

2

MAIN ACTIVITIES

THE BANCO DE ESPAÑA'S ACTIVITY IN 2020

The COVID-19 pandemic clearly influenced the different operational frameworks for the Banco de España's activities, both nationally and internationally.



MONETARY POLICY

Exceptional measures were adopted to increase the provision of liquidity to the real economy.



ECONOMIC ANALYSIS

The research agenda prioritised the analytical assessment of the impact of the crisis on the economy and the financial system



SUPERVISION

Prudential and conduct-related supervisory activity was refocused to address the risks arising from the pandemic.



FINANCIAL STABILITY

Macroprudential decisions, such as those relating to the countercyclical capital buffer or to stress tests, took into account the impact of the crisis.



INTERNATIONAL ORGANISATIONS

Meetings were held in virtual format, speeding up decision-making to mitigate the crisis.



BANKNOTES AND COINS

Measures were implemented to meet the demand for cash by institutions and the public at large.

1 INTERNAL ORGANISATION AND ADMINISTRATION

1.1 Main activities of internal services

The pandemic has significantly impacted many processes relating to the staff and employees of our institution. Selection processes were interrupted during the lockdown, owing to the suspension of administrative deadlines. Upon their reinstatement in May, the new hygiene and health requirements were implemented and the selection and internal promotion processes, the selection of new professionals and the filling of managerial vacancies were resumed.

Also, it became necessary to make changes to the way in which permanent and temporary employees start work. Procedures had to be changed to adapt them to the situation, not only due to the impact of remote working; the recommendations of the health authorities are observed in all cases, while contributing to the coverage of the Bank's staffing requirements.

The development and dissemination of the Banco de España brand as an **employer of choice** continue to be priorities, to attract the best professionals, and are included in the Strategic Plan. In 2020, publications continued to be promoted through various channels, such as **LinkedIn**, where 58 publications of general interest were launched. Some of these related to the management and impact of the pandemic, as well as regular employment opportunities. Numerous views were generated and the number of followers reached 62,000. Also, we have continued to publish job offers via other channels, such as **Twitter and Infojobs**. The best ambassadors of the Bank's brand are its employees; they collaborate on various initiatives, such as attending job fora, relating their experiences as bank employees on social media and participating in the photographic campaign to disseminate the Bank's image as an employer.

As regards selection, despite the situation, more than 5,000 job applications were received in 2020 and 161 permanent professionals and 208 temporary employees were selected.

Employees' promotion to management positions with responsibility for teams continued to be encouraged and supported. In 2020, 37 employees were promoted to such positions, 46% of them women, thus continuing the rising trend of women gaining access to management positions.

In view of the pandemic situation, priority was given to the **use of online tools** in selection exams and interviews. More than 500 such interviews were conducted online, more than 120 pre-recorded video interviews were held and more than 530 candidates took part in exams invigilated online. Once lockdown was eased,

presence-based exams were resumed, with strict hygienic and health protocols in place, approved by the Bank's Workplace Health and Safety Service. Exceptional measures were adopted to avoid any risk of infection, such as organising exams in small groups, applying special treatment for COVID-19-related situations (alternative exams for candidates who were infected or in quarantine, special treatment for vulnerable candidates, etc.) and the decentralisation of exams.

Employment fora at universities were also held online, with students attending live-streaming presentations on career opportunities at the Banco de España, notably including the Bank's participation in a seminar on the challenges and opportunities of working in the EU.

As regards **training and career development activities**, the pandemic meant that programmes had to be adapted to formats compatible with remote working. Sometimes innovative solutions had to be found, e.g. for the Strategic Plan training programme, which was being deployed at the Bank when the state of alert was declared. It was transformed into an alternative reality experience not requiring physical contact, in which all the employees were able to take part. The management development programmes, the mentoring programme and the multi-company programmes all had to be transformed in order to continue supporting the professionals participating in them, providing leadership and collaboration.

Training in the use of remote working tools, e.g. Skype, was stepped up. The focus has been particularly on helping employees manage remote work, providing them with numerous resources for developing collaborative techniques, networking and online team management.



Training in the use of remote working tools was stepped up.

The effort to adapt led to an increase in the average training hours per employee, even though the traditional model had been replaced by one that was practically 100% online, with an average of 32 training hours per employee in 2020, compared with 28 in 2019.

Given that these exceptional circumstances are likely to continue, the current tenders for training services have been adapted to incorporate digital alternatives. The situation triggered by COVID-19 should thus not impact negatively on the institution's training activities and employees will be guaranteed access to the necessary technical and skills training.

In 2020, internal vacancies continued to be published, resulting in nine employees moving to other positions. Moreover, 27 employees embarked on an international experience at another organisation, and 48 extended their unpaid leave.

In the area of **IT systems**, in 2020 the Banco de España notably launched a **digital transformation programme**. It is aimed at making processes more efficient and adaptable, through new technologies such as robotisation and advanced data analytics, fostering the implementation of new working arrangements, and using flexible work structures and new physical facilities where the Bank's multidisciplinary teams can develop these digital initiatives.

Additionally, the Banco de España is currently developing a **data processing platform** to ensure a more efficient and integrated use of the information it receives through multiple channels and the application of advanced analytics to generate reports. Also, regarding its role as a provider of services to the Eurosystem, it is increasing the capacity of IT platforms to include new participants from other central banks and new European projects.

Further, to provide a better service to the general public, **new technological tools** were launched and rolled out. These will enable enquiries and requests from the general public to be properly recorded and tracked, with shorter response times. Work was also under way to enhance the accessibility of websites, both as regards new content and also by progressively revamping already existing websites and portals.

Lastly, in 2020 the ambitious project for the **First Evolving Cyber Security Framework 2018-2020** was completed. The Banco de España will now be equipped with the necessary level of maturity in terms of cyber resilience to counter the challenges posed by rapidly increasing cyber threats, given the intensive recourse to ongoing remote working on a large scale brought about by COVID-19.

In the area of Procurement and General Services, during the crisis triggered by the pandemic, **the regulatory changes affecting public procurement** were addressed

THE BANK'S ACTIVITY DURING THE PANDEMIC

The Bank's services in 2020 were marked by the pandemic and its effects on working practices. On 26 February the Crisis Management Committee defined the measures to be adopted in the event that the Bank's facilities had to be closed, which the Management Committee decided to do on 11 March. The Banco de España reacted swiftly and efficiently from that date to adapt to the new situation and has been able to **continue operating, liaising with institutions and providing customer services** during this period, focusing mainly on the following aspects:

First, **deploying its remote working capacity**. This involved strengthening the operational and IT infrastructure through emergency hirings, changing the work model and the digitalisation levels, and promoting an intensive and efficient use of collaboration tools and the electronic signature.

Second, reinforcing the critical functions requiring staff to be physically present and reassessing the business continuity framework during the pandemic on an ongoing basis. As regards reassessing business continuity, the review of the level of operational risk and the assessment of vulnerability in processes and of cybersecurity risks were key.

Third, in April a specific group was set up to plan the gradual easing of the lockdown measures to ensure the continuity of the services provided by the Banco de España, as well as the health and well-being of all of its staff. In this connection, many operational protocols were adopted to minimise the risk of contagion.

In parallel, contacts and relations were stepped up in both the international and the national sphere as regards the Bank's representation before the authorities responsible for managing the health crisis (including, among others, the Ministry of the Interior, the Ministry of Health and the Regional Departments of Health). Also, resuming the services provided to the public required specific actions to keep the Bank's buildings safe. An appointment system was set up in all the buildings and coordination protocols between security staff and the Bank's employees were established.

One of the priorities of this remote work scenario has been **keeping staff informed** of the decisions that the Bank was making and of health recommendations through different channels (informative notes, audiovisual material, creation of website communication and collaboration spaces, etc.). The support provided to the teams by the department heads and by the Workplace Health and Safety Service also increased.

Remote working, in figures

- 2,944 laptops were provided to employees.
- 87.9% of the total workforce was able to work remotely (in Madrid, 97.8%).
- 498 monitors were provided to employees.
- 4 technological platforms were set up to hold meetings.



Deployment of the remote working capacity involved reinforcing the Bank's operational and IT infrastructure (left). Main façade of the Cibeles building during stage 1 of the lockdown easing plan in Spain (centre). The resumption of services to the public required specific actions to keep the Bank's buildings safe (right).

to ensure the proper functioning of the critical elements of buildings. Additionally, support was provided for the distribution of remote working equipment and for the reorganisation of workspaces to comply with social distancing measures, and the necessary personal protective equipment was made available.

1.2 Activity of branch offices

The branch offices of the Banco de España contribute, in coordination with the central office departments, to carrying out the Bank's functions and pursuing its objectives, providing direct contact with the general public at **15 locations throughout Spain** and an appropriate cash distribution network for credit institutions.

At the branch offices of the Banco de España, the general public have access to the following services free of charge:

- Cash-to-cash euro exchange operations, exchange of pesetas for euro, replacement of unfit or damaged banknotes and coins, and depositing suspected counterfeit cash.
- Requesting the data reported to the Banco de España Central Credit Register on their behalf, and submitting a complaint or request for correction or deletion.



The crown of the façade of the Banco de España's branch office building in A Coruña, dating back to 1926, by the architects José de Astiz and Pedro Mariño.

- Enquiring about the applicable regulations on transparency and protection of financial services users or filing a complaint against institutions supervised by the Banco de España.
- Registration of letters and communications addressed to the Banco de España, obtaining stamped copies or certified true copies of documents in an administrative procedure.
- Transactions relating to accounts opened by public institutions at the Banco de España.
- Government debt subscription and operations, by opening “direct accounts”.
- Information about Banco de España publications and informative materials.

Face-to-face services at branch office premises to the public and to the general government agencies to which treasury services are provided were temporarily suspended in 2020 after the state of alert was decreed and mobility restrictions were imposed. There was a gradual adaptation to the new pandemic-induced situation, as explained in other sections of this report.

However, with respect to the wholesale **cash services** provided by the Bank, the branch offices remained open in 2020, in order to ensure that the banknotes and coins required by credit institutions and other cash handlers to meet their customers’ needs were available at all times, even when the pandemic was at its peak.

In their area of influence, the branch offices also exercise control over private-sector activities relating to the custody, distribution, handling and recirculation of



Oviedo branch office (left). Las Palmas de Gran Canaria branch office (right).

cash, carried out by cash-in-transit companies and the bank branches of credit institutions.

Internally, in 2020 the Banco de España branch offices continued to work on upgrading their technological equipment with the installation of new banknote handling and recycling machines, reviewing work procedures to enhance efficiency, and reducing the environmental impact of their activity.

2.1 Economics and research

In October 2020, the Banco de España published its medium-term analysis and research priorities for the first time, in the context of the institution's Strategic Plan 2020-2024, reflecting the reorganisation of analytical priorities following the impact of the COVID-19 pandemic. With a view to strengthening transparency and accountability, these priorities were announced to the academic community and the Spanish general public on bde.es, along with an explanatory video featuring the Governor. The five areas on which analysis and research efforts will focus in 2020-2024 are shown in Figure 2.1.

The outbreak of the pandemic significantly affected research activities in 2020. The research agenda was adapted to prioritise the analytical assessment of the impact of the health crisis on the Spanish economy and the financial system.

Figure 2.1

MEDIUM-TERM ANALYSIS AND RESEARCH PRIORITIES, IN THE CONTEXT OF THE BANCO DE ESPAÑA'S STRATEGIC PLAN 2020-2024



SOURCE Banco de España.

PUBLICATIONS

In 2020 **43 Working Papers and 33 Occasional Papers were published**. As for external publications, a total of 29 articles were published in anonymously refereed academic and professional journals, and another 30 articles were accepted and are pending publication. A further 15 articles were published in other journals and books, with five pending publication. Mention should also be made of the participation of Banco de España researchers in Eurosystem and international initiatives, such as the joint research conducted annually with the Center for Latin American Monetary Studies (CEMLA) or the IMF and the OECD, and in numerous expert seminars and conferences.

Periodic publications:

- The Banco de España publishes its **macroeconomic projections for the Spanish economy** four times a year. These projections provide its view of the economic outlook over a horizon of around three years. On the day of their release, they are presented to the media at a press conference. The projection exercises, which are always subject to uncertainty, were conducted this year in an unprecedented setting of lack of information. It was therefore decided to publish several reference scenarios, rather than a single baseline scenario, in the spring projection exercise. This decision was maintained throughout the year, including in the June and December macroeconomic projection exercises conducted jointly with the Eurosystem.
- Apart from the “Quarterly report on the Spanish economy”, which includes the projections and the most recent developments in the Spanish economy and its external environment, the Banco de España’s **Economic Bulletin** also has links to the publications in the **Analytical Articles** and **Economic Notes** series that have appeared during the quarter. Both series seek to bring the analyses of the Banco de España to the attention of a broad audience, ranging from experts in economic analysis to the general public. In 2020, a total of 44 Analytical Articles and 7 Economic Notes were published.
- The Banco de España also publishes the “**Half-yearly report on the Latin American Economy**” twice a year (in April and October), which reviews recent macro-financial developments in the most important Latin American economies from the Spanish banking system’s standpoint. The report also describes the future outlook of these economies, which in 2020 and 2021 were subject to a high degree of uncertainty owing to the health crisis deriving from the COVID-19 pandemic, and describes the main risks facing them. Issues such as the causes behind the social tension in some of the region’s countries and its potential effects have also been reviewed in the 2020 reports.
- Also twice a year (in spring and autumn) the Banco de España publishes the **Financial Stability Report (FSR)**, which reviews the main risks and vulnerabilities affecting financial stability, analyses the resilience of banks and presents different macroprudential policy actions undertaken or envisaged. The FSR that was published in spring 2020 focused on analysing how the outbreak of the COVID-19 pandemic led to an increase in the risks to the financial system and the possible economic policy measures capable of mitigating its impact. The Autumn 2020 FSR attempted to quantify the impact of the current crisis on the Spanish banking system through the use of stress tests. This involved adapting the methodology used, in particular, in order to expand the analysis of Spanish banks’ international business, given the international nature of the crisis, and to measure the effect on their solvency of the different measures adopted by the authorities to support lending. Two numbers of the **Financial Stability Review** were also published; they included 13 articles by both in-house and external authors. Aside from addressing specific issues relating to the current crisis, such as the regulatory and supervisory response thereto, they analyse most notably the technological impact on the financial sector, including the emergence of new means of payment and the study of climate change-related risks to the financial system.

Thus, for example, the *Annual Report* and the two *Financial Stability Reports* published in 2020 focused singly on the unfolding of the COVID-19 crisis, its overall economic impact and its impact on the Spanish financial system, and the economic policy measures deployed to curb its adverse effects. **Research work relating to the monitoring and analysis of the pandemic's economic and financial impact featured in numerous Banco de España publications and underpinned senior management's stances and speeches.** The health crisis did not prevent research activities, such as seminars and conferences, from continuing in 2020. Seminars soon went online and were held as frequently as in previous years. However, the heavier workload generated by the economic analysis and monitoring of the pandemic, along with a preference for on-site conferences in some cases, explains why the Banco de España organised fewer conferences with the academic community in 2020.

Research activities during the year encompassed a wide range of areas.

