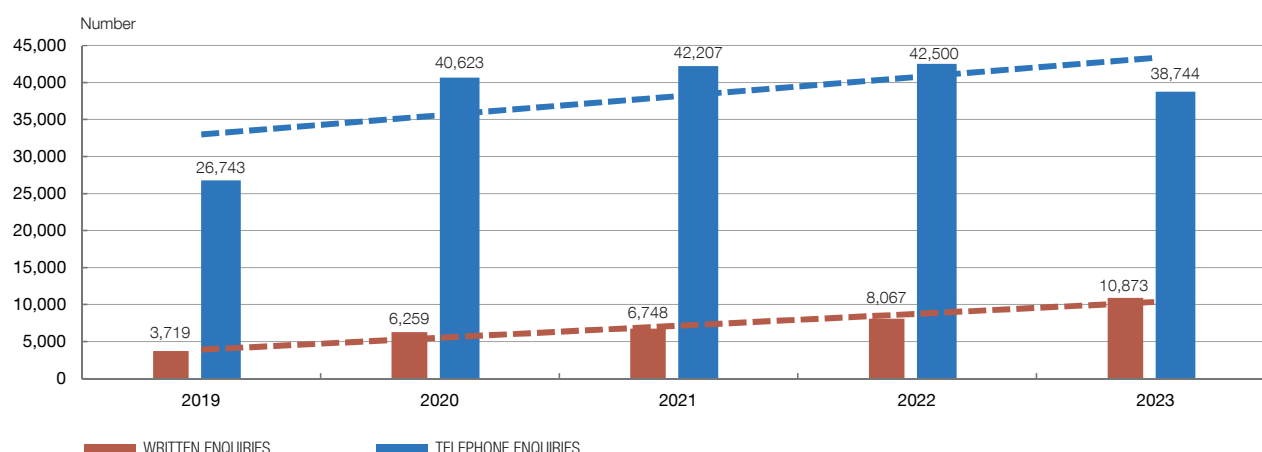
SOURCE: Banco de España.

included to better publicise the operation of the system. Thus, by way of example, information was collected on the average resolution period of complaints or new graphic elements were included to compare the claims received at the Banco de España and the volume of activity of each of the main entities, and the relationship between the relative size of the entity in terms of activity in deposits and credits and the absolute number of complaint files processed was established. Another new feature offered by the Report is the detailed analysis of the five most common causes of complaints for the year. The 2022 Complaints Report was also presented at the



In 2023, the number of telephone enquiries fell due to a significant decrease in enquiries about the status of complaints being processed.

Chart 2.15

WRITTEN ENQUIRIES AND TELEPHONE ENQUIRIES IN THE LAST FIVE YEARS (provisional data as at 31 December 2023)

SOURCE: Banco de España.

headquarters of the Banco de España in Madrid and at the branch offices of Valladolid, Bilbao, Las Palmas de Gran Canaria and Seville.

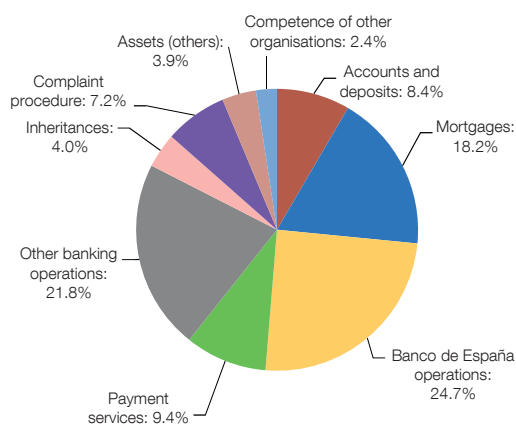
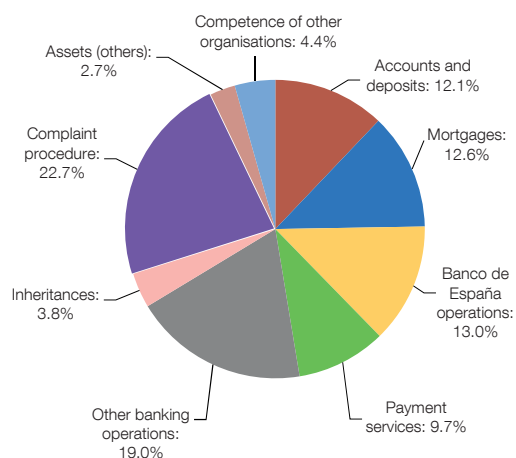
With regard to enquiries, according to provisional data as of 31 December 2023, **a total of 49,617 enquiries were received last year, of which 10,873 were written and 38,744 were by telephone.** Although these data imply a stabilisation of the total number of inquiries received, there is a significant increase in written enquiries (10,873, compared to 8,067 in December 2022), as well as a decrease in telephone inquiries (38,744, compared to 42,500 in December 2022). The decrease in the number of telephone enquiries is due to the significant decrease in enquiries regarding the processing status of complaints, as a result of the progressive reduction of resolution times.

Chart 2.15 shows the changes in written and telephone enquiries in the period from 2019 to 2023.

89% of written enquiries were received through the electronic channels specifically enabled for this purpose – the Virtual Office and the Bank Customer Portal – while the remaining 11% were submitted through other channels.

Meanwhile, Chart 2.16 reflects the **most consulted topics** in 2023. In general, they refer to incidents related to the **most common products and services**, such as mortgage loans, payment services (fraud, cards and transfers), **current accounts**, (especially, changes in maintenance fees) and **banking operations other** than the foregoing ones, such as inquiries about account ownership (sometimes related to

Chart 2.16

WRITTEN ENQUIRIES AND TELEPHONE ENQUIRIES RECEIVED IN 2023**1 WRITTEN ENQUIRIES****2 TELEPHONE ENQUIRIES**

SOURCE: Banco de España.

impersonation) or the registration of delinquencies. In addition, the enquiries related to the **data declared by the entities to the CCR** stand out.

Furthermore, every year the Complaints Report contains a detailed analysis and summary of the most frequent and significant queries, with the criteria contained therein.



See the Banco de España website to consult the different editions of the *Complaints Report*.

9 FINANCIAL EDUCATION

FINANCIAL EDUCATION



What does it consist of?

It is an activity aimed at promoting a greater economic and financial culture of society to improve its financial health and contribute to the stability of the system as a whole.

Why is it important?

It favours the adoption of better decisions in the management of personal finances, increasing the financial well-being of citizens, reducing the risks of exclusion and contributing to the stability of the financial system.

What does the Banco de España do?

Guide the national financial education strategy within the framework of the Financial Education Plan and carry out outreach activities in various areas, such as personal finance and knowledge of euro banknotes and coins.

What is the objective?

Continue to contribute to the financial education of Spanish society to improve its individual and social well-being.

9.1 Promoting financial education

Financial education is an essential tool for strengthening consumer and user protection in relation to **financial products and services**. The acquisition of basic knowledge about these products and services and about finance in general, facilitates responsible decision-making and contributes, in turn, to the proper functioning and stability of the financial system. In addition, knowledge of the basic elements of the economy and monetary policy makes it possible to understand and predict the impact of economic variables on personal finance and, also, to understand the actions that the Banco de España, as the national central bank, promotes to meet the objectives of price stability and financial stability.

Within the framework of the first Strategic Plan (SP 2024), the Banco de España is constantly working to strengthen instruments aimed at promoting financial education. Thus, in 2022 it approved a raft of measures to strengthen the institutional approach to financial education. These measures, implemented progressively in 2023, made it possible to improve the coordination of the action taken in this area.

