

BANCO DE ESPAÑA ASSESSMENT PROGRAMME

BANCO DE ESPAÑA ASSESSMENT PLAN 2023-2024

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 Steering 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 evaluations in the period 2023-2024:

- 1) Evaluation of conduct supervision at the Banco de España
- 2) Evaluation of the macroprudential policy decision-making framework
- 3) Evaluation of international cooperation at the Banco de España

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 2023-2024. Its activities will be commenced in 2023 and, insofar as possible, concluded by 31 December 2024.

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

These timeframes 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 shall 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 shall 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 shall observe the confidentiality considerations applicable in each case.

The plan coordinator shall 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 2023-2024 was approved by the Governing Council on 24 April 2023, at the proposal of the Governor.

Annex: Details of the evaluations included in the Assessment Plan 2023-2024

1 Evaluation of the Banco de España's supervision of conduct

<p>Directorates general or departments involved</p>	<p>Directorate General Financial Conduct and Banknotes, Institutions' Conduct Department</p>
<p>Timetable</p>	<p>The evaluation will commence in the final quarter of 2023 and will last for around nine months.</p>
<p>Aim and scope of the evaluation</p>	<p>The Banco de España introduced conduct supervision as a specific area, in 2014, with the creation of the Conduct Supervision Division, as part of the Institutions' Conduct Department, which had been set up a year earlier within the General Secretariat. Since then, as well as contributing to regulatory changes that have taken place in Spain and Europe, this area has pursued initiatives to monitor advertising and customer services, and has carried out numerous inspections to verify compliance with the transparency regulations applicable to mortgages, consumer credit and payment services.</p> <p>In recent years, there has been a deluge of regulation in the area of conduct and financial customer protection, ushered in as a result of the high level of litigation following the 2008 financial crisis. In addition, conduct risk has increased with the growing digitisation of financial services and the emergence of new entities, products and channels. Strengthening the supervision of conduct is therefore one of the priority objectives of the Banco de España's Strategic Plan 2020-2024.</p> <p>To this end, the new Directorate General Financial Conduct and Banknotes was established in May 2022, incorporating the Institutions' Conduct Department. Its main objectives include making the transition from a corrective supervisory approach to a preventive one, with a view to strengthening the monitoring of institutions, sharing supervisory expectations with the banking sector and thus, enabling the early identification of risks.</p> <p>An external assessment underpinned by the expertise of other leading supervisors in this field would be especially useful in this phase of departmental change.</p>
<p>Description of the evaluation</p>	<p>The evaluation will consist of a critical review of conduct supervision, particularly as regards the organisation, planning, methodology, tools, resources, and adequacy of the expertise, available to properly perform this function.</p> <p>More specifically, the evaluation is mainly aimed at assessing and documenting the efficiency and effectiveness of conduct supervision and possible alternatives for improvement.</p> <p>Areas to be assessed include governance and communication of conduct supervision, adequacy of the methodology used, including processes for determining supervisory conduct profiles, and information-gathering mechanisms.</p>

2 Evaluation of the macroprudential policy decision-making framework

<p>Directorates general or departments involved</p>	<p>Directorate General Financial Stability, Regulation and Resolution, Financial Stability and Macroprudential Policy Department</p>
<p>Timetable</p>	<p>The evaluation will commence at the end of the first quarter of 2024 and will last for around nine months.</p>
<p>Aim and scope of the evaluation</p>	<p>Macroprudential policy involves implementing a set of prudential tools at credit institutions to prevent systemic risk from building up and to mitigate its effects should it materialise.</p> <p>It is currently one of the Banco de España’s main responsibilities, given its mandate in the area of financial stability. The Banco de España is the competent authority for the implementation of macroprudential measures in the Spanish banking sector.</p> <p>Although macroprudential tools are relatively new, they have been used to mitigate systemic risk for almost a decade.</p> <p>Therefore, this seems to be the right time to assess whether the framework in place is adequate or requires additional adjustments or a different approach.</p>
<p>Description of the evaluation</p>	<p>The evaluation should assess:</p> <ol style="list-style-type: none"> 1) the adequacy of the framework in place to provide early warning of a build-up of systemic risk. 2) the soundness of the methodology used to determine the macroprudential tools best suited to each situation. 3) whether the administrative procedures associated with the implementation of macroprudential measures serve the need for agile decision-making. 4) the effectiveness of the policy for communicating the decisions adopted. <p>Lastly, it should assess the framework for monitoring the measures implemented.</p>

3 Evaluation of the Banco de España's international cooperation

<p>Directorates general or departments involved</p>	<p>Directorate General Economics, Statistics and Research, International and European Relations Department.</p>
<p>Timetable</p>	<p>The evaluation will commence in early 2024 and will last for around nine months.</p>
<p>Aim and scope of the evaluation</p>	<p>International cooperation has grown significantly in recent years. In 2022, more than 250 activities were carried out, including the organisation of 26 multilateral events, with the collaboration of more than 800 experts from the Banco de España and the participation of more than 6,000 representatives from other institutions.</p> <p>All these activities were coordinated by the International Cooperation Unit, which also promoted the signing of cooperation agreements with central banks and other institutions (17 agreements currently in force).</p> <p>The aspects to be assessed can be grouped into two broad areas:</p> <ol style="list-style-type: none"> 1) Impact of international cooperation activities on our cooperation partners (i.e. beneficiary institutions). 2) Efficiency of our activities, including analysis of coordination and implementation processes and assessment of the governance arrangements that steer and define the cooperation strategy.
<p>Description of the evaluation</p>	<p>Within these two broad areas, more specific objectives can be addressed to help define the future of international cooperation at the Banco de España.</p> <p>For instance, the policy in place for the last five years, which has strengthened international cooperation in Latin America, will be analysed and assessed.</p> <p>The present and future of international cooperation in central banking will be assessed in the light of the strategic goals that we have set ourselves in recent years.</p> <p>Lastly, the structure, governance and use of the resources available for international cooperation will be assessed.</p>

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