

BANCO DE ESPAÑA ASSESSMENT PROGRAMME

BANCO DE ESPAÑA ASSESSMENT PLAN 2022-2023

Banco de España



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1 Background

According to Section 4 of the Banco de España Assessment Programme Guidelines (hereinafter, “the Guidelines”), between two and three annual assessments shall be established per year in the annual assessment plan approved by the Governing Council at the proposal of the Governor.

Furthermore, the Guidelines provide that any Banco de España activities conducted in the exercise of its functions may be assessed, with the respective assessments being undertaken as part of the analysis of its area of operation or management, so that financial and regulatory compliance and control, in addition to, in general, such actions that fall within the remit of the Banco de España’s Internal Audit Department or of other audit or control bodies are excluded from the scope of the assessments.

In this context, the Directorates General of the Banco de España have proposed fields, relating to their respective areas, that could be assessed. All these proposals were considered by the Management Committee, taking into account the strategic relevance of the fields suggested, as well as the desirability of having them assessed.

In addition, as stated in the Guidelines, assessments not included in the annual plan may be performed from time to time, where agreed by the Banco de España’s decision-making bodies.

2 Scope of the Assessment Plan

This Assessment Plan provides for performance of the following assessments in the period 2022-23:

- (i) Evaluation of research at the Banco de España
- (ii) Evaluation of the Banco de España’s macroeconomic projection activity
- (iii) External evaluation of the use of technological innovation in the prudential supervisory function

The descriptions of the evaluations, with details of their purpose and preliminary scope, are included in the **annex** hereto.

Each of these evaluations will provide an assessment of the respective activities or functions performed by the Banco de España in the above-mentioned fields. Indicators may be developed for each field to measure effectiveness, efficiency and quality, with the ultimate aim of strengthening the mechanisms for monitoring and controlling the attainment of goals and compliance with recommendations resulting from the evaluation.

3 Timeframe

This Assessment Plan relates to the period 2022-23. Its activities will be commenced in 2022 and, insofar as possible, concluded by 31 December 2023.

Each of the descriptions included in the annex contains an estimate of the duration of the evaluation concerned and its timetable.

The timeframes involved must take into account the constraints involved in hiring external assessors, which depend on the cost. The latter determines not only which body can authorise their hiring, but also the internal processing timeframes.

4 Performance and coordination of the evaluations

4.1 Coordination of the Assessment Plan and the evaluations

Irrespective of the support structure for the Assessment Programme, each of the evaluations in the plan will, according to the guidelines, be coordinated under a general coordinator by a member of the directorate general involved, assigned for the purpose, who will be responsible for liaising with the assessment team.

4.2 Assessment team

Each evaluation shall be conducted with the assistance of a team of (two or three) external assessors selected from among individuals of recognised expertise who have worked in the field being assessed.

The Assessment Programme Guidelines provide for the possibility that assessments may be carried out with internal resources, by an area that does not participate in the process or the activities subject to assessment, provided that this is authorised by the Governing Council. The evaluations subject to this plan are to be performed with external resources.

4.3 Phases

The evaluations included in this plan will be performed according to the following phases:

- Selection and hiring of the external assessment team, in accordance with the hiring regulations applicable to the Banco de España.
- Performance of the assessment, by means of fieldwork and analysis carried out by the external assessment team with the support of the internal coordinators and/or contact persons assigned for the purpose.
- Presentation of the results of the evaluation upon its completion, by means of communication of the conclusions and recommendations.
- The evaluation will be subject to the publication criteria established in the Assessment Programme Guidelines. Its prior and/or subsequent dissemination will observe the confidentiality considerations applicable in each case.
- The plan coordinator will be responsible for monitoring the recommendations made as a result of the evaluation, in accordance with the action plan drawn up by the area assessed.

5 Approval

This Assessment Plan 2022-23 was approved by the Governing Council on 15 March 2022 and amended on 27 July 2022, at the proposal of the Governor.