Among them, the **creation of the Financial Education Committee stands out**, with the aim of ensuring coordination within the institution and designing the financial education strategy, as well as monitoring and evaluating it. The Committee, which began its activity in 2023, approved the major strategic objectives of financial education for the coming years. Among these objectives are the implementation of economic education programmes and specific programmes for groups with special

needs, the strengthening of external and internal channels, the promotion of research and the evaluation of the effectiveness of the different initiatives.

During 2023, significant progress was made on one of the initiatives under SP 2024, which has a significant impact on the Banco de España's promotion of financial education. Specifically, it is a **coordinated action throughout Spain that, with the support of the branch offices**, involves regional institutions and different kinds of organisations in the promotion of financial education. Thus, through the regional branch network, **local collaborators interested in promoting financial education in their fields of action** are identified. During 2023, in each branch, this project was presented to interested local partners and training sessions were organised for future trainers.

In addition, at an international level, in 2023, the Banco de España obtained a seat on the Advisory Board of the [International Network on Financial Education](#), the main forum for debate and the creation of international standards in the field of financial education.

9.2 The Banco de España's financial education initiatives

In 2023 financial education was consolidated as one of the priority spheres of activity for the Banco de España. The main initiatives carried out in this area in 2023 are summarised below.

a) Initiatives aimed at the education community

During 2023, within the framework of the Financial Education Plan, the Banco de España, together with the Spanish National Securities Market Commission (CNMV) and the Ministry of Economic Affairs, Trade and Enterprise, undertook the analysis of the royal decrees that established the organisation and minimum education of Primary, Secondary and Baccalaureate Education in accordance with of the Organic Law on Education.²⁴ The purpose of this analysis was to achieve a **global vision of educational content on financial or economic education at each stage.**

Meanwhile, one fundamental activity of the Financial Education Plan is the **School Financial Education Programme**, which makes **training resources and teaching materials** (games, activities, videos, etc.) **available to teachers** at secondary schools, baccalaureate and intermediate vocational training courses. More than 400 educational centres and 12,500 students took part in 2023. In the 2024 programme, which was launched in the last quarter of 2023, nearly 500 schools were enrolled until the end of 2023.

²⁴ Organic Law 3/2020, of 29 December 2020, which amends Organic Law 2/2006, of 3 May 2006, on Education.

Schools enrolled in this programme can also participate in the **Financial Literacy Competition**. In 2023, more than 350 schools registered and the face-to-face quarter-final and semi-final phases were held in some of the Banco de España branch offices. The final took place at the Government Delegation in Andalusia, located in Seville, during the central event of Financial Education Day.

Another fundamental educational pillar is the **Generation €uro Students' Award competition on monetary policy**, organised by the Banco de España and eleven other euro area central banks for students in upper-level secondary education and vocational training.

In the first half of 2023, the last phase of the 12th edition took place, and the final was held on 18 April at the headquarters of the Banco de España. On 31 May 2023, the winning team, together with the rest of the winning teams from the participating countries, met with the President of the ECB, Christine Lagarde, in Frankfurt am Main.

In the last quarter of 2023, the 13th edition began, in which around 2,300 schoolchildren took part. At the end of November 2023, a training day was organised for the teachers of the teams who qualified in the first round. Of the 545 teams enrolled, 83 made it to the second round of the competition.

The **annual courses on economic and financial knowledge**, aimed at the educational community, are also worth highlighting. In 2023, 34 educational workshops were held on euro banknotes and coins, in which up to 26 schools and more than 800 secondary school, baccalaureate and special education students



The Governor of Banco de España, Pablo Hernández de Cos, welcomed the finalist teams of the 12th edition of the Generation €uro contest at the headquarters in Madrid.

“HAZQTRENTE: KNOW YOUR FINANCES, DECIDE YOUR FUTURE” WORKSHOPS

- **Main objective:** to raise awareness of the importance of young people acquiring financial knowledge from an early age.
- **Content:** financial planning and savings, responsible consumption, debt, fraud prevention or security measures for euro banknotes.
- **Recipients:** secondary and mid-level vocational training.
- **Venue:** Banco de España facilities in Madrid - workshop also available via video conference.
- **Duration:** 3 hours, in the morning (10 a.m. -1 p.m.).

participated. In addition, almost 300 schoolchildren completed the online cash course aimed at schools, retailers and the general public.

These workshops were reformulated in September with the launch of a new educational programme, called **“hazQTRente: know your finances, decide your future”**. During the last half of the year, this training was given to more than 700 students from 16 educational centres.

Finally, other notable activities included those pursued under the Banco de España’s **Central Bank and Supervision Programme**, which aims to provide a further understanding of monetary policy and the functioning of the financial system, focused on familiarising the education community with the Banco de España’s mission as a Eurosystem-member central bank and a supervisory authority within the framework of the SSM. During 2023, within the framework of this programme and through the branch network, 513 school groups were welcomed and training was provided to more than 10,800 primary and secondary school students.

In addition, through the **Education Portal**, the Banco de España offers a variety of teaching resources to students and teachers.

b) Initiatives aimed at the general public

Training of general interest

In 2023, the Banco de España, through its network of branches and the collaborators of the Financial Education Plan, carried out various **activities, both face-to-face and in hybrid format, aimed at numerous groups** — associations of the elderly, university professors and students, etc. — on **various issues of interest to the general public**. The topics covered ranged from the functions and services offered by the institution to current issues, such as inclusive finance, fraud, the digital euro or



The Banco de España published the Guideline of tools for mortgagors experiencing financial hardship on its website.

sustainable finance. Some of these activities were carried out together with partners of the Plan, such as talks organised with the Red Cross and aimed at people in prisons, for example.

In addition, the Banco de España participated in **Open Government Week 2023**, an initiative promoted worldwide by the Open Government Partnership and which aims to bring public institutions closer to citizens. More than 300 people participated in the educational workshops held at its headquarters in Madrid and in its branch offices, from 20 to 24 March.

Since one of the objectives of financial education in the field of cash is to promote awareness of the characteristics and security features of the euro banknotes and coins, thereby contributing to the fight against counterfeiting, in 2023 the institution provided **training on cash** to more than 150 schoolchildren, members of the public and professionals.

2023 also saw the publication of several tools to promote consumer financial education and improve transparency in relations with institutions. On 31 March 2023, both the [Guideline of tools for mortgagors experiencing financial hardship](#) and the [Eligibility simulator](#) to apply the measures of the Codes of Good Practices established in Royal Decree-Law 6/2012²⁵ and in the new Code of Good Practices of Royal Decree-Law 19/2022²⁶ were published on the Banco de España website. This latter regulation contemplates a new set of measures to strengthen the protection of vulnerable mortgage debtors, to alleviate the financial burden of mortgage debtors at risk of vulnerability due to rising interest rates, and to facilitate the adaptation to the environment of inflation and rising rates for families with variable-rate mortgages.

²⁵ Royal Decree-Law 6/2012, of 9 March 2012, on urgent measures to protect mortgage debtors without resources.

²⁶ Royal Decree-Law 19/2022, of 22 November 2022, which establishes a Code of Good Practices to alleviate the rise in interest rates on mortgage loans on primary housing, amending Royal Decree-Law 6/2012, of 9 March 2012, on urgent measures to protect mortgage debtors without resources, and adopting other structural measures to improve the mortgage lending market.

In addition, during 2023, a **new application, EncuenTRA**, was launched, in **which the main best practice rules and criteria** in terms of conduct, transparency and protection of banking customers can be consulted. This application makes it possible to search by type of institution, product and service, material and source, and also using keywords.

The Banco de España's Bank Customer Portal

The purpose of this portal is to disclose information of general interest to customers of banking products. Thus, together with the blocks of relevant information on the main banking products and services, it includes other sections with topics of interest to citizens in relation to inheritances, fraud prevention, fees and interest or to alternatives for mortgage debtors in difficulty. In addition, it offers useful tools to help users with the most common financial procedures. For example, the simulators make it possible to perform calculations, such as loan instalments or the APR of their operations.