In relation to **analysis of the Spanish economy**, priority was given to research aimed at quantifying the magnitude and implications of the economic shock triggered by COVID-19 from different perspectives:

- In the area of modelling, epidemiological models were developed to monitor the unfolding of the pandemic in real time, and its possible future course, depending on the different scenarios considered for the spread of the virus. Also, in light of the size and nature of the shock, unprecedented in recent history, efforts focused on obtaining new high-frequency indicators from different data sources, and the statistical models needed to correctly process and interpret the signals from these indicators. In addition, given the uneven effects of the pandemic across sectors and the mobility restrictions imposed to contain it, resources were set aside to develop tools incorporating cross-sectoral customer-supplier flows, with a view to quantifying the propagation of the shock throughout the national and international production chains. From a long-term perspective, there was also research on the pandemic's possible consequences on business births and deaths and the implications for the productivity and long-term growth of the Spanish economy. Lastly, since the effects of COVID-19 are also characterised by some unevenness across Spanish regions and cities, research projects were developed to analyse the determinants of population distribution in Spain and their economic implications, of particular importance in the post-pandemic scenario.
- **In the international sphere**, the analytical work focused largely on the effects of COVID-19 on different economies, paying particular attention to those that are systemic or more important for the euro area and for Spain, such as Latin America, and on the economic policy responses to the

pandemic, including various simulation exercises using macroeconometric models. Other work that continued to preponderate in research projects included the analysis of the emerging economies most relevant to Spain. Short-term forecasting models (BVAR) were used for these economies, analysing their vulnerabilities (particularly social tensions in Latin America), financial markets, demand for credit and capital flows. Special attention was paid to the effects of increased protectionism and heightened uncertainty in world trade and to the trade agreements with Latin America (USMCA and EU). Regarding the negotiation and effects of the United Kingdom's departure from the EU, the Banco de España continued to lead, in collaboration with the Banca d'Italia, analysis of the economic and trade effects of Brexit, conducted by the Eurosystem's International Relations Committee.

Other international research projects included:

- China's recovery after the health crisis.
- Fiscal policy (international transmission of US fiscal policy; fiscal instruments for emergencies; ageing and fiscal systems). Climate change issues, such as the environmental and macroeconomic effects of introducing a carbon tax.
- Analysis of features of the international environment relevant to the ongoing ECB monetary policy strategy review. In particular, the Banco de España led, jointly with the ECB, the analysis of how globalisation has influenced monetary policy.

In the euro area, notable efforts were made to analyse the effects of the pandemic on activity and inflation. Worth noting in this latter area is the work relating to the review of the monetary policy strategy. In particular, **the Banco de España, in collaboration with the ECB, the Bundesbank and the Banca d'Italia, piloted research into issues relating to the measurement of inflation.** Particular focus was placed on developing short-term indicators to enable real-time monitoring of the economic impact of the pandemic and the European policy response, notably fiscal policy (the European Recovery Fund) and European governance reforms.

With regard to research on financial issues, the following areas were analysed in 2020: the impact of negative interest rates on the supply of bank credit; the risks associated with the complex organisational structure of banks; developments in the Spanish housing market; features of the real estate investment trust industry; consumption; and home ownership throughout households' life cycle. Since the onset of the pandemic, there has been research on the liquidity needs, solvency and viability of Spanish non-financial corporations; on the impact of the measures

adopted to mitigate the economic crisis (the public ICO guarantee facilities and the ECB's pandemic emergency purchase programme); and on firms' financing conditions. An assessment was also made of the overvaluation in equity and fixed-income markets against the backdrop of COVID-19 and the reform of the Insolvency Law and existing pre-insolvency arrangements.

Research in the area of monetary policy focused on the analysis of the monetary policy measures deployed by the Eurosystem during the pandemic, in particular the Pandemic Emergency Purchase Programme (PEPP) and on various aspects relating to the ongoing review of the ECB's monetary policy strategy. In this latter area, research has, for instance covered the effects of monetary policy on productivity, the impact of negative interest rates on the transmission of monetary policy through the banking system, the interactions between monetary and fiscal policy, and the effects of alternative monetary policy strategies. Additionally, there was also analysis of issues relating to the relationship between monetary policy and exchange rates, and the risk-taking channel of monetary policy.

In the area of financial stability and macroprudential policy, research covered multiple projects, including the impact of the changes in stamp duty on mortgage lending standards (in particular, the price). The correlation between the duration of the loan approval process and the credit risk in these exposures was also examined, as was the relationship between profitability and volatility associated with market liquidity, focusing on how it changed following the global financial crisis. Further, there has been research into the impact of the adoption and easing of macroprudential measures on systemic risk. Lastly, the cost of bank equity was analysed, as was the effectiveness of the restrictions on dividend distribution by banks, focusing particularly on the period following the COVID-19 outbreak.

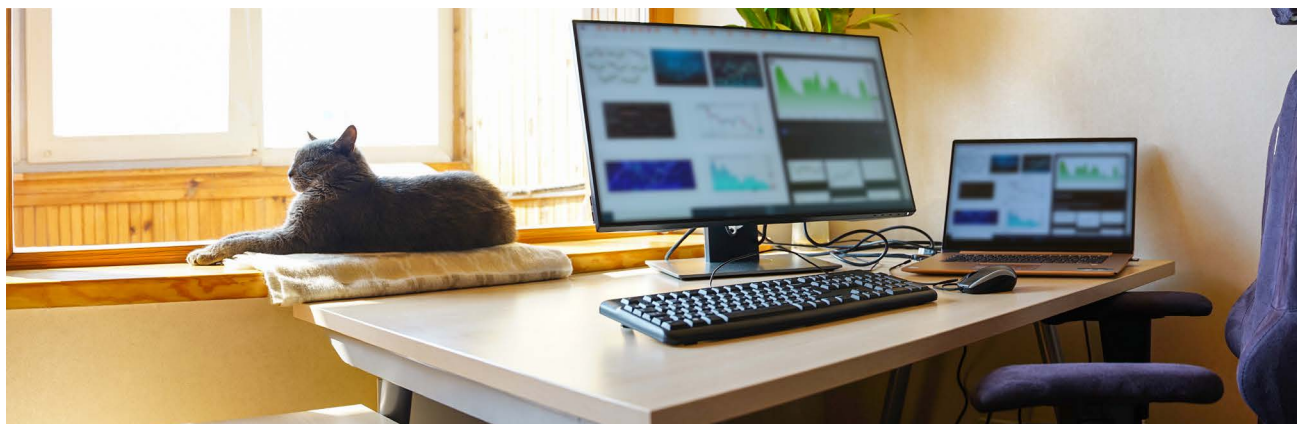
As regards microeconomic research, the main contributions can be grouped into nine major areas:

- **In the area of households**, a theoretical and empirical analysis was carried out on how credit conditions influence spending decisions, particularly in relation to housing. Research continued on the distribution of health and mortality in Spain and in other European countries.
- **In relation to firms' decisions**, research was conducted on the impact of temporary employment on firms' productivity, the impact of different types of innovation on business dynamism and growth, and the ability of firms to shift exports and imports to other markets following Brexit.
- **As to the labour market**, there were a number of articles on the behaviour of certain major population groups, such as the young, the elderly and those at risk of poverty or social exclusion. Currently under analysis are the

responses provided in terms of wages, jobs or career advancement to the aggregate effects of robotisation, changes in environmental quality or wage bargaining methods, or to individual events such as maternity or loss of employment.

- **Recent population trends in rural and urban areas in Spain** were also analysed.
- **As regards education**, the factors that explain the differences in school performance between Spain and other countries, the related disparities between men and women, and the effect of public intervention to improve the level of education were all analysed. In the context of the Financial Education Plan, a research project involving students who participated in the Programme for Schools in 2014-2015 was completed. The project was aimed at gathering information about the economic and financial decisions of students entering adulthood.
- **In relation to energy and climate change**, the weight of the electricity bill and its components, and the developments in energy efficiency, were both described from a sectoral standpoint, and a possible strategy for reducing CO2 emissions was analysed.
- **In relation to economic policies** the different parameters of the pension system, such as the effective age of retirement and the financial return provided by the system were described, as were the differences between the Spanish taxation system and that of other countries. The level of personal income tax redistribution and its effects on retirement saving was analysed from a theoretical and empirical standpoint. The effectiveness of corporate income tax incentives for R+D+i was studied and an assessment was undertaken of the increase in the national minimum wage in 2019, based on the individual data obtained. Personal income tax and VAT micro-simulation tools were used for budgetary assessment. Meantime, progress was made on the pension model and another tool was created for the minimum income scheme and wealth tax.
- Simulation techniques are being used to prepare **estimates of the distribution of financial accounts**.
- Finally, work continued on **measuring aggregate uncertainty using Big Data tools** in different contexts.

Moreover, **the pandemic prompted changes to the microeconomic research agenda**. These saw the publication of analyses on the potential of teleworking in Spain for different population groups; the effects of e-commerce on prices and



A number of analyses were published on the potential of teleworking in Spain for different population groups.

firms' mark-ups; changes in electricity consumption by households and firms triggered by the lockdown; and the identification of groups of workers made vulnerable by the lockdown, their employability in terms of harnessing their acquired skills and their financial situation in the event of job loss. In addition, a number of simulation exercises were performed for the policies implemented to tackle the pandemic, such as furlough schemes, the activity suspension benefit, tax moratoria and the minimum income scheme, and additional measures were proposed.

2.2 Statistics

In 2020, the health crisis had a pronounced impact on statistical activity. Despite the difficulties encountered, **all the statistical dissemination commitments, both national and international, were met.** For this purpose, the collaboration of the different reporting agents was essential, as was the coordination with the other national institutions compiling official statistics and with international organisations. Moreover, the improved efficiency of IT processes, which are central to the compilation of statistics, has been key to making up for the disadvantages of remote working and to meeting these commitments.

In addition to its usual statistical output and dissemination, **the Banco de España contributed to major international statistical debates in 2020.** It participated at the start of the discussions about updating the methodological manuals for the National Accounts and Balance of Balance of Payments and the International Investment Position, scheduled for publication in 2025. Headway was also made in the statistical coverage of FinTech activities, a difficult task given the scant information available on this sector, and in collecting environmental information relating to non-financial corporations.

Two statistical notes with methodological contributions were published. The first of these addressed the effect of applying new financial reporting standards to

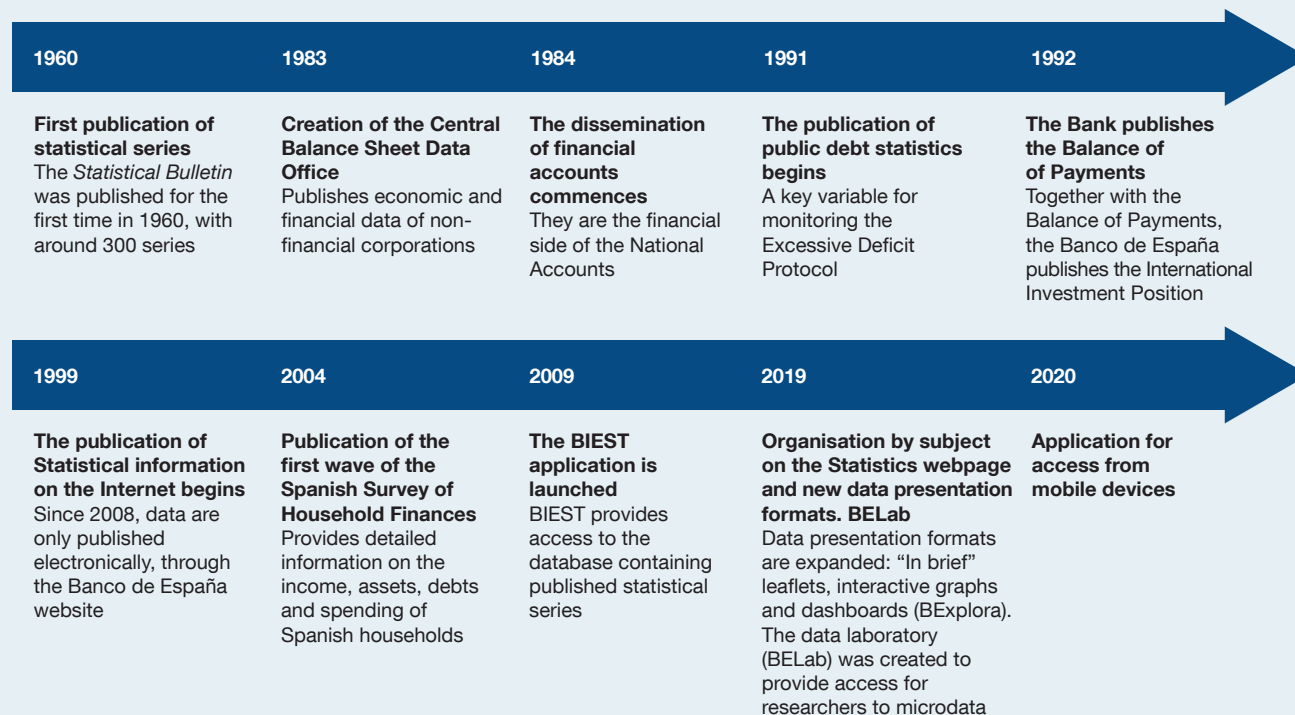
60TH ANNIVERSARY OF THE BANCO DE ESPAÑA STATISTICS

In 2020 the Banco de España statistics celebrated their 60th anniversary, as the *Statistical Bulletin* was published in March 1960 for the first time. This and

other significant milestones of the Banco de España's statistics were included in an infographic that was made for the occasion:

Figure 2.2

60 YEARS OF BANCO DE ESPAÑA STATISTICS



SOURCE: Banco de España.

the income statements of corporate groups. The second highlighted the advantages of using "mirror data" (equivalent data compiled by other countries about Spain) in the compilation of external statistics.

The Banco de España launched a new Spanish business survey to compile qualitative data on non-financial corporations' activity in the current quarter and the short-term outlook on a regular basis. In March 2020, an initial survey was conducted on a small number of firms, in order to obtain a snapshot of the effects of lockdown on activity, while in December the survey included a much larger number of firms. Going forward, the survey will be conducted regularly.

In relation to the Survey of Household Finances (EFF), 2020 saw the completion of the second phase of the process for allocating EFF2017 data. In this phase, all the variables were allocated and the microdata files were generated and made

Agregado de comparación

1 **Selección de sector**
(C14) Confección de prendas de vestir

2 **Selección de tamaño definido según la cifra de ventas**
Total tamaños

Ayuda

Esta aplicación on-line: 'COMPARA TU EMPRESA' permite introducir los datos referidos a su empresa de 10 ratios y realizar su comparación en serie histórica con el sector y tamaño que usted mismo seleccione. Si desea obtener un estudio individual con un mayor detalle de ratios de comparación puede colaborar voluntariamente con la Central de Balances cumplimentando su cuestionario, con lo que obtendrá un estudio más detallado sobre su evolución respecto de su rama de actividad.

Estas distribuciones estadísticas se han obtenido a partir de la base de datos integrada de la Central de Balances (CB) que cuenta con más de 640.000 empresas en la serie de años que se representa en estos gráficos, que incluye las empresas que depositan sus cuentas en los Registros Mercantiles, gracias al convenio de colaboración existente con ellos. Para conocer más detalles sobre la definición de los ratios y su representación gráfica consulte el [manual de uso](#).