Annex: Details of the evaluations included in the Assessment Plan 2022-23

1 External assessment of research activity at the Banco de España

Directorates general or departments involved	Directorate General Economics, Statistics and Research
Timetable	The evaluation will commence in the second half of 2022.
Aim and scope of the evaluation	<p>The Banco de España's responsibilities include economic analysis and research. This involves studying and monitoring the following fields, among others: the Spanish economy and its environment; economic policy, with particular focus on euro area monetary policy; and the financial and banking systems.</p> <p>Research is strategically important. It is linked to increasing the Banco de España's relevance and influence in economic debates. Under the Banco de España's Strategic Plan 2024, this has resulted in emphasis being placed on the importance of selecting and reviewing the priority areas on which its research and analysis will focus.</p> <p>An external assessment of the research activity at the Banco de España was carried out in 2011, by Lucrecia Reichlin, Jordi Gali y Luis Servén.</p> <p>As a result of the far-reaching organisational changes at the Banco de España over the last decade, the numerous researchers hired and the formal definition of the Banco de España's research priorities under the Strategic Plan 2024, conducting a fresh external assessment of the Banco de España's research function is desirable</p>
Description of the evaluation	The scope of the external assessment will consist in scrutinising the economic analysis and research function at the Banco de España.

2 Assessment of the Banco de España's macroeconomic projection process

Directorates general or departments involved	Directorate General Economics, Statistics and Research
Timetable	The evaluation will commence in the second half of 2022
Aim and scope of the evaluation	<p>The macroeconomic projections for the Spanish economy are prepared each quarter by the Directorate General Economics, Statistics and Research. They are published in the Economic Bulletin, as Box 1 of the Quarterly report on the Spanish economy.</p> <p>This report analyses recent developments in the Spanish economy, from an international and euro area standpoint, and incorporates into its analysis a number of boxes that focus on certain key economic subjects.</p> <p>Of the four yearly projection exercises, two correspond to the joint projection exercise conducted as part of the Eurosystem that are the reference projections which contribute to monetary policy decision-making.</p> <p>The projections are published each quarter and are presented to the press by the Director General Economics, Statistics and Research on the publication date. The information in the Banco de España's macroeconomic projections is therefore particularly important and scrutinised by third parties, including analysts and the media.</p> <p>In light of this, it would be particularly useful to have an assessment of the projection process, in terms of the methodology used and the accuracy of the projections made.</p>
Description of the evaluation	The assessment will consist in scrutinising the periodic preparation of the macroeconomic projections for the Spanish economy.

3 External evaluation of the use of technological innovation in the prudential supervisory function

<p>Directorates general or departments involved</p>	<p>Directorate General Banking Supervision (DGS).</p>
<p>Timetable</p>	<p>The evaluation will commence in 2023.</p>
<p>Aim and scope of the evaluation</p>	<p>Notable among the functions of the Banco de España, and in particular of the DGS, are those relating to the prudential supervision of credit institutions.</p> <p>The exponential development of technology has created new opportunities for supervisory authorities to be more proactive and efficient in performing their function. The digital transformation of supervisory functions is perhaps even more relevant in an uncertain and complex economic environment like the present one, which requires these authorities to closely monitor risk and provide an adequate and timely response.</p> <p>As part of the drive initially prompted by the Strategic Plan 2024, and bolstered by the guidance resulting from its mid-term review to boost digitalisation in all areas of the Banco de España, one of the priorities of the DGS has been to promote technological innovation within the directorate, coordinating the development of Suptech tools and enhancing, through training, the traditional expertise of supervisors with new competencies such as data analysis.</p> <p>In addition, the DGS participates in the digitalisation agenda initiatives of the Single Supervisory Mechanism (SSM) and forms part of the different working groups set up in this regard.</p> <p>In this context it would be especially useful to have an external assessment of the adequacy of the expertise and technological resources available to the DGS to perform the functions of prudential supervision of credit institutions, given its alignment with the guidance resulting from the mid-term review and the contribution that the recommendations arising from this review may make to the ambition set out in the Strategic Plan 2024, whereby <i>“the Banco de España aspires to be recognised as a benchmark for the prudential supervision of all risks associated with banking, particularly those in which it has most experience and expertise, such as credit and technology risks”</i>.</p>
<p>Description of the evaluation</p>	<p>The scope of the external assessment will consist in scrutinising the adequacy of the expertise and technological resources available for the performance of the functions of prudential supervision of credit institutions, including the contribution of the Banco de España to the performance of the functions of the SSM.</p>

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