In addition, this portal collects information on the **procedures for submitting enquiries and complaints**, and, through it, provides access to regulations related to the financial system, with special emphasis on the protection of banking customers, as well as to best practice criteria. Current content and multimedia elements are also published, such as surveys and videos with informative messages, in an agile and user-friendly format.

All of this kept visitor traffic to pages on the Bank Customer Portal on the up, reaching a new all-time-high of around 12 million visits in 2023, representing an increase of 50% with respect to the previous year.

c) Institutional initiatives

Of particular note in this area are the initiatives undertaken around **Financial Education Day**, which is held on the first Monday of every October. The 2023 edition had as its motto "Inclusive finance, finance for all" and focused on financial inclusion. For the promoters of the Financial Education Plan, including the Banco de España, it is essential to guarantee the financial inclusion of citizens and to pay special attention to the most vulnerable groups, such as the population with the least digital training, people at risk of social exclusion or with disabilities, and children, young people and the elderly. The central event was held in Seville, at the Government Delegation in Andalusia, and was also live-streamed.

Promoters and partners of the Plan, as well as interested institutions, carried out a total of 178 activities around Financial Education Day, a figure similar to that of 2022. **The**

actions promoted included participation in radio programmes, training workshops, talks and conferences. Financial education sessions were also held at the branches aimed at groups at risk of exclusion.



For further information, see the [Finance For All](#) and the [Banking Customer Portal](#) websites.

d) Initiatives to evaluate the financial knowledge of the population

2021 Survey of Financial Competences

As mentioned in section 3, on economic analysis, research and statistics, in the last quarter of 2023, and at a national level, the Banco de España published the 2021 Survey of Financial Competences. The analysis of the results of this survey is of great interest in defining the main lines of work and financial education programmes of the Banco de España and the Financial Education Plan.

International survey of the Organisation for Economic Cooperation and Development 2023

The Banco de España is collaborating in the preparation of this survey, in which a total of 39 countries participated in 2023. The published report, in addition to measuring the levels of financial education among the adult population, provides information on financial inclusion and the levels of digitalisation and financial well-being of adults in the participating countries, and allows for an international comparison.

10 ENVIRONMENTAL SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY



What does it consist of?

This is the set of actions that the Banco de España, as an active part of the global commitment involved in the fight against climate change, promotes to address it and promote the ecological transition.

Why is it important?

Climate change represents a growing concern because of its potential implications for financial stability, price stability and economic growth.

What does the Banco de España do?

Within the scope of its powers, it acts to address the risks posed by climate change and to promote ecological transition.

What is the objective?

To guide prudential supervision and the necessary regulation, to improve analytical capacity, to study the implications for monetary policy and to promote the sustainability of the institution.

10.1 Main regulatory developments

Climate change and environmental sustainability are central to the agendas of major global, European and national regulatory bodies. In 2023, several initiatives were promoted, in the area of the financial sector, aimed at ensuring that supervisors, central banks and entities are adequately prepared to address these risks. Some of the most relevant ones are highlighted below.

a) International regulatory developments

In this area, it is worth mentioning the developments of the Network for Greening the Financial System (NGFS), the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB), of which the Banco de España is an active member.

The NGFS work programme,²⁷ of which the Banco de España has been a part since April 2018, **focused on improving the management of financial risks associated with climate and environmental change, as well as on facilitating the transition to a more sustainable economy.** In May, the NGFS released a [report on transition plans](#) that helped to generate a better understanding of this new tool. It also continued to update and improve the granularity of climate scenarios, and in March it published a [document on short-term scenarios](#). Finally, it took a very important step in studying

²⁷ Network of supervisors and central banks from all over the world. As of November 2023, it had 129 members and 21 observers.



The NGFS work programme continued to focus on improving the management of financial risks associated with climate and environmental change.

the financial risks associated with nature, such as the loss of biodiversity, with the development of a [possible conceptual framework on these risks](#).

For its part, the BCBS continued to develop the holistic approach to addressing financial risks derived from climate change in the three pillars of prudential banking regulations.²⁸ In November 2023, it published a consultative document on the disclosure of these risks in Pillar 3. This standard will help to improve the information available on climate change from internationally active banks, supplementing existing initiatives. In addition, as a result of the work to monitor the implementation of the [Principles for the Efficient Management and Supervision of Climate-Related Financial Risks](#) in June 2022, the BCBS highlighted the need for supervisors and banks to continue to strengthen the supervision and management of these risks, focusing on the availability and quality of data.

Finally, the FSB published its follow-up reports on the [climate change roadmap](#), on [the main advances in disclosure](#) and on how to incorporate these risk factors into financial sector [compensation schemes](#).

b) European regulatory developments

In the area of European regulation, the new legislative proposals of the European Commission stood out, as well as the initiatives of the European Banking Authority (EBA), a body in which the Banco de España is represented at the highest level.

²⁸ Pillar 1, or minimum capital requirements; Pillar 2, or supervisory review; and Pillar 3, or disclosure framework.

As part of its strategy on sustainable finance, the European Commission promoted several legislative initiatives. In June 2023, it published a proposal for a regulation on ESG ratings (criteria for measuring environmental, social and governance risks) which aims to improve their reliability, comparability and transparency. Also, in July, based on advice from the European Financial Reporting Advisory Group, the Commission adopted the first set of European Sustainability Reporting Standards, which set out the technical details of Directive (EU) 2022/2464 (CSRD).²⁹

Finally, in December 2023, discussions ended on the what was termed the [banking package](#), which modifies the prudential regulations of credit institutions, by incorporating different sustainability elements, and which also includes the corresponding mandates to the EBA to carry out the necessary technical developments in the coming years.

Meanwhile, the EBA continued to comply with its sustainability roadmap in 2023. In October, it published a [report on the role of environmental and social risks in the prudential framework](#). It proposes very specific changes to the current Pillar 1 standards that could be implemented in the short term and others of greater significance to be considered in the medium/long term, in coordination with international developments. In addition, the EBA prepared the response to several requests for advice from the European Commission. First, and in cooperation with the European securities (ESMA) and insurance (EIOPA) supervisory authorities, it published an [interim report on the concept of greenwashing](#), which, among other elements, suggests a high-level definition of this practice. In addition, it analysed existing market practices on [green loans and mortgages](#) and suggested a definition of green loans based on the Taxonomy Regulations.³⁰

Also worth noting is the report on climate risks prepared by the ESRB, together with the Financial Stability Committee of the ECB. This report raises several strategic questions about: a) a surveillance framework, with a panel of indicators for monitoring climate risks, including concentration and exposure measures; b) a framework of macroprudential measures, both for the banking and non-banking sectors, with proposals on their activation, calibration and monitoring of their effectiveness, and c) a framework for analysing broader risks to financial stability derived from environmental degradation, closely linked to climate change.

²⁹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

³⁰ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

c) Domestic regulatory developments

At a national level, in April 2023, the **Draft Royal Decree was submitted for public consultation, regulating the content of the report on the estimation of the financial impact of risks associated with climate change**, which banks, among other entities, will have to disclose in accordance with the Law on Climate Change and Energy Transition.

In addition, in May 2023, the Ministry of Economic Affairs, Trade and Enterprise, together with the Institute of Accounting and Auditing, submitted for public consultation the Draft Law regulating the corporate reporting framework on environmental, social and governance issues, which transposes the above-mentioned CSRD into the national legal system.



For more information on [environmental sustainability](#), see the Banco de España website.