Seleccione una o dos ratios a comparar

3 **Primera ratio**
Gastos de personal por trabajador (en euros)

5 **Segunda ratio**
Período medio de cobro a clientes (días)

4 **Datos de su empresa para la 1ª ratio**
Introduzca los datos de su empresa: "Gastos de personal por trabajador (en euros)"

Año	2015	2016	2017	2018	2019
Valor	20000	19500	18000	19700	19800

6 **Datos de su empresa para la 2ª ratio**
Introduzca los datos de su empresa: "Período medio de cobro a clientes (días)"

Año	2015	2016	2017	2018	2019
Valor	42	49	33	28	20

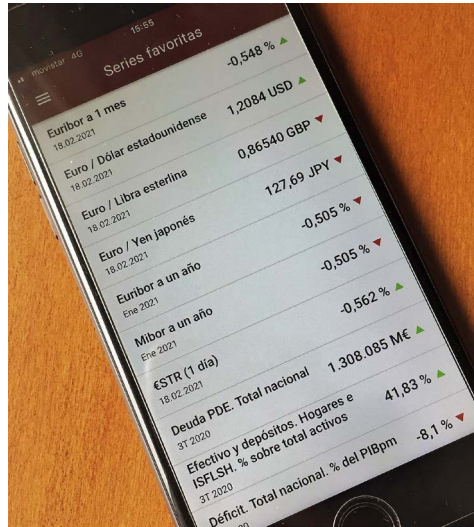
The *Compara tu empresa* web application gives access to information about the relative position of a firm within its sector.

available to researchers in December, together with an Occasional Paper in which the methodology applied to this edition of the survey is described in detail. Work was also undertaken to develop and prepare the fieldwork for the EFF2020, the protocols and methods of which had to be substantially changed and adapted to the pandemic situation. Under the new scenario, a pilot test was carried out in July, the results of which were presented at a meeting of the Household Finance and Consumption Network. Finally, the main fieldwork has been under way since November, conducted by phone in this edition.

In addition, **it was agreed to conduct the Survey of Financial Competences in 2021**. Revision and programming work began on the questionnaire, as did the tender process for the interview service, whose protocols and methods should make provision for possible changes, depending on the future course of the pandemic.

Work continued on **improving the service offered to Banco de España statistics users** in 2020, through various initiatives:

- **Statistical information app for mobile devices.** This application (available for the main mobile operating systems) can be used to access the main statistics published by the Banco de España, not only in the form of tables, but also in interactive charts, with scope for personalisation.
- **Compare your firm.** A web application which gives access to information about the relative position of a firm within its sector and size group, in terms of the main financial ratios.



Mobile statistical information app, which can be used to browse the main statistics published by the Banco de España.

- **Interactive dashboards.** The range of Bexplora products has been broadened to include a dashboard for external statistics, with quarterly and annual data.
- The selection of statistical press releases was broadened to include a press release with **monthly data relating to the preview of general government debt**, complementing the press release on quarterly data regularly published.

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

The outbreak of COVID-19 meant that the bulk of activities relating to the implementation of monetary policy and the management of investment and monetary policy portfolios, and the attendant financial risks, had to be conducted remotely. On the whole, this change did not diminish the effectiveness of these activities, which continued to be conducted normally under the new working arrangement.

3.1 Monetary policy implementation

The year 2020 was marked by the economic crisis linked to the COVID-19 pandemic. Central banks played a vital role in **increasing the provision of liquidity to the real economy** through a series of exceptional measures which led to a further substantial increase in its balance sheet (see Chart 2.1).

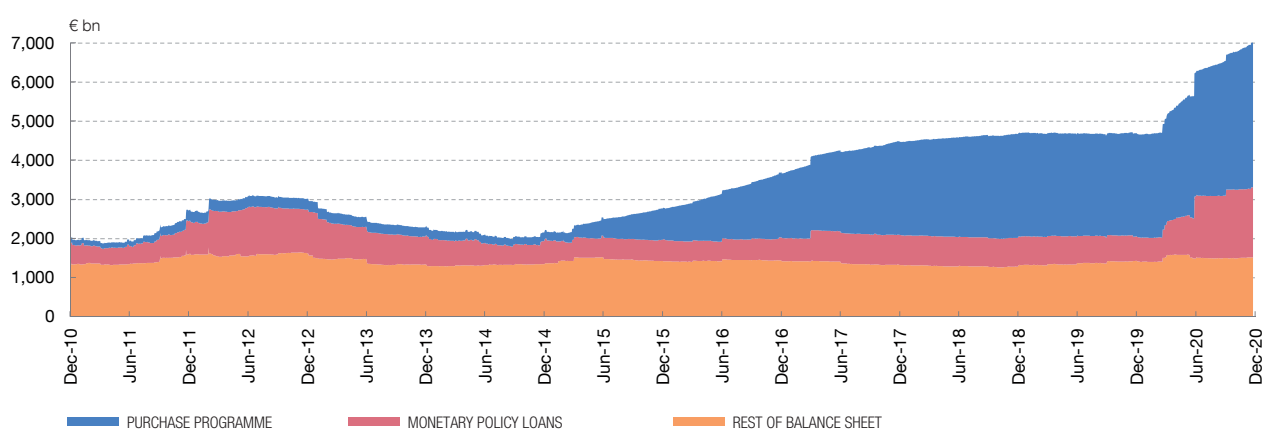
3.1.1 Longer-term refinancing operations

In March, improvements were announced to the TLTRO-III series in force since September 2019 and consisting of seven¹ quarterly operations, each with a maturity

¹ In December 2020, the Governing Council of the ECB announced the extension of TLTRO-III by an additional three quarterly operations, so that it now consists of ten operations.

Chart 2.1

THE EUROSISTEM'S BALANCE SHEET



SOURCE: Banco de España.

THE DIGITAL EURO: A DIALOGUE INITIATED BY THE EURO SYSTEM

In recent years, the debate on the possibility of **central banks issuing a digital currency** has shifted from a purely theoretical perspective to the launch of several initiatives by most countries, which explore, from a practical standpoint, how this payment instrument might be implemented.¹

The euro area has not been immune to this trend. On 2 October 2020 the **European Central Bank (ECB) published a report on the digital euro**,² prepared jointly with **the 19 national central banks of the Eurosystem**. According to this report, the issuance of a digital euro is not necessary at present. However, it could be in the medium term, so it is necessary to prepare for this.

Such preparation involves experimenting and testing the different technological options for this project. It also requires a dialogue with society as a whole on the need, challenges and risks posed by an initiative of this kind.

To foster this dialogue, a **public consultation** was launched at end-2020, which ran until 12 January 2021.

Its main aim was to collect the views of specialised professionals and society as a whole, so that their expectations, concerns and preferences may be taken into account from the start in designing a digital euro project. The questions addressed to the general public focused on their experience as users, their preferences and expectations, and on possible barriers to the use of a digital euro. According to the preliminary information published by the ECB, the features most valued by users were privacy, security and pan-European reach. Other features included in the consultation were usability, immediacy, cost, off-line functionality and representation in a physical support, such as a card. The public's opinion on the features required to ensure universal accessibility, including, inter alia, for the elderly, for people with disabilities and for those who do not have a bank account, was also collected.

Participation in the consultation was high, with more than 8,000 responses received, reflecting the interest this initiative arouses.³ These responses are currently being analysed and a detailed analysis of the findings is expected to be published in 2021 Q2.

1 A summary of all of these initiatives can be found at <https://www.bis.org/publ/work880.pdf>.

2 Available at: <https://www.ecb.europa.eu/euro/html/digitaleuro-report.en.html>.

3 Press release, available at: <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210113-ec9929f446.en.html>.



Although the Europa series banknotes maintain the “ages and styles” design of the first series and have the same dominant colours, they include enhanced security features.

of three years. First, changes were made to the requirements for banks to benefit from a reduced interest rate, which could be as low as the average deposit facility rate (currently at -0.50%), minus 50 basis points (bp) (it should suffice for banks not to reduce the supply of credit, rolling over the loans maturing during the reference period). In addition, the amount that banks are entitled to borrow was raised (from 30% to 50% of the stock of eligible loans). Under these new conditions, in 2020 more than €233 billion were allotted to Spanish banks under TLTRO-III (almost €1.65 trillion for all Eurosystem banks).

In December, the ECB announced **further easing of the conditions of TLTRO-III**, extending the reference period of reduced interest rates by an additional year, raising the borrowing allowance from 50% to 55% and adding three more quarterly operations to the series. These conditions will be applicable starting with the first quarterly operation in 2021, i.e. the TLTRO-III on 7 March.

Additionally, **in March a series of new longer-term refinancing operations** (LTROs), maturing on 24 June 2020, were announced, coinciding with the settlement date of the fourth operation of TLTRO-III, meaning that banks could shift their new LTRO amounts into the TLTRO-III. The interest rate applied was the average rate on the deposit facility (-0.50%). A total of 13 operations were conducted on a weekly basis, and the participation of Spanish banks amounted to slightly more than €46 billion (almost €400 billion for the Eurosystem as a whole).

Moreover, **in April, a series of longer-term refinancing operations** known as PELTROs (Pandemic Emergency Longer-Term Refinancing Operations) were announced. The interest rate is 25 bp below the average rate applied in the main refinancing operations (MROs), currently 0%. The first PELTRO was launched in May, with a tenor of 16 months. A total of seven PELTRO operations were announced in 2020. The participation of Spanish banks was negligible (€0.4 billion, compared with €26.6 billion for the Eurosystem as a whole). In December, the ECB decided to expand the PELTRO series with four additional operations, with a similar interest rate and a tenor of approximately one year.

The ECB kept its **key interest rates** unchanged throughout the year, with the interest-rate on the main refinancing operations at 0.00% and the rate on the marginal lending and deposit facilities at 0.25% and -0.50%, respectively. The new two-tier system for excess reserve remuneration introduced in 2019 also remained unchanged.

3.1.2 Collateral framework

As part of the monetary policy response to alleviate the impact of the pandemic, in April 2020 the ECB adopted **a set of easing measures for its framework of eligible**

collateral in credit operations. These temporary measures aim to smooth credit institutions' access to central bank financing, thus ensuring that any potential shortage of collateral does not reduce their capacity to obtain liquidity from their central bank and, consequently, does not limit the supply of credit to the real economy and undermine the transmission of monetary policy.

These collateral easing measures focused essentially on three areas.

- **First**, in order to support bank lending to the real economy, the conditions for the use of credit claims as collateral were eased. Accordingly, the Banco de España accepts as collateral State-guaranteed loans to large corporations, SMEs and self-employed individuals, pursuant to Article 29 of Royal Decree-Law 8/2020 of 17 March 2020 on urgent extraordinary measures to address the economic and social impact of COVID-19. The Banco de España complemented this measure by introducing a purely statistical system for the credit assessment of non-financial corporations, which has allowed for an increase in the number of debtors assessed and even the acceptance of SME loan portfolios.
- **Second**, the risk tolerance level in credit operations was increased by thereafter applying lower collateral valuation haircuts to assets pledged as collateral for the liquidity borrowed.
- **Third**, to mitigate the impact of possible rating downgrades on the availability of collateral, it was decided that the marketable securities eligible as collateral in monetary policy operations before the pandemic (at 7 April 2020) would continue to be so, as long as their credit rating did not drop below a certain threshold.

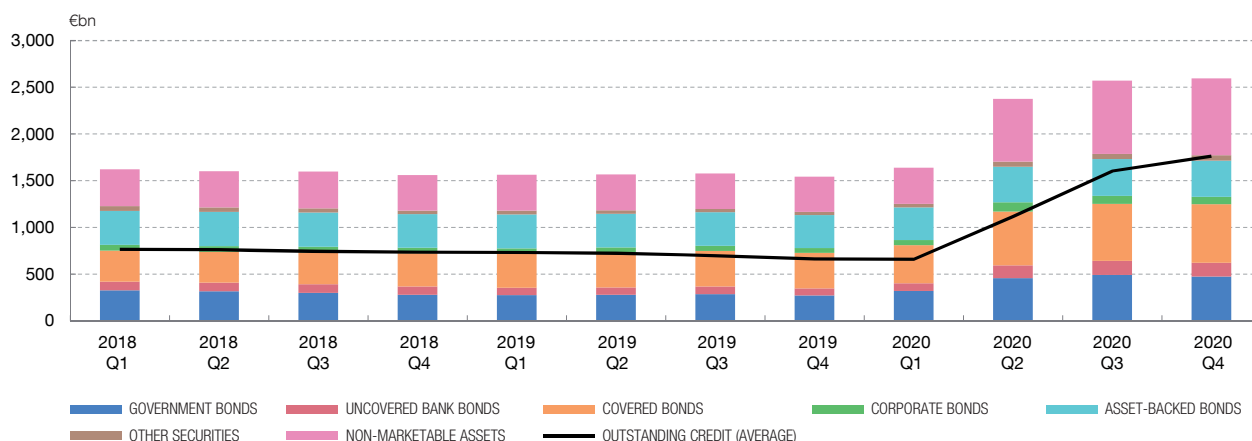
As Chart 2.2. Shows, **credit institutions increased their collateral positions vis-à-vis the Eurosystem by 68% during the year**, to address the greater recourse to credit. Worth noting in the eligible asset categories was the increase in the use of loans (non-marketable assets) as collateral.

3.1.3 Asset purchase programmes

The asset purchase programmes, which are part of the Eurosystem's non-standard monetary policy measures, provide monetary stimulus to the economy, in a setting in which the key ECB interest rates are at their lower bound. These programmes also further ease monetary and financial conditions, lowering funding costs for firms and households, thus supporting investment and consumption and ultimately contributing to returning inflation levels to close to 2%. The main features of these programmes are explained in Box 2.5.

Chart 2.2

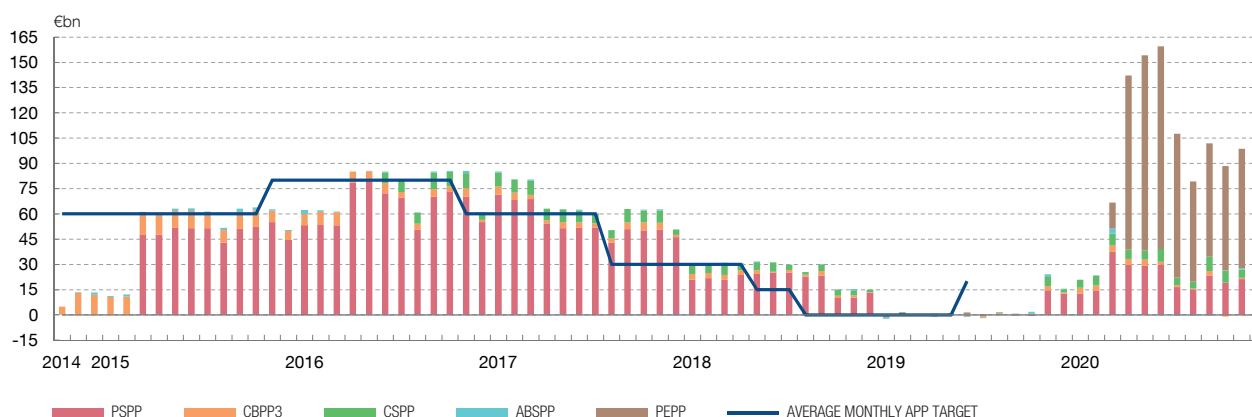
USE OF COLLATERAL WITH THE EUROSYSYSTEM



SOURCE: ECB.

Chart 2.3

MONTHLY PURCHASES, BY PROGRAMME (APP AND PEPP)



SOURCE: ECB.

The Governing Council will conduct net asset purchases under the PEPP until at least the end of March 2022 and, in any event, until it considers that the coronavirus crisis phase is over. The purchases under the PEPP will be conducted to preserve favourable financing conditions over the pandemic period. The principal payments from maturing securities purchased under the PEPP will continued to be reinvested until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

ASSET PURCHASE PROGRAMMES

In March 2020 the Governing Council of the ECB decided to launch a **new pandemic emergency purchase programme (PEPP)**. This programme has specific targets and supplements the existing **asset purchase programme (APP)**, which has been implemented since early 2015.¹

Asset purchase programme (APP)

The APP is comprised of several sub-programmes, defined on the basis of the type of asset acquired (Public Sector Purchase Programme (PSPP), Covered Bond Purchase Program (CBPP3), Corporate Sector Purchase Programme (CSPP) and Asset-backed Securities Purchase Program (ABSPP)). Implementation of the APP continued in 2020 at a monthly pace of €20 billion in accordance with the September 2019 decisions. The Governing Council expects monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of policy rates, and to end shortly before the Governing Council starts raising the key ECB interest rates.