10.2 Sustainability at the Banco de España

The Banco de España integrates specific actions to promote sustainability and environmental responsibility. The main actions carried out in this area during 2023 are summarised below.

a) Financial stability, regulation and supervision

The Banco de España continued to work during 2023 on the early detection of possible threats to the financial system derived from climate change by identifying associated risks. Together with the CNMV and the Directorate General for Insurance and Pension Funds (DGSFP), within the framework of the AMCESFI, the first *biennial report on climate change risks to the financial system* was prepared. This study confirmed the need to undertake the transition to a sustainable economy in a gradual and predictable manner. It also stressed that transition measures should be accompanied by mechanisms to mitigate impacts on the reallocation of resources between sectors and economic agents. The institution further continued the development and practical application of these methodologies (stress tests), both for risks linked to the energy transition and for damage arising from extreme physical events. It also made headway in the construction and analysis of granular databases of exposures to these risks.

In addition, **during 2023, the ECB carried out an evaluation of the measures adopted by banks to solve the deficiencies identified after the thematic review carried out in 2022, on practices related to climate and environmental risks, and the degree of alignment with the supervisory guide published in 2020.**³¹

As a result of this evaluation, the ECB imposed binding qualitative requirements on those entities that continued to have significant deficiencies in identifying these risks. This review process will continue during 2024 and 2025, as the ECB requires that institutions comply fully with the content of this guide by the end of 2024. In addition, the ECB continued to carry out on-site inspections on climate and environmental risks at several SIs, a process that began in the second half of 2022.

In addition, the ECB analysed **information on risks associated with environmental, social and governance (ESG) factors that, for the first time, were published in a standardised way by European credit institutions**³² in the first half of 2023. This action was carried out within the framework of prudential disclosure, or Pillar 3, and in accordance with the templates and instructions set out in EU regulations. It also involved the disclosure of qualitative and quantitative information on the ESG risks faced by entities. Four Spanish entities participated in the ECB's outreach exercise.

The Banco de España continues to evaluate the progress of the LSIs in incorporating risks derived from climate change and environmental deterioration into their internal procedures. In 2023, following the supervisory actions initiated in recent years, information was assessed and collected on the progress of the entities and their degree of alignment with supervisory expectations. As a result, recommendations were issued within the framework of the supervisory review and evaluation process (SREP) that urge entities to continue to make progress in identifying, evaluating, monitoring and mitigating these risks, and that remind them of the importance of understanding the impact of climate and environmental risks on the business environment in which they operate.

b) Actions in the area of monetary policy and the Banco de España's own investment portfolio

In 2019, the Banco de España included the principle of sustainability and responsibility as one of the pillars of the investment policy in its own portfolios, complying with NGFS recommendations. It also participated in the joint work of the Eurosystem, with regard to the incorporation of climate considerations into the

³¹ 186 entities were analysed in the thematic review: 107 significant institutions (including the 10 Spanish institutions) and 79 less significant institutions (including four Spanish institutions).

³² Under current regulations, only European credit institutions that are categorised as large in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and that hold securities admitted to trading on a regulated market in a member State are subject to these disclosure requirements. In the future, these requirements will be extended to all entities, taking into account the proportionality principle.

monetary policy framework, and in strengthening the integration of sustainability and responsibility criteria in the management of own portfolios or not related to monetary policy. In particular, the Banco de España continued to increase its thematic portfolio for sustainable and responsible investment, through direct investment in green bonds denominated both in euros and in other currencies.

The institution also participated in the work of the Eurosystem to advance fulfilment of its disclosure commitment, as included the common position agreed in 2021 by the Eurosystem's national central banks. In this context, the [first report on the climate aspects of their investment portfolios](#) was published , using a common framework based on the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) and which will be published annually.

c) Research

[High on the Banco de España's analytical priority and research agenda](#) is analysis of the numerous implications that climate change and the transition towards a more sustainable growth model have for the economy as a whole and for the financial system as can be seen in the 2023 update. As was already the case in the Annual Report 2021, [chapter 4 of the Annual Report 2022](#) included the recent analysis on the challenges of the ecological and energy transition.

d) Corporate sustainability

The Banco de España's Corporate Sustainability Policy reflects the institution's commitment to the environment. This commitment is also part of SP 2024, through a series of initiatives aimed at promoting sustainability and social responsibility.

Thus, in 2023, the Banco de España began to calculate the **carbon footprint of the activities it carries out** and that generated by its buildings, in accordance with the ISO 14064 standard. Specifically, studies were carried out on the following categories of emissions:

- Direct emissions: a) fixed, produced by all types of fuel consumed in fixed installations; b) mobile, generated as a result of the consumption of fuel by transport for the distribution of cash, and c) fugitive, originating from refrigerant equipment and firefighting systems.
- Indirect emissions, caused by imported energy and derived from electricity consumption.

- Indirect emissions, caused by staff travel, mainly due to Eurosystem activities and meetings.

In addition, in accordance with the Banco de España Corporate Sustainability Policy, during 2023, a comprehensive inspection was carried out, from an environmental perspective, of all the institution's sites and, as in previous years, a programme of conferences and volunteer activities was developed, with the aim of raising staff awareness about caring for the environment.

In addition, throughout 2023, numerous measures were promoted to reduce the environmental impact in the **field of cash**, such as the following:

- Installation of an automatic system for packaging banknotes in cardboard boxes instead of plastic bags in the Madrid banknote processing area.
- Renewal of the armoured vehicle fleet to reduce the environmental impact: three Euro 4 technology vehicles were replaced by others with the new Euro 6 technology.
- Reuse of plastic bags from high-income operations by returning the bags to cash-in-transit companies.
- Participation in various Eurosystem R&D projects to improve the environmental footprint of cash.



The carbon footprint of all the buildings and sites of the Banco de España was estimated for the first time.

- Improvement of the environmental footprint of the Banco de España's share of euro banknote production, thanks to the use of 100% sustainable cotton in the manufacture of paper for printing banknotes.

Sustainability is therefore an integral part of Banco de España's corporate strategy and process development. In addition, in order to ensure accountability in this area, once the study is completed the results will be published on the institutional website.



For more information on [corporate sustainability](#), see the Banco de España website.

11 ACTIVITIES OF THE BANCO DE ESPAÑA AS A MEMBER OF THE EUROSISTEM AND OTHER INTERNATIONAL ORGANISATIONS

PARTICIPATION IN INTERNATIONAL ORGANISATIONS



What does it consist of?

The Banco de España is part of the European institutional framework and is represented in the main international monetary institutions, such as the International Monetary Fund or the Bank for International Settlements.

Why is it important?

The Spanish economy is fully integrated into the world economy and especially into the euro area. Therefore, in carrying out its functions and in the analyses it performs, the Banco de España must take into account the international environment in which the Spanish economy operates.

What does the Banco de España do?

Participate in numerous working groups and committees, as well as in the discussions and decisions that take place in the field of global financial architecture, contributing its experience.

What is the objective?

To continue to actively participate in the decision-making of the most relevant institutions and forums at European level and beyond, and to promote the transfer and exchange of knowledge, experiences and best practice.

11.1 The Eurosystem and the institutions of Economic and Monetary Union

Throughout 2023, as in previous years, the Banco de España played an active role in the activities of the ESCB. The Governor attended the regular meetings of the Governing Council and the General Council of the ECB, at which monetary policy decisions and decisions relating to the functioning of the Eurosystem are taken. Moreover, the Deputy Governor participated in the meetings of the SSM Supervisory Board, which discusses, plans and implements the ECB's supervisory tasks, where draft decisions pertaining to the prudential supervision of credit institutions are submitted to the Governing Council for its approval.

In addition, the Banco de España continued to collaborate intensively in the work of the different committees established in the ESCB —among others, that of Monetary Policy, Market Operations, Market Infrastructure and Payments, Financial Stability, Legal, Statistics, Banknote or Risk Management— and in the working groups that answer to those committees. Among the issues addressed by the committees and discussed and approved by the Governing Council of the ECB in 2023, **those related to the rapid and intense tightening of monetary policy should be highlighted.** In this regard, the Governing Council adopted consecutive decisions to raise official interest rates until September, when inflation began to show signs of containment, and, along the same lines, measures related to the reduction of its balance sheet. It is also worth mentioning the approval of the launch of the first part of the preparation

phase of the digital euro project in November 2023, after the end of the two-year research phase.

Also noteworthy is the opening, at the initiative of the ECB, **of the House of the Euro (Ho€)** in Brussels, with the aim of increasing cooperation between central banks in the euro area, as well as strengthening their presence in the sphere of EU institutions. The Ho€ brings together, in a single workspace, representatives of the ECB and some of the main Eurosystem central banks, such as the Banco de España, the Bundesbank, the Banque de France and the Bank of Italy, as well as those of Ireland, Malta and Slovenia.

The Banco de España's participation in various working groups and committees in 2023 is also worth mentioning. As in previous years, the Banco de España was represented at the two informal meetings of the Council for Economic and Financial Affairs of the EU held in February and September, the last one in Santiago de Compostela, on 15 and 16 September, under the Spanish Presidency of the Council of the EU, having played an active role in preparing it together with the Ministry of Economic Affairs, Trade and Enterprise. It also took part in the meetings of the Economic and Financial Committee (EFC) and the Economic Policy Committee. In fact, as part of the Spanish Presidency of the Council, the EFC meeting was held in Madrid on 2 and 3 October 2023.

These forums addressed, among other issues, the actions taken in support of Ukraine, the sanctions against Russia and Belarus or the various proposals to use frozen Russian assets in the reconstruction of Ukraine. On the other hand, **very significant progress was made on the EU's economic governance framework, a fundamental element for the functioning of fiscal policy in the new context of geopolitical risks, climate change and digitalisation** facing the EU.



The Governing Council of the ECB took decisions to raise official interest rates until September, when inflation began to show signs of containment.

In addition, in the area of financial services, the work to finalise the implementation of the Basel III reforms, the revision of the Regulation of Central Securities Depositories³³ and several proceedings related to the union of capital markets were significant. Negotiations also continued on the prevention of money laundering and on strengthening the Bank Crisis Management and Deposit Insurance (CMDI) framework to provide bank resolution authorities with more effective tools to protect depositors and taxpayers in banking crisis situations. Moreover, initiatives to reindustrialise the EU and guarantee its open strategic autonomy were intensified with the Green Deal Industrial Plan proposed by the European Commission and the signing of new trade agreements. Finally, under the EU's commitment to reduce its net greenhouse gas emissions by at least 55% by 2030 compared to 1990 values and achieve climate neutrality by 2050, the last pending legislative procedures of the “Objective 55” package of measures were approved.



For more information on the [institution's activities at a European level](#), see the Banco de España website.

11.2 European Banking Authority

The Banco de España is the Spanish representative at the EBA³⁴ and participates in its various working groups and decision-making committees, being represented on the Board of Supervisors, as well as on the Board of Directors, by the Director General of Financial Stability, Regulation and Resolution. In all of its strategic priorities for 2023, activities related to digital finance and environmental sustainability gained particular relevance. In the first case, the efforts of the EBA focused on the numerous regulatory developments derived from the Digital Operational Resilience Regulation³⁵ (DORA) and the Markets in Crypto-Asset Regulation³⁶ (MiCA), as well as on preparations to face the structural changes that both regulations introduce to their supervisory function.³⁷

33 Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012.

34 The EBA is an independent EU authority that plays a key role in safeguarding the integrity and soundness of the EU banking sector to support financial stability.

35 Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No. 1060/2009, (EU) No. 648/2012, (EU) No. 600/2014, (EU) No. 909/2014 and (EU) 2016/1011.

36 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

37 In accordance with the DORA and MiCA regulations, the EBA must contribute to the effective oversight of technological service providers to the financial sector, as well as issuers of asset-reference tokens and issuers of electronic money tokens.



The EBA oversees the integrity, efficiency and proper functioning of the banking sector.

On the other hand, the EBA continued its work to ensure an effective and coherent level of prudential regulation and supervision. In this area, it prioritised the implementation of Basel III, starting to work on some of the mandates provided for in the banking package, focusing on market risk, credit risk, operational risk, supervisory reporting and Pillar 3. In addition, in order to promote transparent and effective supervision, in conjunction with the other two European supervisory authorities, ESMA and EIOPA, it developed a [framework of supervisory independence, which will serve as a reference for assessing the independence of supervisory authorities in Europe.](#)

In addition, the EBA continued its work to implement a data infrastructure at a European level that improves both its analytical capacity and the information available from third parties. In 2023, it launched what is called the [Pillar 3 Data Hub](#) and, in collaboration with the ECB, it is currently developing an integrated statistical, prudential and resolution reporting system.

Finally, within the framework of its general objective of preserving financial stability in the EU and ensuring the integrity, efficiency and proper functioning of the banking sector, the EBA continuously monitors its risks and vulnerabilities. In 2023, it coordinated and published the results of stress tests carried out on a total of 70 banks in 16 European countries, and concluded that the banking sector as a whole has sufficient capacity to withstand a sharp contraction in economic activity. Coinciding with this publication, and as a result of the banking turmoil in March, it also released the main findings of an ad hoc analysis of unrealised losses in credit institutions' fixed income portfolios, and indicated that these were contained.



For more information about the [EBA](#), see the Banco de España website.

11.3 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an EU body with responsibilities for macroprudential oversight of the financial system and for the prevention and mitigation of systemic risk.³⁸ The ESRB brings together representatives of central banks, national financial supervisory authorities from all EU Member States and various community bodies. The General Board is its highest governing body and the Banco de España participates in it together with representatives of the CNMV and the DGSFP.

Notably, in 2023 the Advisory Technical Committee (ATC) of the ESRB was chaired by the Governor of the Banco de España, a position he has held since June 2019. The ATC is the ESRB structure responsible for preparing documents and discussions for the General Meeting. To this end, the ATC holds regular sessions (at least one per quarter) that bring together those responsible for financial stability and macroprudential policy from the member institutions of the ESRB. Meanwhile, as president of the ATC, Pablo Hernández de Cos gave a [speech](#) in May 2023 on the situation and challenges of the EU financial system, and in the month of November he participated in the [annual ESRB conference](#), leading a panel discussion on the banking turbulence of spring 2023.

In 2023, the ESRB published several thematic reports on cyber risks, financial innovation and the residential real estate market.³⁹ In particular, the works and publications of the ESRB were aimed at promoting the use of macroprudential instruments to promote cyberresilience and to analyse the implications of crypto-assets and decentralised finance for financial stability. The ESRB also carried out a relevant study on possible instruments to address risks related to investment funds with high exposure to corporate debt and real estate assets. It also worked on the preparation of a monitoring report on vulnerabilities in the residential real estate sector in European Economic Area (EEA) countries. Finally, it is worth noting the report on macroprudential frameworks for climate risk management.



For information on the [relevance of the ESRB for the Banco de España](#), see the institutional website.

³⁸ For an informative introduction to the tasks of the ESRB, see the article “[The first ten years of the European Systemic Risk Board \(2011-2021\)](#)”. Journal of Financial Stability - Banco de España, 42, pp. 129-164.

³⁹ Publications available in the [reports section](#) of the ESRB website.

11.4 Single Resolution Board

The Single Resolution Board (SRB) and the National Resolution Authorities (NRAs) form the Single Resolution Mechanism (SRM). Their mission is to ensure an orderly resolution of failing banks in the banking union, preventing or minimising adverse impacts on the real economy, the financial system, and the public finances of Member States.