It is also intended to continue reinvesting, in full, the principal payments from maturing securities for an extended period of time past the date when the key ECB interest rates start to rise, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Additionally, on 12 March 2020 the Governing Council increased the volume of net asset purchases for the APP

as a whole with an additional envelope of €120 billion until December 2020, ensuring a strong contribution from the private sector purchase programme.

Within the monetary policy portfolios, the public sector (PSPP) portfolio continues to accumulate the largest volume. As regards the private sector programmes, the corporate sector purchase programme (CSPP) continues to gain weight relative to the covered bond purchase programme (CBPP3). Lastly, it should be noted that the smooth functioning of the public sector purchase programme securities lending facility helped to contain repo market tensions at quarter and year ends.

Pandemic emergency purchase programme (PEPP)

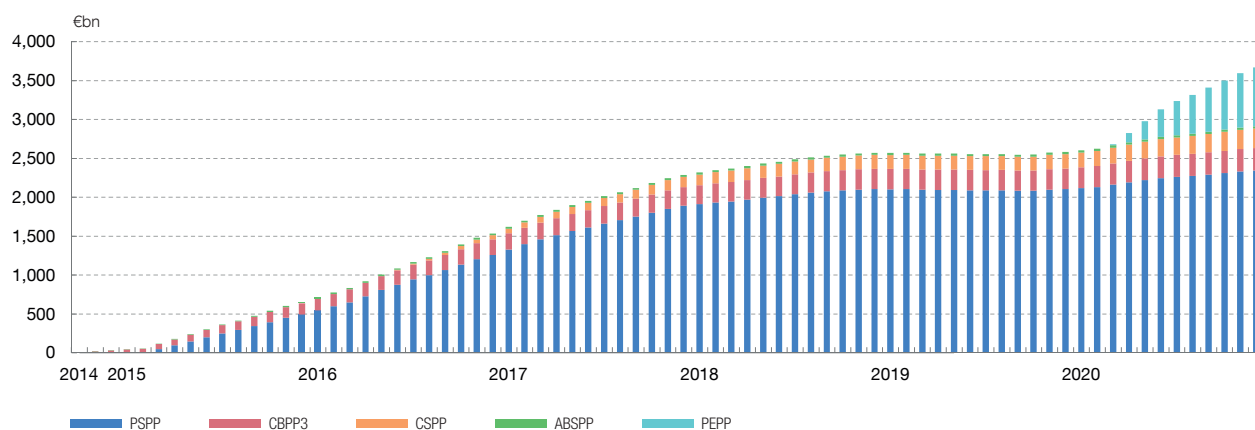
This programme was initiated in March 2020, with an initial envelope of €750 billion, to counter the impact on the monetary policy transmission mechanisms and the outlook for the euro area deriving from the outbreak and escalating spread of COVID-19. The Governing Council decided to increase the size of the PEPP by €600 billion in June 2020 and by an additional €500 billion in December 2020, bringing the total envelope to €1.85 trillion. The assets eligible under the PEPP are similar to those eligible under the APP, although the range was slightly expanded, to include public sector and private sector (commercial paper) instruments with a shorter maturity (in the latter case, the rule is extended to the CSPP of the APP).

¹ The current purchase programmes started in October 2014, although they were initially restricted to covered bond purchases (from October 2014) and to securitisations (November 2014). In January 2015 the inclusion of public sector bonds (government bonds and supranational bonds) was announced, with purchases starting in March 2015. The monthly volume of purchases increased significantly and the joint programme (covered bonds, securitisations and public sector bonds) was called APP. In June 2016 corporate bonds were added to the APP.

For purchases under the public sector purchase programme, the benchmark will be the capital key of the national central banks. At the same time, the purchases will be conducted in a flexible manner over time, across asset classes and among jurisdictions, on the basis of market conditions and with a view to preventing a tightening of financial conditions that is inconsistent with the objective of countering the downward impact of the pandemic on the path of inflation.

Chart 2.4

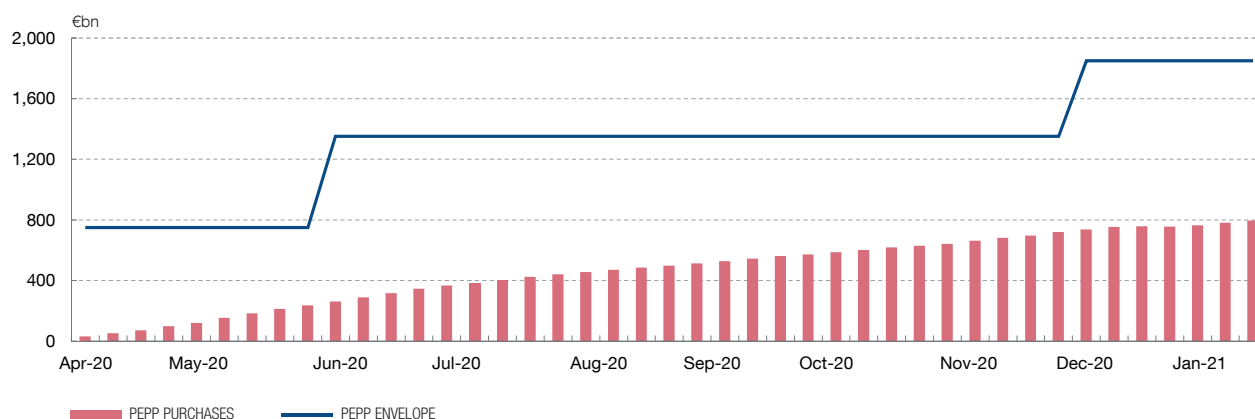
CUMULATIVE PURCHASES UNDER THE APP AND THE PEPP



SOURCE: ECB.

Chart 2.5

CUMULATIVE PURCHASES UNDER THE PEPP



SOURCE: ECB.

3.2 Financial asset and risk management

As regards the management of own portfolios, the **diversification of foreign currency-denominated portfolios and across issuers with high credit ratings continued** in 2020. In addition, an agent-brokered securities lending programme for the US dollar portfolio was established and tasks for third parties continued to be undertaken, such as the management of part 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.

For the second consecutive year, **sustainability and responsibility principles** continued to be applied **to own funds portfolio investment**, leading to an increase in the share of sustainable bonds (in particular, green bonds). This increase was due to direct green bond investments in different currencies and to the participation in the US dollar-denominated investment fund launched by the Bank for International Settlements (BIS) in 2019 to promote sustainable finance through investments in renewable energy and energy efficiency projects, inter alia, and to support the adoption of best practices to deepen the green bond market. In January 2021, the BIS launched a second euro-denominated green bond fund, in which the Banco de España also participates.

The incorporation by the Banco de España of sustainability criteria in the management of its own portfolios responds to the second of the recommendations published by the Network for Greening the Financial System (NGFS) in 2019², and is in line with the commitment of this network, of which the Banco de España has been a member since April 2018, to contribute to fostering sustainable finance. Moreover, application of these criteria is aligned with the common stance agreed on by the Eurosystem in February 2021, to incorporate sustainable and responsible investment principles for euro-denominated non-monetary policy portfolios and to start disclosing information within two years. This common stance is the outcome of the work carried out by a high-level group within the Eurosystem, of which the Director General Operations, Markets and Payment Systems is a member, and by other Eurosystem working groups in which other members of the same Directorate General have participated.

In 2020, strict control continued to be exercised over financial risks, as described in Chapter 1 (Box 1.1). Notably, a new methodology was implemented for the measurement of the financial risks assumed in monetary policy and own portfolios. Financial risks increased in 2020, chiefly as a result of the asset purchase programmes, the main risk factor being the credit component. In parallel, the financial hedges to cover the risks assumed were increased.

Also, during the year, work was undertaken to incorporate sustainability and responsibility principles both in the measurement of the financial risks of own portfolios and in the solvency analyses of non-financial corporations conducted by the Banco de España's in-house credit assessment system.

3.3 Payment systems and market infrastructures

The actions undertaken by the Banco de España in 2020 in relation to the supervision of payment services and of payment service providers (PSPs) notably included

² For more details, see NGFS (2019), *A call for action – Climate change as a source of financial risk*, April. https://www.ngfs.net/sites/default/files/medias/documents/ngfs_first_comprehensive_report_-_17042019_0.pdf.

strong customer authentication in card-based e-commerce transactions; in particular, the monitoring of the migration plans agreed individually with Spanish issuing and acquiring PSPs as part of a comprehensive plan, and the tasks relating to the publication in June of the *EBA Opinion on obstacles under Article 32(3) of the RTS on SCA and CSC*, which led to the removal of the obstacles identified therein still present in some specific access interfaces provided by payment service providers.

With respect to financial market infrastructures, oversight tasks were carried out in relation to the Spanish retail payment system (SNCE, by its Spanish abbreviation), operated by Iberpay, and the national payment card scheme (Sistema de Tarjetas y Medios de Pago, SA). Also, as a member of the Eurosystem, the Banco de España continued to participate in the groups exercising cooperative oversight of pan-European payment systems, of SEPA payment instruments and of the VISA Europe card scheme. In relation to the oversight of pan-European payment systems, the Banco de España joined the group responsible for overseeing the Mastercard Clearing Management System (MCMS), under the leadership of the ECB and the National Bank of Belgium as primary overseers. In addition, acting on behalf of the Eurosystem (as the central bank of issue and the central bank whose post-trade infrastructures clear and settle the cash leg of its transactions), the Banco de España undertook various actions in relation to Iberclear and BME Clearing.

As the operator, the Banco de España manages the Spanish component of the large-value euro payments system **TARGET2 (TARGET2-BE)**. In 2020, TARGET2-BE settled a total of **5,868,141 transactions, with a value of close to €14 trillion**. With respect to 2019, these figures represented a decrease of 6.59% in the number of transactions and of 14.96% in their total value.

The Banco de España also plays a leading role in the provision of services to other ESCB central banks in relation to financial market infrastructures. In cooperation with the central banks of Germany, France and Italy, it operates the Eurosystem's **TARGET2-Securities (T2S)** settlement platform and is developing a unified system for managing the collateral in the monetary policy operations of Eurosystem central banks (ECMS), due to be launched in November 2023. With respect to market operations, the Banco de España, jointly with the Banque de France, manages and operates the **MAPS platform**, which includes services such as portfolio trading and management, risks, settlement, accounting and reports. In 2020, the central bank of the Netherlands (DNB) announced that it would join the MAPS platform as a user.

Lastly, it should be noted that, in general, the COVID-19 pandemic has required the Bank to make a considerable effort to adapt in order to continue exercising all these responsibilities, taking specific measures in areas such as the functioning of financial market infrastructures, T2S and MAPS platforms, and the provision of payment services to account holders at the Banco de España.

4 BANKNOTES AND COINS

4.1 Banknote and coin management

As a member of the ESCB, the Banco de España's functions include **issuing euro banknotes, together with the ECB and the other euro area NCBs**. It also **puts euro coins into circulation, on behalf of the Spanish State**. Its objectives in this area are twofold: to ensure that the demand for cash is met throughout Spain, and to safeguard the integrity of banknotes and coins, i.e. their quality and absence of counterfeits. These tasks all suffered the impact of the pandemic, as highlighted in this and other sections of this report.

4.1.1 Banknote issuance

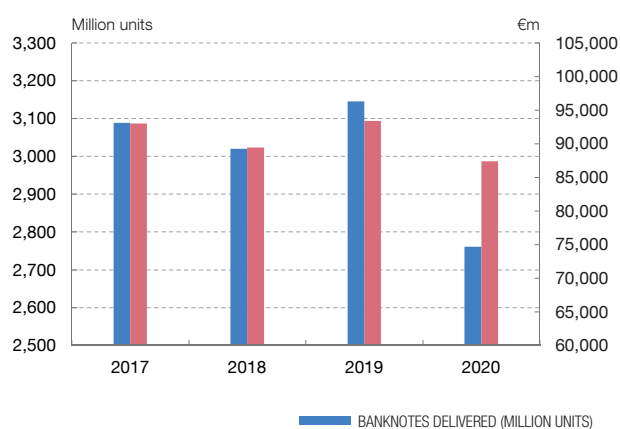
In 2020, the **Banco de España provided credit institutions with a total of 2,761 million banknotes, amounting to €87,395 million**. These banknotes were subsequently distributed by credit institutions over the counter and through ATMs, both to the general public and firms to meet their payment needs (see Chart 2.6).

The value of euro banknotes put into circulation by the Banco de España in 2020 decreased by 6.5% compared with 2019.

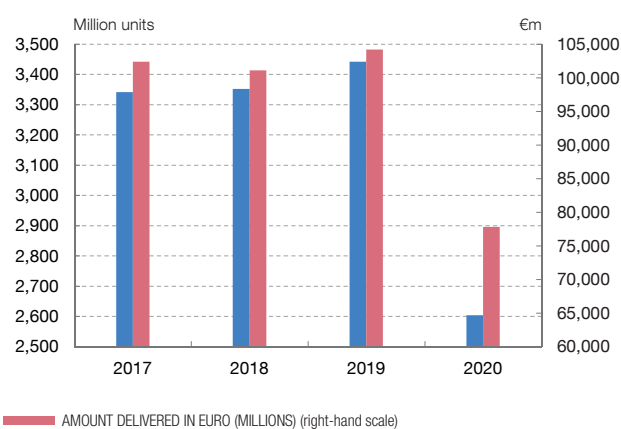
Chart 2.6

DEVELOPMENTS IN BANKNOTES. BANCO DE ESPAÑA

1 PUT INTO CIRCULATION

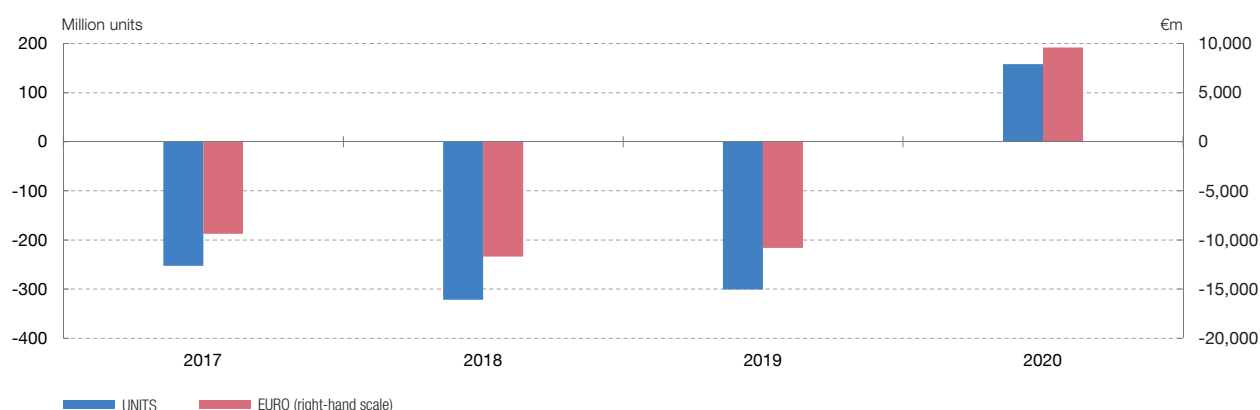


2 WITHDRAWN FROM CIRCULATION



SOURCE: Banco de España.