2023 marked the end of a transitional period established for entities to progressively achieve the desired resolvability, complying with the necessary steps and initiatives reflected in the what was called the *Expectation for Banks (EfB)*. These include compliance with the final objective of the MREL requirement, which within the framework of the SRB was set for 1 January 2024.

In 2023, a strategic change in the activity of the SRB was set in train. After an initial few years dedicated to the more general phase of preparing resolution plans for each of the entities for which it is responsible, **another, more operational phase began in 2023, aimed at ensuring that each plan and planned resolution strategy can be effectively implemented in a real crisis scenario.** This change will involve subjecting resolution plans and strategies to greater testing tasks, simulated resolution events (dry runs), in-depth analysis of specific aspects of resolution (deep-dives) and on-site inspections, in line with (GL/2023/05) EBA testing guidelines.⁴⁰ In addition, this new orientation will result in a fresh multiannual work plan for the SRB, which will cover the 2024-2028 period.

In 2023, the implementation of SRB policies focused on the operationalisation of existing ones, as well as on the improvement and updating of some of them due to regulatory changes. It is worth noting the publication of the *Operational guidance for banks on the measurement and reporting of the liquidity situation in resolution*, which provides the necessary guidance to institutions to comply with principle 3.2 of the EfB: Measurement and reporting of the liquidity situation in resolution.

On the other hand, **during 2023, the SRB also contributed to defining external regulatory initiatives that directly affect its mandate**, including the revision of the regulatory framework relating to banking crisis management and deposit insurance (CMDI). The main objective of this proposed reform is to improve tools for managing crisis situations in small and medium-sized banks, as well as to review the European State aid framework for institutions in difficulty. The strengthening of the banking crisis framework will promote the consistency of its resolution policies in the broader European context and within international standards.

⁴⁰ Guidelines amending the EBA/GL/2022/01 Guidelines on improving resolvability for institutions and resolution authorities under articles 15 and 16 Directive 2014/59/EU (Resolvability Guidelines on) to introduce a new section on resolvability testing.



See the Banco de España website for more information on the institution's international role in the area of resolution.

11.5 The Financial Stability Board, the Basel Committee on Banking Supervision and the Bank for International Settlements

a) Financial Stability Board

The Banco de España is a member of the Financial Stability Board (FSB), on whose Plenary and Steering Committee include the Governor of the Banco de España sits.

During 2023, **the FSB continued to monitor the risks associated with the non-bank financial intermediation sector and worked on concrete initiatives to strengthen this sector**, including the review of recommendations on liquidity gaps in open-ended investment funds, the development of measures on margins in financial derivatives and the analysis of leverage in the sector.

The FSB also continued its work on analysing vulnerabilities associated with structural changes. In the area of financial innovation, its regulatory framework for crypto-assets was completed, based on the principle of “same activity, same risk, same regulatory treatment”, providing a solid basis for ensuring that activities related to crypto-assets and stablecoins are subject to coherent and comprehensive regulation. In addition, it developed a proposal for a comprehensive framework for managing risks associated with the services of external providers.

In terms of resolution, the FSB established a framework that defines and analyses a catalogue of financial resources and tools for resolving central counterparties. On the other hand, following the banking turmoil of early 2023, it published a report of lessons learned from the perspective of the international resolution framework.

b) Basel Committee on Banking Supervision

The Banco de España also forms part of the BCBS, which is currently chaired by the Governor. In 2023, the revision of the [Core Principles for Effective Banking Supervision](#) should be highlighted. Important advances were also made in the area of Pillar 3, with the publication of two advisory documents that constitute the first step in standardising the disclosure requirements for [exposures to crypto-assets](#) and financial risks related to climate change.

In the area of evaluating the reforms, the BCBS continued to promote the full, consistent and timely application of the Basel III standards, as well as monitoring their application status in all jurisdictions. In addition, it published a report on progress in implementing the [principles for aggregating risk data](#).

Finally, as a forum for cooperation in the area of banking supervision and the primary entity responsible for prudential regulation, the BCBS prepared a report that provides an [assessment of the causes of the banking turmoil of March 2023](#), regulatory and supervisory responses, and sets out some lessons from that perspective.

c) Bank for International Settlements

In 2023, Banco de España representatives participated in the three committees of the Bank for International Settlements (BIS) that analyse the evolution of the global economy and international financial markets: the Global Economy Meeting, which the Governor attends every two months; the Committee on the Global Financial System, which the Deputy Governor attends quarterly, and the Markets Committee, in which the Director General of Operations, Markets and Payment Systems participates. It is worth remarking that, in March 2023, the CGFS published the report [Central bank asset purchases in response to the Covid-19 crisis](#), which was developed by a working group chaired by the Deputy Governor. This report examines the experience of central banks that made asset purchases for the first time during the COVID-19 crisis, as well as those that expanded or reintroduced their purchasing



G-20 Summit held in New Delhi on 9 and 10 September 2023.

programmes. The report concludes that these purchasing programmes were successful in addressing disturbances in the transmission of monetary policy and providing additional stimulus to the economy.

Moreover, the Banco de España also participated in the BIS Committee on Payments and Market Infrastructures, in which the Associate Director General of Payments and Market Infrastructures and the Director of the Department of Payment Systems take part. This committee published several reports, including the report entitled *Considerations for the use of stablecoin arrangements in cross-border payments*, on the use of stable cryptocurrency agreements in cross-border payments, and the report prepared in collaboration with the International Organisation of Securities Commissions, *Report on current central counterparty practices to address non-default losses*, relating to the need for central counterparties to have adequate resources and tools to address losses they may incur other than defaults, given the growing importance of these entities in the financial system. In addition, work continued to comply with the G-20 road map on cross-border payments.



For more information on the [international activity in the supervisory field](#), see the Banco de España website.

11.6 The International Monetary Fund and the G20

In 2023, the Banco de España, in coordination with the Ministry of Economic Affairs, Trade and Enterprise, organised the meetings of the International Monetary Fund (IMF) team with economic authorities and the private sector to prepare the annual report on the Spanish economy, known as the Article IV report. On this occasion, the meetings of the *Financial Sector Assessment Programme* were also held, within the framework of which a report is published addressing the situation of the financial system and which is carried out every five years. In addition, the institution participated in the spring meetings in Washington and in the annual meetings of the IMF, in Marrakesh.

In the area of Spain's participation in the resources of this international financial organisation, it is worth noting the one-year extension of Spain's bilateral loan to the IMF, for an amount of 6,401 million euros, until December 2024. Likewise, the IMF proposed an equiproportional increase of 50% in countries' quotas, which represents an increase in Spain's share from the current 9,535 million special drawing rights (SDRs) (about 11,846 million euros) to 14,303.3 million SDRs (about 17,770 million euros), keeping the percentage of the total at 2%. This share increase was approved in December 2023, although contingent on a decline or withdrawal of the NAB - New Arrangements to Borrow, or temporary IMF resources. This, together with the

disappearance of bilateral loans at the end of 2024, will make it possible to maintain the IMF's lending capacity.

Additionally, **the Banco de España collaborated with the Ministry of Economic Affairs, Trade and Enterprise** in the five groups of the G-20 “finance circuit”, in which Spain participates as a permanent guest: a) the Framework Working Group, on macroeconomic issues; b) the IFA Working Group, on international financial architecture; c) the Sustainable Finance Working Group, on the sustainability of development and the financial aspects of climate change; d) the Infrastructure Working Group, dedicated to infrastructure financing, and e) the Global Partnership for Financial Inclusion, on issues of financial inclusion. In 2023, under the Indian presidency of the G-20, the meetings were almost entirely face-to-face, as in the years before the COVID-19 crisis. Its activity focused on current issues, such as: a) energy and food insecurity; b) the macroeconomic impact of climate change and its mitigation from a distributive standpoint; c) the increased role of the multilateral development banks (MDBs) regarding climate change and pandemic management; d) channelling MDB and IMF resources to vulnerable countries and managing their debt; e) the harmonisation of international taxation and information on crypto-assets; f) the macro-financial consequences of central bank digital currencies; g) the regulation of unbacked crypto-assets, stablecoins and decentralised finance (DeFi); h) streamlining international payments; i) regulation of financial services; j) vulnerabilities to cyber risks; k) infrastructure financing, especially in relation to cities; and l) the effect of digitalisation on the financial inclusion of the general public and SMEs.