Chart 2.7

NET BANKNOTE ISSUANCE BY THE BANCO DE ESPAÑA

SOURCE: Banco de España.

The number of banknotes withdrawn from circulation by the Banco de España also fell. During the year, the Bank **withdrew 2,603 million banknotes, amounting to €77,815 million, 25.3% less than in the previous year** (see Chart 2.6).

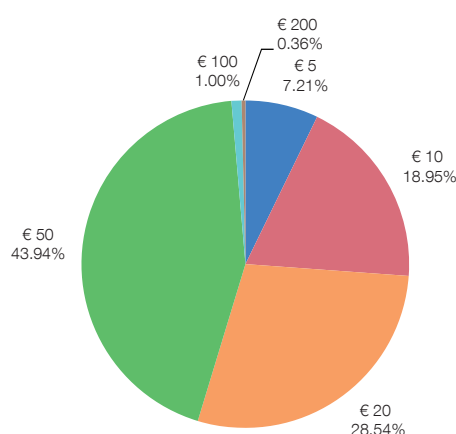
All this was directly affected by the fall in consumption and business activity, and by the mobility restrictions which led to the use of other means of payment. Compounding this was the severe decline in tourism, which affected the flow of cash, since tourists who had previously visited Spain with money from their countries of origin contributed to increasing money flows, amply exceeding domestic demand.

Net issuance in Spain, defined as the difference between banknotes put into circulation and those withdrawn from circulation, was positive in 2020, reversing the negative net issuance trend of recent years. In addition to the reasons which have changed the use of banknotes in commercial transactions, cash plays a role as a store of value or precautionary saving, which means that it is in greater demand at times of crisis. Thus, a portion of the banknotes put into circulation by the Banco de España was not returned following the usual procedures, but was retained by those participating in the cash cycle, for various reasons.

Indeed, this dual effect led to the paradox of **net issuance growing significantly (by 459 million banknotes and €20,402 million)**, compared with 2019, showing positive figures for the first time since 2007 (see Chart 2.7).

Analysis of gross issuance (banknotes put into circulation) in terms of **the most demanded banknote denomination in 2020** shows that this was the €50 banknote (43.9%), followed by the €20 banknote (28.5% of the total) (see Chart 2.8).

Chart 2.8

BREAKDOWN OF BANKNOTE DEMAND IN 2020, BY DENOMINATION

SOURCE: Banco de España.

To protect the integrity of the banknotes in circulation, in 2020 **the Banco de España examined approximately 2,449 million banknotes**, using automated processing systems. This process examines the authenticity and fitness of banknotes from deposits made by credit institutions. Of these banknotes, 82.5% were fit for recirculation and the rest were destroyed.

Also with a view to protecting the integrity of banknotes, the Banco de España continued its oversight of banknote handling activities by the private sector. It also made 560 visits to the facilities of cash-in-transit companies, fewer than in the previous year, owing to the restrictions imposed as a result of the COVID-19 pandemic, and 68 visits to bank branches to monitor the application of the new regulations for the oversight of cash handling activities at credit institutions, which came into force in 2020. The on-site visits verified, inter alia, compliance with the security requirements and procedures established for checking the authenticity of euro banknotes and their fitness for recirculation.

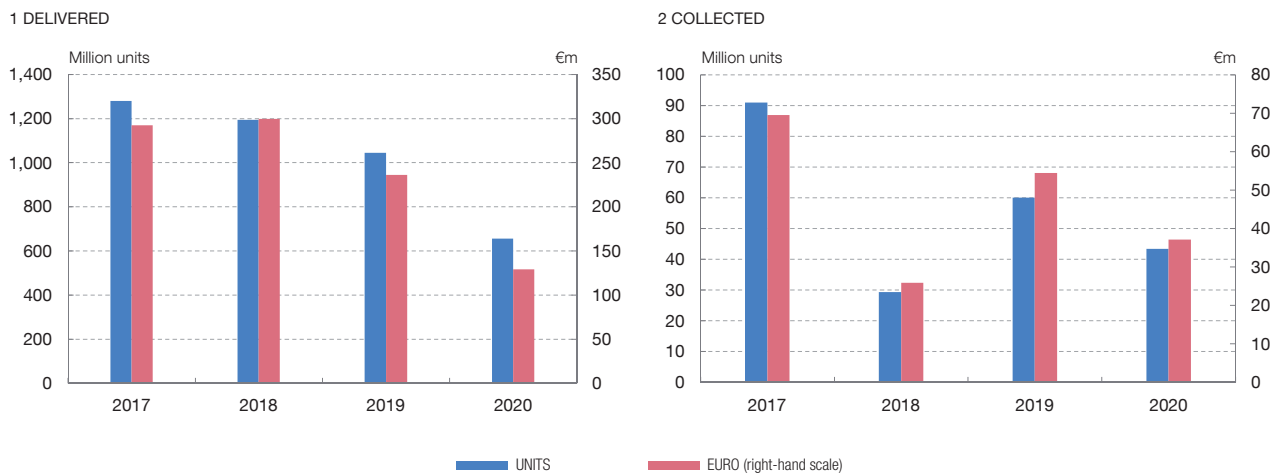
4.1.2 Coin issuance

The Banco de España provided credit institutions with 656 million coins, for a total of €129 million. This was **37% lower than in 2019**, and the lowest recorded figure in the historical series (see Chart 2.9).

A total of 43 million coins, amounting to €37 million, were withdrawn from circulation. The withdrawn coins were mainly those with a higher denomination, representing a small share of gross issuance (6.6% in terms of the number of units, but 28.7% of the value, see Chart 2.9).

Chart 2.9

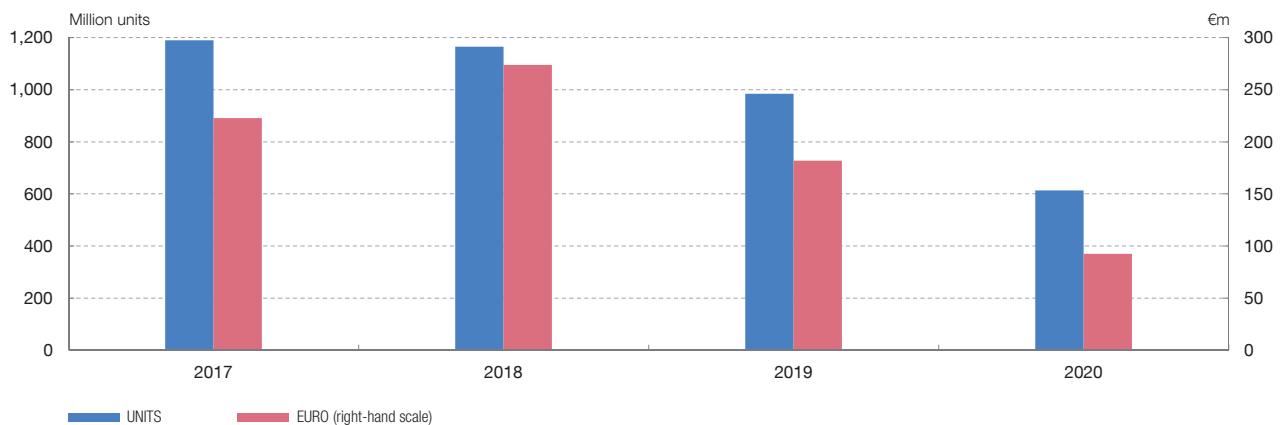
COINS DELIVERED AND COLLECTED BY THE BANCO DE ESPAÑA



SOURCE: Banco de España.

Chart 2.10

NET COIN ISSUANCE BY THE BANCO DE ESPAÑA



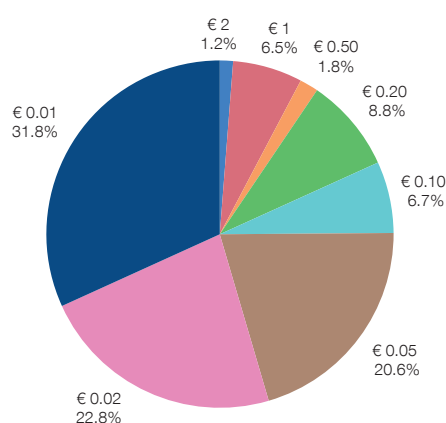
SOURCE: Banco de España.

In order to optimise the coin cycle, work continued on various initiatives aimed at encouraging the mobilisation of coin stocks in Spain and their return to the Banco de España.

The difference between the coins delivered and collected by the Banco de España (net issuance) was 612 million units and €92 million, 38% and 49%, respectively, below the 2019 figures.

Chart 2.11

BREAKDOWN OF COIN DEMAND IN 2020, BY DENOMINATION



SOURCE: Banco de España

Three-quarters of net demand for coins was concentrated in small denominations (5, 2 and 1 cent coins). The most demanded coin (among those with the highest denomination) in Spain was the €1 coin (6.5%), unlike other Eurosystem countries, which prefer the €2 coin (see Chart 2.11).

In order to ensure the authenticity and optimal fitness of the coins in circulation, in 2020 the Banco de España made inspection visits to 22% of coin processing centres, checking the correct functioning of the coin processing machines which, overall, handled around 997 million units of coins with the three highest denominations (€2, €1 and €0.50 coins).

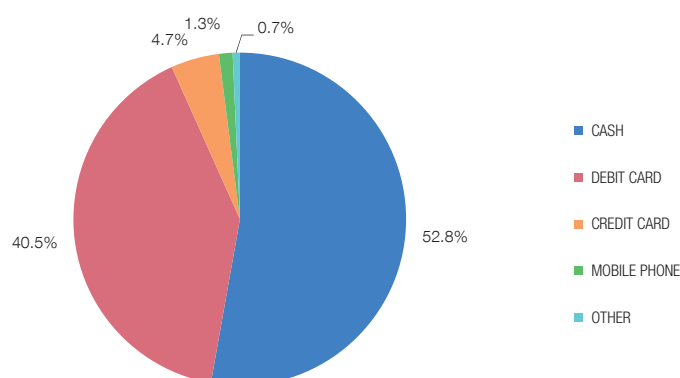
4.2 Cash and other means of payment

Since 2005, **the Banco de España has conducted an annual cash survey**, targeting the general public, the hospitality sector, and small and large retailers, in order to assess their use of cash and views on banknotes and coins circulating in Spain. Further field work was carried out in 2020, the results of which will be obtained in the first quarter of 2021.

According to the **results of the survey** at the end of 2019, 53% of citizens responded that cash is the means of payment they used most frequently, while 41% preferred using credit cards as their first choice. The main reasons for preferring cash were better expenditure control, followed by lower costs (see Chart 2.12).

Chart 2.12

PUBLIC PREFERENCE FOR MEANS OF PAYMENT



SOURCE: Banco de España

Satisfaction with the quality of banknotes obtained using over-the-counter bank services or ATMs is high. Specifically, 56% of members of the general public interviewed considered that the cleanliness and conservation of banknotes in circulation had improved in the last twelve months. As regards the other groups, 49% of the hospitality sector and small retailers and 39% of large retailers considered that the quality of the banknotes in circulation was adequate (see Chart 2.13).

According to the survey, members of the general public do not generally verify the banknotes they receive, trusting that they are authentic. Conversely, 73% of those interviewed in the hospitality sector and retailers declared that they checked the authenticity of the banknotes they receive (see Chart 2.14).

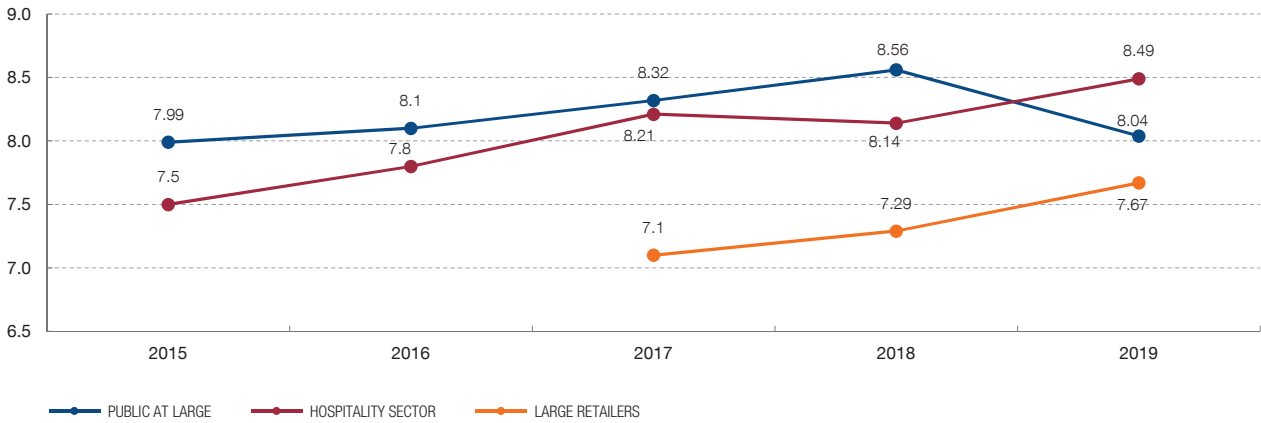
The survey also found that **ATMs** are increasingly becoming the main source of cash for the public at large. ATMs are commonly used to withdraw cash by 82% of the population, while only 24% prefer over-the-counter services. In contrast, almost 50% of establishments in the hospitality and retail sectors go to the bank regularly to obtain sufficient cash for change.

Drawing on a study on access to cash in Spain conducted in September 2020, there are **4,378 branchless municipalities, affecting 3.1% of the Spanish population**. On average, residents in these municipalities need to travel seven kilometres to reach the nearest branch. Castile-Leon and Extremadura are the regions with the highest percentage of the population without access to a bank branch in their locality.

Internet facilitates banking transactions and prevents financial exclusion, but the closure of branches hinders access to cash by the population segment which uses it as the only or main means of payment.

Chart 2.13

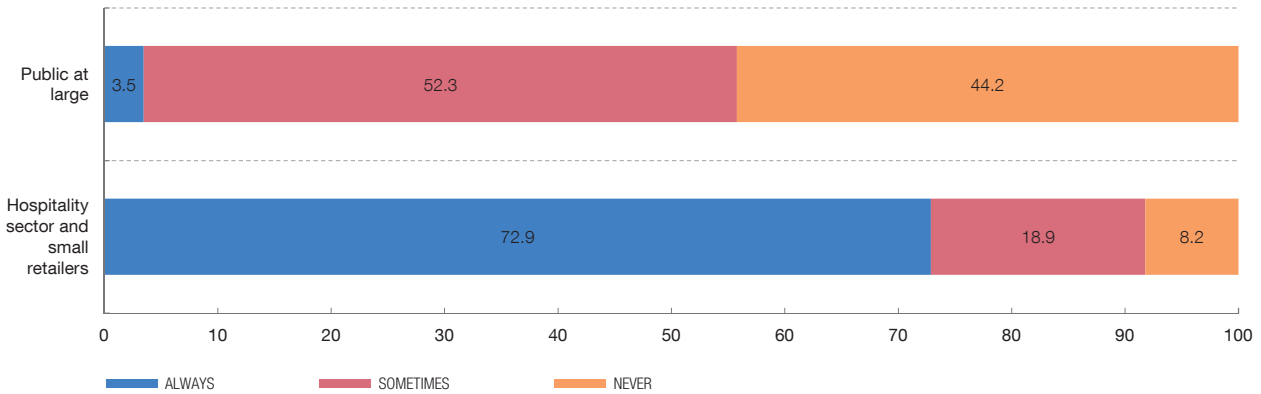
AVERAGE LEVEL OF SATISFACTION WITH BANKNOTE QUALITY



SOURCE: Banco de España

Chart 2.14

VERIFICATION OF BANKNOTE AUTHENTICITY



SOURCE: Banco de España

Credit institutions supplement their cash distribution through the use of ATMs and other facilities such as “mobile branches” in rural areas or agreements with the public postal service network. In addition, there are private-sector initiatives such as companies that supply stand-alone ATMs, usually located in areas with high customer traffic, such as shopping centres or transit stations and, to a lesser extent, rural areas. Also, FinTech companies offering solutions such as “cashback” or “cash-in-shop” are increasing their presence in Spain, although the use of such services remains marginal.