At the end of 2023, Brazil assumed the presidency of the G-20 and published the priorities of its programme, under the slogan “Building a just world and a sustainable planet”, focused on three axes: a) social inclusion and the fight against poverty; b) energy transitions and the promotion of sustainable development, and c) the reform of global governance.

INTERNATIONAL COOPERATION



What does it consist of?

It allows the channelling of external relations of the Banco de España and seeks the establishment and development of stable collaborative links with institutions with which it shares interests and objectives.

Why is it important?

It responds to the strategic priority objective of consolidating itself as a reference for central banking in Latin America. It also expands and reinforces the institutional projection of the Banco de España in other regions of the world. In addition, it enhances high-level institutional relationships, the creation of expert networks and participation in projects, which actively contributes to the modernisation of the organisation.

What does the Banco de España do?

In accordance with ESCB best practice, strengthen international relations through the organisation of multilateral activities and bilateral projects, and technical assistance, as well as through the negotiation and adoption of memorandums of understanding.

What is the objective?

Contribute to monetary and financial stability through the sharing of central banking criteria, best practice and methodologies.

Throughout 2023, the Banco de España continued to develop its institutional relations with Latin America, a preferential and strategic overseas region. In April, a memorandum of understanding was signed with the Central Bank of Paraguay, which will constitute the new framework for the joint development of cooperation actions and for strengthening institutional links between the two central banks through the creation and promotion of expert networks and the sharing of their best practices.

In addition, in 2023, the volume of activity was maintained at levels similar to those of previous years in the field of international cooperation, carrying out a total of 258 activities. Regarding the distribution of activity by region, the trend of previous years continued, in line with the strategic priorities of the Banco de España. This involved the promotion of **a large number of initiatives and projects in the Latin American region**, with more than 130 international cooperation actions. In this regard, collaborations with the central banks of Chile, Mexico, Guatemala and Costa Rica stand out.

In terms of international cooperation at a European level, carried out within the framework of the ESCB, the Banco de España – as a member of the International Cooperation Working Group under the International Relations Committee of the ECB – actively participates, together with 20 ESCB central banks, in the **II Regional Programme for the Western Balkans** (funded by the EU), aimed at strengthening

the competencies of central banks and banking supervisors in this region. The activities carried out in 2023 included: a) the Information Technology Department participating in a training event, together with the ECB and the central banks of Romania, France and Belgium, for the joint development of a bilateral measure aimed at the Central Bank of Bosnia and Herzegovina; b) the Internal Audit Department taking part in a multilateral activity coordinated with the central banks of Lithuania, France, Belgium, Slovenia and Italy, and aimed at all the beneficiaries of the programme, and c) the Legal Department, as part of the project's bilateral action plan, providing technical assistance to the Central Bank of Albania.

Also in the area of coordinated cooperation within the framework of the ESCB, the **preparatory contractual phase of the pilot project for Africa has ended**, the result of the collaboration of the Banco de España with the ECB and the central banks of Portugal, Germany, France, Belgium, Italy, Lithuania and Slovakia. The project is funded by the EU and its purpose is to implement a cooperation and technical assistance programme with several central banks in this continent, highlighting the priority it implies in the EU's strategy and its importance for overall financial stability. Within the framework of coordinated action of this programme, close cooperation will be maintained with three main recipients of this project: the Central Bank of Morocco (Bank Al-Maghrib), the Bank of Central African States and the Central Bank of Tunisia.

Furthermore, in the month of October 2023, the **third edition of *Fostering Women's Leadership in Central Banking***, which the Banco de España co-organises together with Bank Al-Maghrib, took place in Marrakech, within the framework of the annual meetings of the IMF. This initiative, the previous editions of which took place in Malaga in 2018 and in Marrakech in 2019, is an international cooperation forum focused on promoting and strengthening diversity and women's leadership in central banking. This special edition in 2023, aimed at governors and senior representatives of some of the main financial and economic institutions in America, Africa and Europe, and led by the governors of Banco de España and Bank Al-Maghrib, included special interventions by Nadia Calviño, current president of the European Investment Bank, and Gita Gopinath, the first deputy managing director of the IMF.



To learn more about [international cooperation activities](#) and the [II Regional Programme for the Western Balkans](#), see the Banco de España website.

13 REGULATORY CHANGES

REGULATORY CHANGES



What does it consist of?

The Banco de España performs its functions in accordance with the provisions of the Law of Autonomy and in the rest of the applicable legislation. In addition, it has the power to issue circulars and technical guidelines.

Why is it important?

The rules approved at a domestic and EU level have an impact on the functions and powers of the Banco de España. In turn, the circulars and technical guidelines approved by the institution supplement and implement state and European standards.

What does the Banco de España do?

Exercise the functions entrusted to it in line with the new regulations and updates approved at the national and international levels, and promote and approve the circulars and technical guides that complement them.

What is the objective?

Adapt the actions of the Banco de España to regulatory changes and approve circulars and technical guidelines when required by state and European regulations.

In 2023, exercising the regulatory power recognised by its Law of Autonomy⁴¹ and implemented in its Internal Regulations⁴² the Banco de España approved three circulars. Various state and EU regulations were also approved with an impact on the functions and powers with which the Banco de España is entrusted.

Schema 2.5 summarises the main regulatory developments in 2023.



The Banco de España website contains [legal information resources](#) related to the activities of the institution.

In 2023, the first regulation of crypto-assets in the EU came to light. This is known as the “MiCA Regulation”, which includes in its objective scope, essentially, all those crypto-assets that are not regulated by current legislation on financial services. Box 2.6 provides detailed information on this regulation.

Additionally, in 2023, the Whistleblower Protection Act was approved,⁴³ transposing Directive (EU) 2019/1937⁴⁴ into Spanish law. Its purpose is to protect those people

⁴¹ Law 13/1994, of 1 June 1994, of Autonomy of the Banco de España.

⁴² Internal Rules of the Banco de España, approved by the Banco de España's Governing Council Resolution of 28 March 2000.

⁴³ Law 2/2023, of 20 February 2023, regulating the protection of persons who report regulatory violations and the fight against corruption.

⁴⁴ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

MAIN REGULATORY DEVELOPMENTS OF 2023

RULES APPROVED IN THE EXERCISE OF THE BANCO DE ESPAÑA'S EXTERNAL REGULATORY POWER

Banco de España **Circular 1/2023**, of 24 February 2023, for credit institutions, Spanish branches of credit institutions authorised in another Member State of the European Union and financial credit institutions, on the information to be sent to the Banco de España on covered bonds and other loan mobilisation instruments, and amending Circular 4/2017, of 27 November 2017, for credit institutions, on public and reserved financial reporting standards, and financial statement models, and Circular 4/2019, of 26 November 2019, for financial credit institutions, on public and reserved financial reporting standards, and financial statement models.

Banco de España **Circular 2/2023**, of 17 March 2023, amending Circular 1/2013, of 24 May 2013, on the Central Credit Register.

Banco de España **Circular 3/2023** of 22 December 2021, amending Circular 2/2016 of 2 February 2016, for credit institutions, on supervision and solvency, completing the transposition into Spanish legislation of Directive 2013/36/EU and Regulation (EU) No. 575/2013, and Circular 1/2022, of 24 January 2022, for EFCs, on liquidity, prudential regulations and reporting obligations.