4.3 Combating banknote and coin counterfeiting

Under Spanish law, the Banco de España is deemed to be the competent national authority for the protection of the euro against counterfeiting and is designated as Spain's **National Analysis Centre (NAC) and Coin National Analysis Centre (CNAC)**.

Work to detect counterfeit banknotes and coins is carried out in coordination with the Banco de España Monetary Offences Investigation Brigade (BIBE, by its Spanish abbreviation), a police unit attached to the Banco de España responsible for the investigation and prosecution of offences relating to national or foreign currency counterfeiting. Its activity in 2020 was not significant.

4.3.1 Banknote counterfeiting

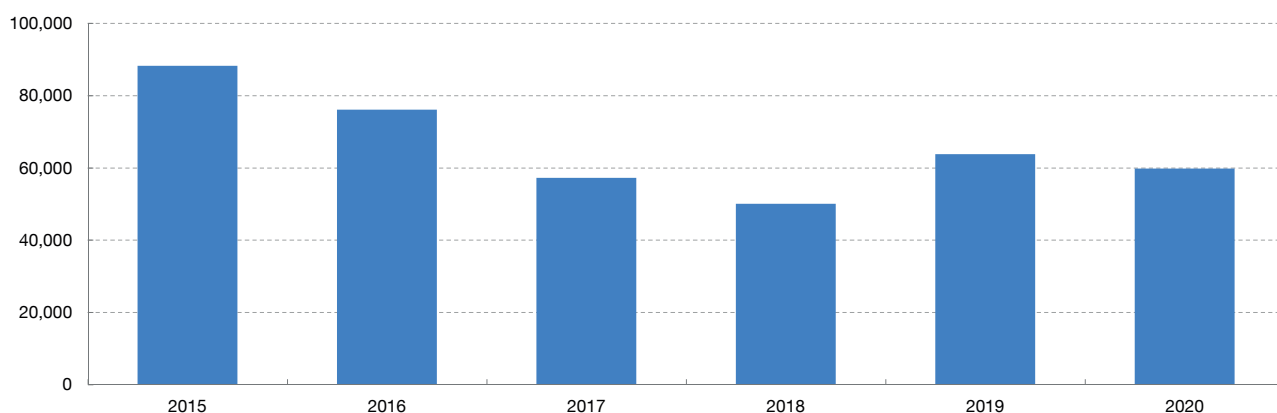
A total of 59,793 counterfeit euro banknotes were withdrawn from circulation in Spain in 2020, 6% down on the 2019 figure.

The bulk of the counterfeits in the period were unlawful reproductions of euro banknotes. These are low-quality counterfeits which the general public may mistake for genuine banknotes. They usually include poor imitations of security features and sometimes bear indications that they are “copies”, “not legal tender” or should “only be used as movie money or props”.

Charts 2.15 and 2.16 show developments in euro counterfeits withdrawn from circulation since 2015, and a breakdown by denomination in 2020.

Chart 2.15

COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN

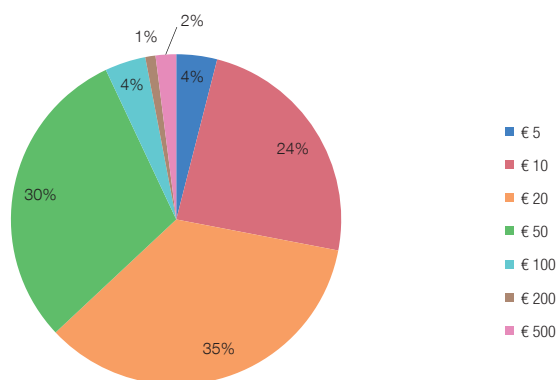


SOURCE: Banco de España

Chart 2.16

COUNTERFEIT BANKNOTES WITHDRAWN FROM CIRCULATION IN SPAIN IN 2020

Breakdown by denomination



SOURCE: Banco de España.

The €20 denomination is the most counterfeited banknote, followed by the €50 and €10 denominations, jointly accounting for approximately 90% of all counterfeits withdrawn from circulation.

The likelihood of receiving a counterfeit note is very small, with only 19 counterfeits detected per one million genuine banknotes in circulation (ppm). Spain ranked third in the detection of suspected counterfeit banknotes withdrawn from circulation in the euro area in 2020.



Information about euro banknotes can be found in the “Banknotes and coins” section of the Banco de España’s website.

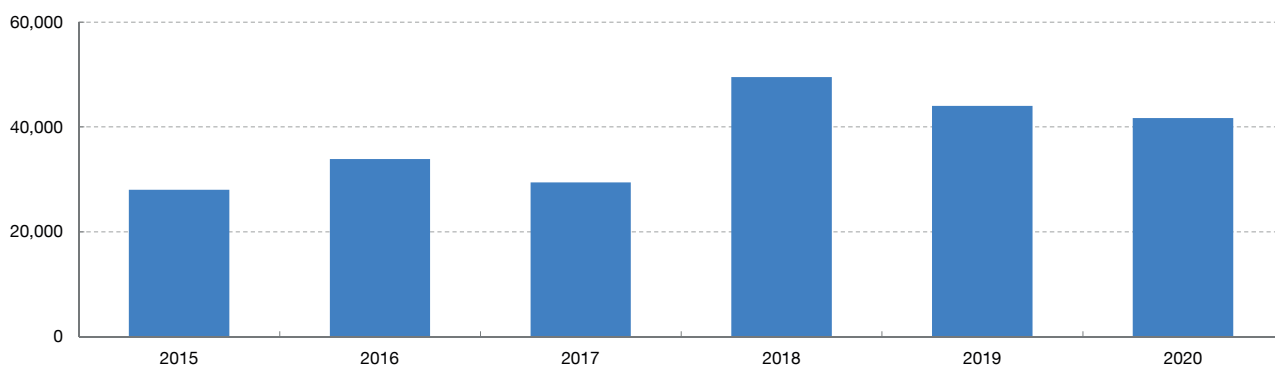
4.3.2 Coin counterfeiting

In 2020, some **41,700 counterfeit coins were registered by the CNAC**, compared with almost 44,000 in 2019, representing a decline of 5%. Charts 2.17 and 2.18 show the developments since 2015 and a breakdown by denomination in 2020.

The €2 euro coin is the most counterfeited denomination, accounting for more than 95% of all counterfeit coins withdrawn from circulation in Spain. As with banknotes, the likelihood of receiving counterfeit coins is very low, with 11.01 counterfeits per million coins in circulation of the three highest denominations (ppm).

Chart 2.17

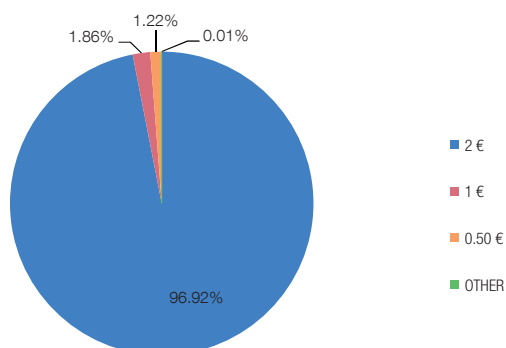
COUNTERFEIT COINS WITHDRAWN FROM CIRCULATION IN SPAIN



SOURCE: Banco de España.

Chart 2.18

COUNTERFEIT COINS WITHDRAWN FROM CIRCULATION IN SPAIN IN 2020
Breakdown by denomination



SOURCE: Banco de España.

EXCHANGE OF PESETAS FOR EURO

In November 2020 the Council of Ministers decided to extend the **period for exchanging the old peseta banknotes and coins for euro** by a further six months, **until 30 June 2021**, postponing the deadline originally set as a result of mobility restrictions arising from the impact of the pandemic. Thus, all interested members of the public will have the chance to exchange their pesetas for euro until 30 June 2021. After that date, the exchange will no longer be possible. At end-2020 there were still pesetas in circulation with an equivalent value of €1.59 billion (€804 million in banknotes and €786 million in coins).

These figures have encouraged various foundations and NGOs to launch campaigns to collect pesetas as donations for their charitable purposes (medical research, welfare projects, etc.). The Banco de España has collaborated in these campaigns by facilitating the logistics and exchange of these large volumes of banknotes and coins.

To inform the general public about the end of the peseta exchange period, the Banco de España launched a major communication campaign with over 30 appearances in various media, publications on the

website about the [exchangeable peseta banknotes and coins](#), [tweets](#) and [posts](#) on the @BancoDeEspaña Twitter account and on LinkedIn, and information material, both electronic (poster, leaflets and video) and physical (posters, leaflets).

These materials were distributed to credit institutions and some thirty social agents and collaborators, who helped disseminate them throughout Spain, both electronically via their communication channels, and through the distribution of more than 154,000 leaflets and approximately 8,000 posters.

In 2020, peseta banknotes and coins were exchanged for an equivalent value of €14.5 and €4.4 million euro, respectively.

At 31 December 2020 peseta banknotes and coins for an equivalent value of €804 and €786 million euro, respectively, were yet to be exchanged.

What pesetas can be exchanged?

- All banknotes issued after 1939.



The exchange of pesetas for euro can be made both at the Banco de España central headquarters in Madrid (C/ Alcalá 48) and at its branches.

EXCHANGE OF PESETAS FOR EURO (cont'd)

- In some cases, banknotes issued between 1936 and 1939, after analysis by Banco de España experts.
- All coins in circulation in January 2002, including 2,000-peseta coins, as well as collector, commemorative and special coins.

What is the exchange value?

- Regardless of their date of issue, the following exchange rate will be used: 1 euro = 166.386 pesetas.

The hypothetical numismatic value will not be taken into account.

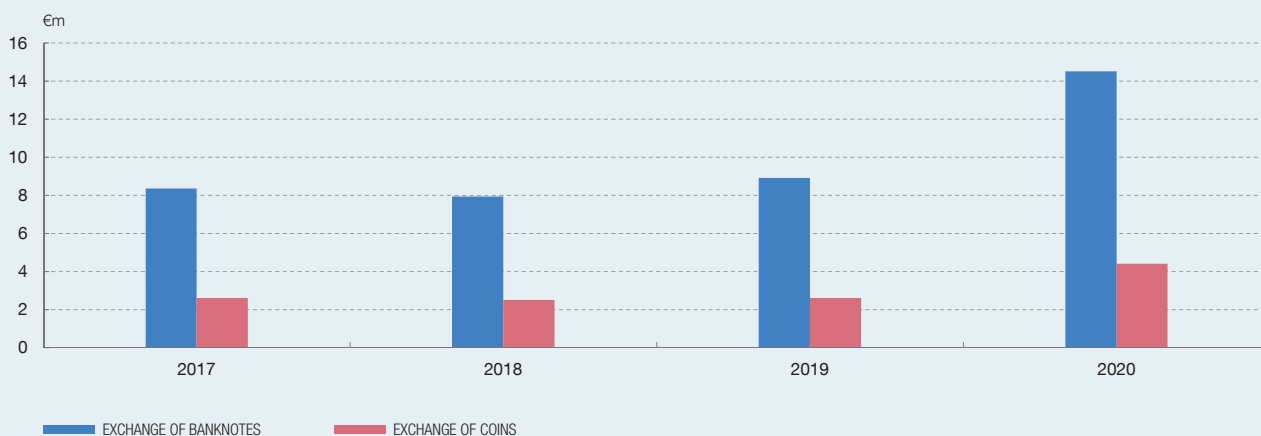
Where can they be exchanged?

- At the Banco de España central headquarters in Madrid (C/ Alcalá 48) or at any of its 15 branches located throughout the country.

When can they be exchanged?

- The deadline is 30 June 2021. After that date, it will no longer be possible to exchange pesetas for euro.

Chart 2.19

EXCHANGE OF PESETAS FOR EURO

SOURCE: Banco de España.

5.1 Prudential supervision

Since November 2014, credit institutions of countries participating in the banking union have been supervised by the **Single Supervisory Mechanism (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”), in close collaboration with the respective NSAs. All other credit institutions (“less significant institutions”) are directly supervised by the NSAs, according to a common policy laid down by the ECB.

At 31 December 2020, there are **12 Spanish groups of significant institutions**,³ which account for 90.7% of the total assets of the Spanish banking system, and **59 Spanish institutions or groups classified as less significant**, which account for 5.1%. The remaining 4.2% are held by subsidiaries and branches of foreign credit institutions.

In 2020, supervisory activity was conditioned by the crisis prompted by COVID-19, which forced the supervisory priorities and actions to be refocused in order to address the main risks arising from the pandemic. First, like the ECB, the Banco de España urgently adopted the measures required to ensure that prudential supervision remained in full effect, with remote working promptly becoming the norm.

Second, central banks, governments, regulators and supervisors adopted and published a broad set of measures and recommendations to mitigate **the impact of COVID-19 on the economy and the financial system** and minimise its effects in the medium and long term. Aside from the monetary policy measures adopted by the ECB, which have allowed institutions broad access to liquidity, notable among the financial and fiscal initiatives in Spain are the legislative moratoria and the public guarantee schemes. European regulators conducted an urgent review of capital requirement regulations, and the supervisory authorities eased capital and liquidity requirements, fostered the flexible application of accounting standards and reduced the operational burden of supervisory activity to encourage institutions to concentrate efforts on ensuring their operational continuity and on performing their critical economic functions (see Box 2.7).

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

³ Santander, BBVA, Caixabank, Bankia, Sabadell, Unicaja, Bankinter, Kutxabank, Ibercaja, Abanca, Liberbank and Banco de Crédito Social Cooperativo.

MEASURES TO MITIGATE THE IMPACT OF THE PANDEMIC ON THE ECONOMY AND THE FINANCIAL SYSTEM. MORATORIA. GUARANTEES. CAPITAL REQUIREMENTS

In response to the extraordinary situation prompted by the pandemic, the authorities swiftly adopted a raft of monetary, fiscal and financial policy measures aimed at mitigating the impact of the crisis.

Notable among the measures adopted in Spain are moratoria and public guarantee facilities. A moratorium temporarily defers loan repayments for a set period. Initially, legislative moratoria were established (Royal Decree-Laws 8/2020 and 11/2020) for mortgage loans and non-mortgage loans to vulnerable individuals affected by the pandemic. Specific legislative moratoria were subsequently approved for firms in the tourism and transportation sectors (Royal Decree-Laws 25/2020 and 26/2020). In addition to the legislative moratoria, financial institutions voluntarily implemented via their associations agreements to widen the group of eligible beneficiaries and extend the grace periods. Through the public guarantee facilities, the central government provides guarantees on a certain percentage (up to 80% of the principal) of financing extended by financial institutions to firms and the self-employed to cover liquidity needs and for new investments. To be eligible, the borrowers have to be domiciled in Spain and not be in default nor subject to insolvency proceedings. Two guarantee facilities have been implemented for a total of up to €140 billion (Royal Decree-Laws 8/2020 and 25/2020).

Spanish institutions have very actively extended these State-guaranteed loans, enabling a large number of firms to access such financing and helping to sustain the business sector.

Meanwhile, European regulators conducted **an urgent review of capital requirement regulations.** These so-called “quick fix” amendments are intended to maintain institutions’ capacity to lend and to absorb pandemic-related losses, while simultaneously preserving their resilience.

Supervisory authorities eased capital and liquidity requirements, allowing institutions to temporarily operate below the levels set in the Pillar 2 Guidance (P2G), the capital conservation buffer and the liquidity coverage ratio. Supervisors also fostered the flexible application of accounting standards.

Overall, these measures are geared towards forestalling the potential procyclical effects of capital and liquidity requirements, and the application of the accounting framework, such that the institutions remain unfettered in their capacity to lend to the overall economy, at a time when this is an essential function to mitigate the impact of the crisis.



Legislative moratoria were established for mortgage loans and for non-mortgage loans to vulnerable individuals affected by the pandemic.

MEASURES TO MITIGATE THE IMPACT OF THE PANDEMIC ON THE ECONOMY AND THE FINANCIAL SYSTEM. MORATORIA. GUARANTEES. CAPITAL REQUIREMENTS (cont'd)

Further, **supervisors eased the operational burden of supervisory activity** to encourage institutions to concentrate efforts on ensuring their operational continuity and on performing their critical economic functions. For example, the EBA and ECB stress tests due to take place in 2020 were postponed until 2021, certain deadlines to implement action plans ensuing from recent on-site inspections were extended and some of the planned on-site actions were postponed.

Alongside these relief measures, supervisors (the ECB and the Banco de España, within their respective remits) have recommended that institutions refrain from, or limit, the distribution of dividends to shareholders, so as to ensure that they can have the maximum possible capital available to provide financing to economic agents and to absorb potential losses. They also reiterated their expectations that banks adopt extreme moderation with regard to the payment of variable remuneration.

supervision. Ongoing off-site supervision assesses the institutions' **situation and risk profile** in order to adopt, on a timely basis, the appropriate supervisory measures and plan the work and the depth thereof. In turn, on-site exercises comprise two types of action: **inspections and model investigations.** Model investigations specifically review capital requirement calculation models, while inspections serve to analyse, in depth, any other area relating to the institutions. Besides being tasked with the direct supervision of Spanish less significant institutions, the Banco de España makes an essential contribution to the supervision of Spain's significant institutions, carrying out ongoing off-site supervision through the joint supervisory teams (JSTs) and on-site inspections and investigations of significant institutions' models.

Lastly, **ongoing supervision** has been refocused to conduct adequate monitoring of pandemic-related risks, prioritising their impact on institutions' risk profiles and operational continuity. In addition to the usual tasks, other monitoring encompassed the application of the moratoria and use of guarantees, the impact of the crisis on asset quality, contingency plans — especially cybersecurity and business continuity matters —, liquidity and the effects of the crisis on institutions' activity, earnings and capital levels.

The supervisory review and evaluation process (SREP) is one of the key tasks of ongoing off-site supervision, through which a supervisory assessment of the institution is obtained. Mindful of the difficulty of implementing the **SREP guidelines (EBA/GL/2014/13)** to the fullest extent owing to the heightened uncertainty prompted by the crisis, the European Banking Authority (EBA) stated that the principles of efficacy, flexibility and pragmatism should guide the 2020 SREP supervisory approach. With a view to identifying how such flexibility could be applied, the EBA published guidelines on a pragmatic approach to the SREP (EBA/GL/2020/10), establishing a special procedure for the 2020 SREP.



The Chair of the ECB's Supervisory Board, Andrea Enria, presenting the results of the 2019 SREP at a press conference held on 28 January 2020.

Both the ECB and the Banco de España adopted these guidelines and applied a simplified SREP methodology in 2020. Consequently, analysis was focused on the institutions' elements and risks that have been most affected by the crisis. As a rule, given the uncertainty of the current scenario, institutions' risk profile ratings and Pillar 2 capital surcharges were maintained from the previous year.

On-site supervision was initially suspended owing to the lockdown in Spain imposed by the state of alert. The decision was subsequently made to continue (online) only those inspections that were in advanced stages. As a result, of the 28 inspections initially planned for Spanish significant institutions in 2020, nine were carried out, of which six were headed by the Banco de España and three by the ECB. In addition, the Banco de España led the inspection of a foreign SSM institution. As regards the investigations of internal models at significant institutions, in 2020, nine were conducted on Spanish institutions, of which eight focused on internal credit risk models and one on market risk models. It should be noted that two of the investigations of Spanish institutions were performed by supervisors from the ECB and the National Bank of Belgium, respectively. In addition, the Banco de España led an investigation into counterparty risk in Italy. Six inspections were conducted at less significant institutions.

The Executive Commission remained apprised of the 478 decisions and actions of the ECB's Supervisory Board, on which the Banco de España is represented, which affected Spanish institutions in 2020: 263 supervisory decisions

Table 2.1

CREDIT INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN

	2020
Banks	51
Savings banks	2
Credit cooperatives	61
ICO	1
Branches of EU credit institutions	75
Branches of non-EU credit institutions	3

SOURCE: Banco de España.

addressed specifically to Spanish institutions (257 to significant institutions and six to less significant institutions) and a further 215 decisions on more general matters or SSM policy or organisational issues.

Following the different prudential supervisory tasks carried out on less significant credit institutions, the Banco de España issued 99 recommendation and requirement letters, of which 57 were on capital decisions, 33 on recovery plans and nine on inspections.

Regarding the **suitability assessment of senior officers** of supervised institutions, in 2020 the Banco de España processed a total of **368 files**: 195 relating to credit institutions, 52 to payment institutions, 33 to specialised lending institutions, 48 to mutual guarantee companies, 22 to electronic money institutions, 17 to appraisal companies and one to a currency-exchange bureau.

Table 2.1 lists the different **credit institutions operating “with an establishment” in Spain** that make up the Spanish banking system in 2020.

Beyond the scope of the SSM, the Banco de España also has exclusive supervisory powers over **institutions other than credit institutions** that provide financial services or perform functions related to the financial sector. In 2020, a total of 380 ongoing off-site supervision actions and three inspections were performed at these institutions. Following the supervisory actions, four recommendation and requirement letters (two in connection with ongoing supervisory actions and two in relation to inspections) were sent to four institutions.

Table 2.2 lists the institutions other than credit institutions operating “with an establishment” in Spain that are entered in the registers of the Banco de España in 2020, grouped by type and area of activity.

The Banco de España cooperates closely with the Commission for the Prevention of Money Laundering and Monetary Offences (CPMLMO) and its Executive Service

Table 2.2

INSTITUTIONS WITH AN ESTABLISHMENT IN SPAIN OTHER THAN CREDIT INSTITUTIONS

	2020
Institutions operating with an establishment other than credit institutions	534
Specialised lending institutions	26
Specialised lending institutions - Payment institutions	8
Branches of financial institution subsidiaries of EU credit institutions	1
Real estate lenders	99
Real estate credit intermediaries	234
Branches of EU real estate credit intermediaries	1
Mutual guarantee companies	18
Reguarantee companies	1
Appraisal companies	32
Currency-exchange bureaux (a)	17
Payment institutions	47
Payment institutions exempt under Article 14 of Royal Decree-Law 19/2018	1
Payment service providers excluded under Article 4 of Royal Decree-Law 19/2018	3
Account information service providers	1
Branches of EU payment institutions	14
Electronic money institutions	9
Branches of EU electronic money institutions	8
Banking foundations (b)	13
Sareb (c)	1

SOURCE: Banco de España.

a Does not include establishments authorised only to purchase foreign currency with payment in euro.

b Banking foundations are not entered in the Register of Institutions of the Banco de España. As at 31 December 2020, the Banco de España has powers over five of the 13 banking foundations.

c Sareb is not entered in the Register of Institutions of the Banco de España.

(SEPBLAC) in **the supervision and inspection of compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations by institutions supervised by the Banco de España**, pursuant to Spanish legislation and the cooperation and coordination agreement entered into with the CPMLMO. The Banco de España further strengthened this function in 2020. Two inspections, focused on reviewing compliance with AML/CFT obligations, were launched, as was a monitoring action to check the implementation of an AML/CFT action plan. These were performed remotely owing to the restrictions prompted by the COVID-19 pandemic. The methodology for assessing money laundering and terrorist financing (ML/TF) risk for credit institutions was also updated.

5.2 Supervision of institutions' conduct

The situation ensuing from the pandemic marked the pursuit of conduct-related supervisory activity in 2020 and made clear the relevant role played by the banking

Figure 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	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 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.

sector, through which some of the measures aimed at alleviating the financial situation of households and firms have been implemented.

A critical part of supervisory work in 2020 focused on **monitoring the actions taken by institutions to respond to the needs arising from the pandemic** and comply with the measures adopted to counter its economic impact. This supervisory work is described in Box 2.8.

SUPERVISION OF THE IMPLEMENTATION OF FINANCIAL MEASURES TO ADDRESS THE ECONOMIC IMPACT OF COVID-19

From the onset of the COVID-19 pandemic, the Banco de España has worked: i) to ensure that banks provide citizens with the necessary information and that their relations are conducted in a climate of trust, and ii) to support institutions in the implementation of the above-mentioned measures.

In addition, since the state of alert was declared in March 2020, the main supervised institutions were contacted to ascertain and analyse the measures that were being adopted to ensure continuity in the provision of their services to their customers (including the temporary opening or closure of branches, ATM operability or the strengthening of online banking channels).

Institutions' implementation of the **measures approved to address the economic fallout of the pandemic** was also monitored by analysing: i) the specific reporting on

moratoria by the institutions; ii) claims and telephone and written enquiries submitted to the Banco de España; and iii) information provided by the institutions via their websites. Although administrative procedures were suspended during the state of alert, **the Banco de España reactivated the claims mechanism** to support institutions, which had to continue handling customers' claims, and customers.

In any event, considering the severe disruption wrought by COVID-19 on Spanish society and the Spanish economy, the Banco de España, in cooperation with the other national and international supervisory authorities, will continue to supervise institutions' conduct in relation to these measures or others that may be adopted, thus contributing to maintaining the stability of the financial system.

Further, during 2020 the Banco de España worked on drawing up a circular on confidential conduct-related information, which will result in better information being available for more efficient supervision.

Supervision of consumer credit also took on an important role during 2020. This essentially entailed verifying the degree of compliance with the organisational and disciplinary rules of Law 16/2011 of 24 June 2011 on credit agreements for consumers. In particular, work has been completed on the verification of the marketing of revolving credit cards, financing for car purchase, credit linked to the supply of goods or the provision of services and other consumer financing with no specific purpose, and loans granted in the form of overdrafts on sight deposits. Responsible lending practices and policies in this financing area have also been reviewed.

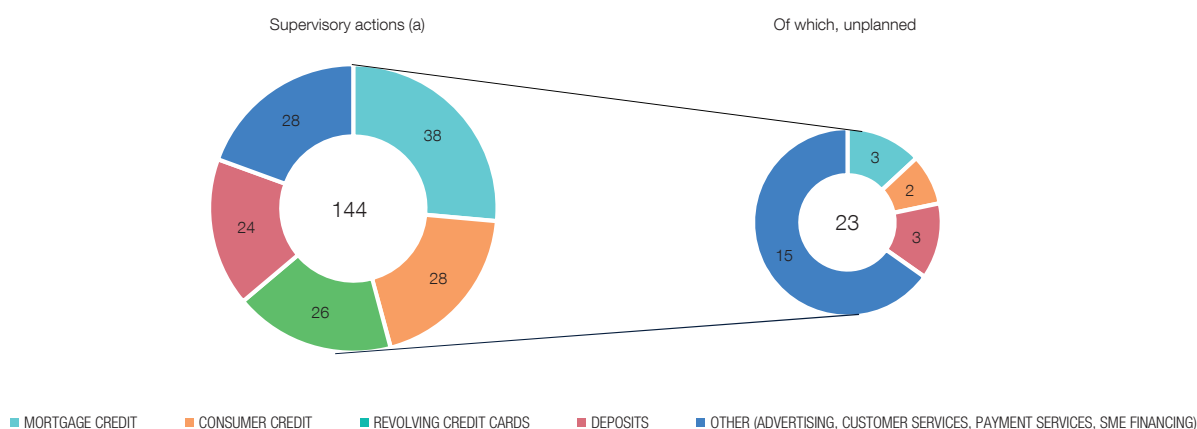
Given its particular importance, **mortgage lending** has been the focus of much of the annual supervisory effort. The Banco de España is aware of the importance of institutions ensuring transparency both in the marketing of such loans and over their life. Thus, work has continued to verify that "floor clauses", i.e. clauses that set a lower limit on changes in interest rates, are properly applied in accordance with regulations and the provisions of mortgage loan agreements. The information provided on interest rates and the measures applied to protect mortgagors in serious economic difficulties were also checked.

As regards the review of **advertising of banking products and services**, Banco de España Circular 4/2020 of 26 June 2020 on such advertising was approved. This

Chart 2.20

SUPERVISORY ACTIONS RELATING TO CONDUCT IN 2020 BY TYPE

In addition to the work to monitor the measures adopted by institutions as a result of the COVID-19 pandemic, supervisory activity relating to conduct in 2020 was chiefly focused on the areas of activity pertaining to mortgage credit, consumer credit, revolving credit cards and deposits.



SOURCE: Banco de España.

a A total of 103 of these supervisory actions were initiated before the start of 2020.

new Circular constitutes an essential regulatory framework for institutions to pursue this activity and a useful tool for its proper supervision.

The **activity of institutions' customer service departments (CSDs)** was also supervised to verify the suitability of their head officers, the content of their operating rules and overall compliance with transparency obligations. Another aspect that received particular attention was the digitalisation of supervised institutions.

Chart 2.20 summarises the supervisory actions carried out in 2020, by area and type.

5.3 Sanctioning activity

Sanctioning activities continued in a year marked by COVID-19, in which the time limits for sanctioning proceedings were suspended from 14 March to 1 June, owing to the declaration of the state of alert.

Nevertheless, proceedings continued to be initiated and resolved in 2020: **three proceedings were initiated; eight were concluded**, having been initiated in 2019; and **one proceeding was resumed** against a savings bank, its directors and management and the members of its audit committee, having been suspended for

several years due to the concurrence with criminal proceedings in relation to the same facts.

Transparency and consumer protection continue to account for the highest number of sanctioning proceedings. Of the 12 proceedings under way during 2020, five were in this area (against three banks, one credit cooperative and one specialised lending institution). For instance, in the area of pre-contractual and contractual information offered to customers, conduct such as failing to provide the pre-contractual information in novations was sanctioned. Likewise, in the area of the Code of Good Practice (CGP) set out in the annex to Royal Decree-Law 6/2012 of 9 March 2012 on urgent measures to protect mortgagors experiencing financial hardship, actions sanctioned included the failure to duly provide information on the CGP and the possibility of requesting it be applied, not only *ab initio*, but also throughout the processing of the request for restructuring, and the application of a restructuring term other than 40 years where there is no record of the customer requesting a different term.

Sanctioning activities involving supervised institutions other than credit institutions and their shareholders also continued. Proceedings notably included those brought against one payment institution and its officers (including the de facto director), an electronic money institution's shareholders, who acquired a qualifying holding in concert without previously notifying the Banco de España, and two appraisal companies and their officers. Sanctions were imposed on one appraisal company and its officers for having insufficient human resources, shortfalls in its procedure for monitoring incompatibilities, and valuation methodologies that did not fully comply with the requirements of sector-specific legislation.