REGULATIONS APPROVED AT THE STATE LEVEL, OF PARTICULAR RELEVANCE TO THE BANCO DE ESPAÑA

Law 6/2023, of 17 March 2023, on Securities Markets and Investment Services, several provisions of which address the actions of the Banco de España in this area, and amending Law 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, in particular to regulate the supervisory report and internal control body of the Banco de España and the sanctioning regime in relation to breaches of the Regulation (EU) of the European Parliament and the Council relating to markets in crypto-assets.

Law 2/2023, of 20 February 2023, regulating the protection of persons who report regulatory violations and the fight against corruption, which establishes the obligation of the Banco de España to have an internal reporting system in the terms established by the Law, and that the Advisory Committee on Whistleblower Protection must include, among others, a representative from the Banco de España.

Royal Decree-Law 5/2023, of 28 June 2023; on the transposition of European Union Directives on structural modifications of commercial companies and the work-life balance of parents and caregivers; and on the enforcement and fulfilment European Union law; which, among other issues, restores the period of one year available to the Banco de España to resolve sanctioning cases in a way that guarantees they are properly conducted.

Royal Decree 609/2023, of 11 July 2023, creating the Central Register of Beneficial Ownership and approving its Regulations, provides for the possibility of access by other supervisory bodies in the event of an agreement (including the Banco de España).

Royal Decree 813/2023, of 8 November 2023, on the legal regime of investment services firms and other entities that provide investment services, which includes the intervention of the Banco de España in various procedures relating to these entities

STANDARDS APPROVED AT THE LEVEL OF THE EUROPEAN UNION, WITH A SPECIAL IMPACT ON THE BANCO DE ESPAÑA

Decision (EU) 2023/1610 of the European Central Bank of 28 July 2023 establishing the historical archives of the European Central Bank and amending Decision ECB/2004/2.

Regulation (EU) 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849.

Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC.

Decision (EU) 2023/2530 of the European Central Bank of 28 September 2023 on the delegation of the power to adopt decisions not to object to intended macroprudential measures of national competent authorities or national designated authorities.

Decision (EU) 2023/2531 of the European Central Bank of 24 October 2023 nominating heads of work units to adopt delegated decisions not to object to intended macroprudential measures of national competent authorities or national designated authorities.

Commission Delegated Regulation (EU) 2023/2779 of 6 September 2023 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the identification of shadow banking entities referred to in Article 394(2) of Regulation (EU) No. 575/2013.

SOURCE: Banco de España.

who, in a work or professional context, detect serious or very serious criminal or administrative offences, and report them through regulated mechanisms.

In compliance with this law, in 2023, the Banco de España implemented two channels for secure and confidential reporting of possible breaches or irregularities of which

Box 2.6

THE MiCA REGULATION

On 9 June 2023, **Regulation (EU) 2023/1114, on markets in crypto-assets**, was published, known as the “**MiCA Regulation**”. This regulation will apply as of 30 June 2024, in relation to the issuance of certain so-called “stable” crypto-assets and, as of 30 December 2024, in relation to all other crypto-asset issues and services.

The MiCA Regulation establishes the regulatory framework applicable to the issue, offer and admission to trading of crypto-assets, as well as the regime applicable to the provision of crypto-asset services.

Financial instruments or other already-regulated products, unique and non-fungible crypto-assets, as well as the European Central Bank and the national central banks of the Member States of the European Union (EU), when acting in their capacity as monetary authorities, are excluded from its scope.

Crypto-assets that fall within the scope of the MiCA Regulation are classified into three categories:

a) crypto-assets that, in order to maintain a stable value, are linked to the value of an official currency or electronic money token (EMT); b) crypto-assets, other than EMTs, that seek to maintain a stable value linked to another value or right, or to a combination of both, including one or more official currencies, called asset-referenced tokens (ART), and c) other crypto-assets, different to the foregoing ones, included within the scope of the Regulation. This standard also contains several provisions on the authorisation, supervision, operation, organisation and governance of the issuers of these crypto-assets, particularly ARTs and EMTs.

The MiCA Regulation also regulates the provision of **crypto-asset services in the EU**; specifically: a) the custody of crypto-assets; b) the operation of a trading platform; c) the exchange of crypto-assets for funds or other crypto-assets; d) the execution of orders related to crypto-assets; e) the placement of crypto-assets; f) the receipt and transmission of orders related to crypto-assets, and g) advice, portfolio management and the transfer of crypto-assets.

In accordance with the MiCA Regulation, the provision of crypto-asset services can be carried out both by entities already regulated by current legislation (credit institutions, investment services firms, electronic money institutions, etc.) and by entities that obtain the corresponding authorisation to provide those services. In relation to these providers, the Regulation regulates certain organisational aspects, information for customers, the safeguarding of their funds and others related to conflicts of interest or outsourcing.

The Banco de España is responsible for exercising the functions of supervision and inspection in the obligations provided for with regard to EMT issuers and ART issuers, as well as for sanctioning any non-compliance — unless the ART or the EMT is deemed significant, in which case the European Banking Authority will have various supervisory powers. For its part, the Spanish National Securities Market Commission is responsible for overseeing the provision of crypto-asset services.

a person is aware and that are related either to acts committed within the organisation – internal channel – or to violations of regulatory and disciplinary regulations carried out by supervised entities – external channel –.

Box 2.7 explains these two channels in detail.

WHISTLEBLOWING CHANNELS

Internal channel: SIIBE

In June 2023, the **Banco de España's Internal Whistleblowing System (SIIBE)** was launched. The SIIBE was created in compliance with [Law 2/2023, of 20 February 2023, regulating the protection of individuals who report regulatory violations and the fight against corruption](#) - known as the “Whistleblowing Law” -, and integrates all of the Bank's internal whistleblowing channels (“internal whistleblowing channel”).

Through the internal whistleblowing channel, whistleblowers can confidentially report **irregularities attributable to the Banco de España** or its staff, of which they have become aware in the context of an employment or professional relationship with the Banco de España. These irregularities may consist of breaches of European Union law, administrative or criminal offences, harassment or discrimination, and breaches related to Banco de España's codes of conduct.

The internal whistleblowing channel establishes an adequate **framework of protection** for those who report any of the above-mentioned irregularities to the Banco de España in good faith. Thus, communications received through the internal whistleblowing channel are managed in a **secure and confidential manner**, even allowing **anonymous** complaints. To this end, a secure and exclusive **reporting mailbox** has been set up, accessible to any whistleblowers through the Banco de España's electronic office.

On the other hand, any form of retaliation against whistleblowers is prohibited, and the Banco de España must provide them with information and advice on existing

procedures and remedies in relation to improper acts. At the same time, respect for the presumption of innocence of the person being reported and their right to defence are guaranteed.

The content of the SIIBE policy approved by the institution was published on the Banco de España website.

You can obtain further information and/or access the Banco de España internal channel (SIIBE) via the institution's website.

External channel

The **external whistleblowing channel** makes it possible to confidentially report any violation of regulatory and disciplinary regulations committed by an **entity supervised by the Banco de España**. This channel can also be used if it is suspected that an entity is performing legally reserved activities or using the names of entities subject to the functions and competencies of the Banco de España without having obtained authorisation to do so or without being recorded in the corresponding registers.

The Banco de España's external channel **has been operating since 2021**. However, the Whistleblowing Law introduced some adjustments, such as the possibility of making **anonymous** communications if the whistleblower so wishes. In addition, there is a **secure and exclusive mailbox** that any whistleblower can access through the Banco de España's electronic office.

You can obtain further information and/or access the [Banco de España's external channel](#) via the institution's website.