Companies not authorised by the Banco de España were also sanctioned, either for conducting activities reserved to credit institutions or for failing to provide the information requested during an inspection.

6 COMPLAINTS AND ENQUIRIES RECEIVED FROM BANK CUSTOMERS

In 2020, 21,337 complaints were made by users of bank services, 45.8% more than the 14,638 received in the previous year.

The number of complaints received in the last ten years is shown in the charts (see Chart 2.21). The large fluctuations in the number of complaints have been closely linked to the marketing of mortgage loans and, specifically, the expectations generated by several national and European court decisions. However, as shown in Chart 2.22, the significant increase in complaints in 2020 is more closely related to matters other than mortgage loans.

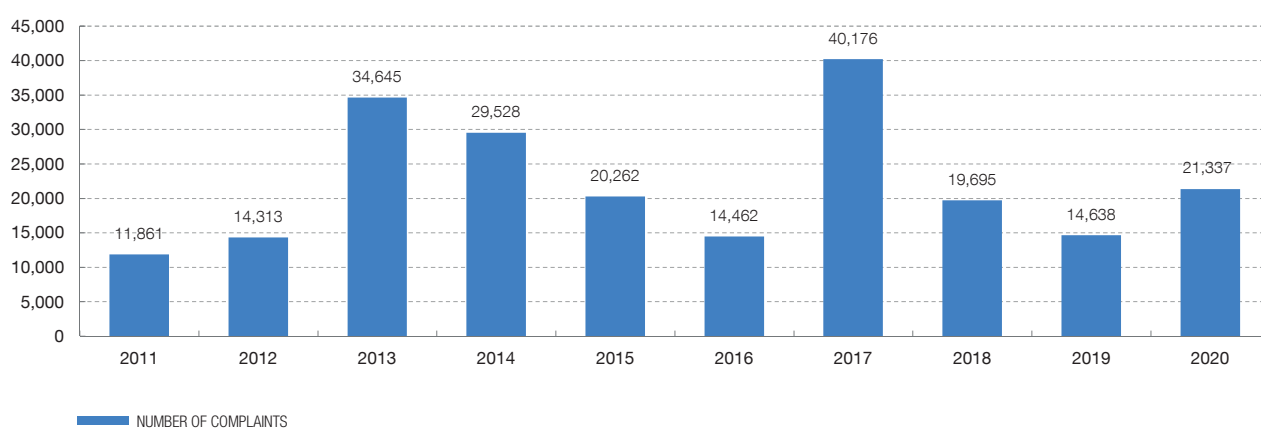
In 2020, 6,699 more complaints were received than in 2019. This increase was largely attributable to the number of complaints made in relation to: i) cards; ii) accounts and deposits; and iii) mortgage loans. See Chart 2.24 for a breakdown of complaints.

As the breakdown shows, the categories where complaints have most increased are **cards**, mainly owing to fraudulent transactions deriving from e-commerce (which has grown on account of the impact of the COVID-19 pandemic), and the marketing of revolving credit cards. Most complaints associated with **accounts and deposits** were about the charging of fees and blocked accounts (see Chart 2.24).

Turning to **enquiries**, 40,623 telephone enquiries and 6,262 written enquiries were received in 2020, up 51.9% and 68.4%, respectively, on 2019 (see Chart 2.25).

Chart 2.21

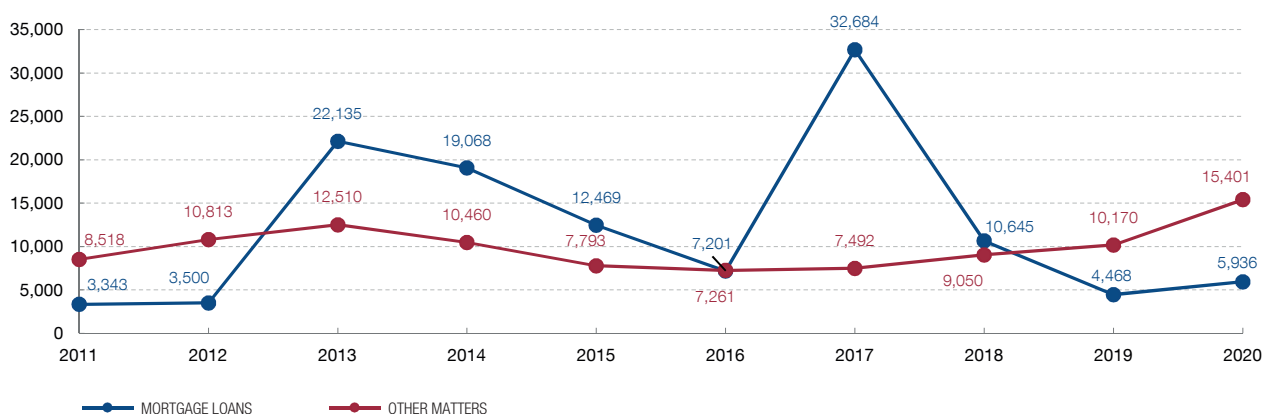
COMPLAINTS FILED IN THE LAST TEN YEARS



SOURCE: Banco de España.

Chart 2.22

COMPLAINTS ABOUT MORTGAGE LOANS AND OTHER MATTERS IN THE LAST TEN YEARS

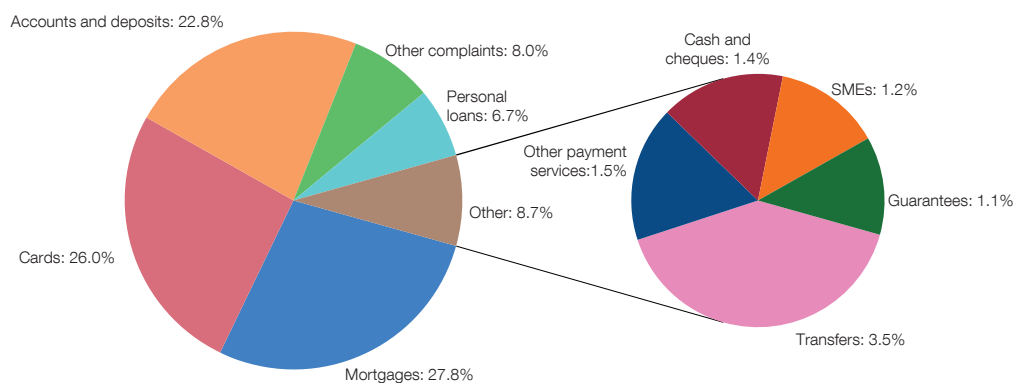


SOURCE: Banco de España.

Chart 2.23

TYPES OF COMPLAINTS

Provisional data as at 31 December 2020



SOURCE: Banco de España.

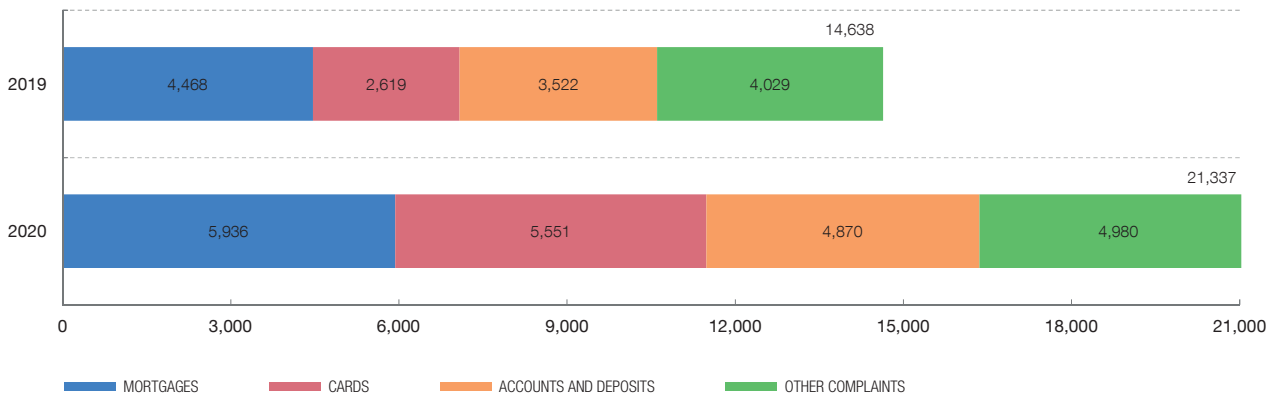
Part of the increase in **telephone enquiries** stemmed from those made about the economic measures approved by the Government during the pandemic, such as the moratoria on loan payments and the ICO guarantees for small and medium-sized enterprises. Historically, the number of telephone enquiries received has tended to be related to the number of complaints made.

Written enquiries continued to rise steadily, from 1,672 in 2018, to 3,719 in 2019, and 6,262 in 2020. This significant increase has occurred in parallel to the improved online positioning of the Bank Customer Portal, which has established itself as one

Chart 2.24

MOST FREQUENT TYPES OF COMPLAINT IN 2019 AND 2020

Provisional data as at 31 December 2020

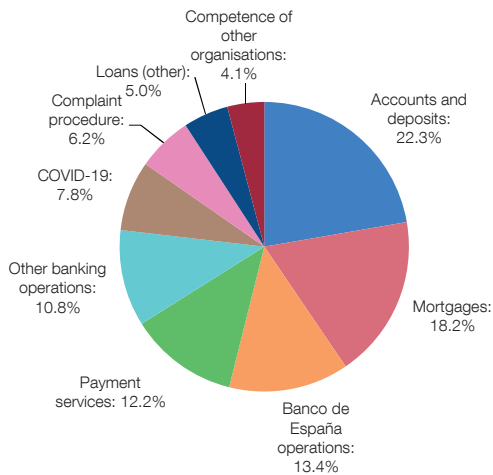


SOURCE: Banco de España.

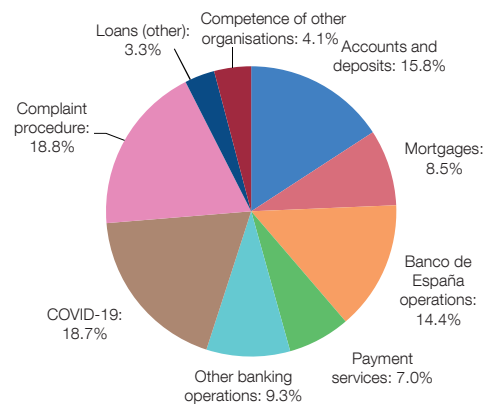
Chart 2.25

WRITTEN ENQUIRIES AND TELEPHONE ENQUIRIES RECEIVED IN 2020

1 WRITTEN ENQUIRIES



2 TELEPHONE ENQUIRIES



SOURCE: Banco de España.

of the resources most used by the public for learning about their rights in their relationships with institutions and for channelling their ensuing enquiries.

As shown in Chart 2.25, there are striking differences between the **most frequent types of enquiries** in 2020, depending on whether they are made in writing or by telephone. Notable among written enquiries were those on mortgage loans and

matters related to accounts and deposits, in addition to various Banco de España operations (chiefly statistics and interest rates, the Central Credit Register, and the exchange of pesetas).

In turn, the most frequent types of telephone enquiry were about the complaint procedure (about how to file and check the status of a complaint), followed by the economic measures taken by the Government in the context of the COVID-19 pandemic, operational matters of the Banco de España, and payment services.

7.1 Macroprudential policy

In 2020, the Banco de España once again conducted **the annual review of the list of Spain's systemically important credit institutions**. There were no changes with respect to the previous year: five were designated as other systemically important institutions (O-SIIs) for 2021, including one global systemically important institution (G-SII), and the calibration of each associated macroprudential capital buffer remained unchanged.⁴

As regards **macroprudential analysis**, the Banco de España's work has focused chiefly on adapting the analytical framework underpinning the quarterly decisions on the countercyclical capital buffer (CCyB) to the new crisis environment prompted by the COVID-19 pandemic. To this end, the indicators of the degree of materialisation and severity of the crisis-induced impact on the financial system (systemic risk indicator) and the real economy (output gap) were more closely monitored, and econometric models were used to analyse the pandemic's macro-financial impact and the effectiveness of the alternative macroprudential measures. In 2020, the Banco de España held the CCyB applicable to credit exposures in Spain at 0%, in coordination with the authorities in other countries,⁵ and announced its intention to maintain this rate for a prolonged period, until the main economic and financial effects arising from the pandemic have been overcome.

The Forward Looking Exercise on Spanish Banks (FLESB) conducted by the Banco de España on Spanish credit institutions in 2020 was conditioned by the significant uncertainty surrounding the course of the COVID-19 pandemic. Two macroeconomic scenarios were used: a baseline scenario, in line with the most likely projections of economic activity following the outbreak of the pandemic, and an adverse scenario, to test the banking sector's resilience to an additional hypothetical materialisation of the existing downside risks to the real and financial sectors in 2020.

A key aspect of the **2020 FLESB was the incorporation of the effects of the support measures introduced in response to COVID-19**, namely the public guarantees for loans to firms, the moratoria on mortgage and consumer loan repayments for individuals, the restrictions on dividend distributions and the ECB's longer-term refinancing operations. Substantial developments in the modelling of the risks of Spanish banks' main foreign subsidiaries were also incorporated into the stress-testing framework.⁶ In 2020, work was also carried out on the development of

4 See the press release of 27 November 2020 "Banco de España updates the list of systemically important institutions and sets their macroprudential capital buffers".

5 See the press release of 21 December 2020 "The Banco de España holds the countercyclical capital buffer at 0%".

6 For a summary of the stress tests, see Chapter 2 of the *Financial Stability Report*, Banco de España, Autumn 2020.



AMCESFI's new website is geared to serve as a platform for disseminating information on its activities and publications.

models for use in future exercises that enable a further breakdown of credit risk by sector of activity, in order to analyse climate change-related risks.

As regards **the coordination of macroprudential policy at national level**, it should be noted that 2020 was the **first full year of activity for the Spanish macroprudential authority (AMCESFI)**. This collegiate body is attached to the Ministry of Economic Affairs and Digital Transformation, and the Governor of the Banco de España is the vice-chair of its Board. The establishment of AMCESFI in 2019 has helped coordinate the Banco de España's work with the Ministry of Economic Affairs and Digital Transformation and the other sectoral supervisory authorities (the CNMV and the Directorate General of Insurance and Pension Funds) in managing the crisis triggered by the COVID-19 pandemic. **In 2020 AMCESFI published its first annual report⁷** and launched its own website (www.amcesfi.es/wam/en/), geared to serve as a platform for disseminating information about its activities and publications.

7.2 Preventive resolution

In 2020, resolution plans were drafted for a total of 42 Spanish credit institutions⁸ and five foreign groups with Spanish subsidiaries, in close collaboration with the Single Resolution Board (SRB) and other resolution authorities in the euro area, in accordance with the distribution of responsibilities established under the Single Resolution Mechanism Regulation (SRMR). Within this collaboration framework, **48 workshops** were organised during the year for members of the respective Internal Resolution Teams (IRTs) to discuss the most important aspects of resolution planning and to improve institutions' resolvability.

⁷ AMCESFI *2019 Annual Report* published on 31 July 2020.

⁸ 12 significant institutions and 30 less significant institutions.

In addition, **every year the Banco de España participates 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. In this regard, in 2020 the Banco de España participated as a preventive resolution authority in the crisis management group of one Spanish significant institution, two resolution colleges of foreign significant institutions with subsidiaries in Spain, and one resolution college of a foreign less significant institution with a subsidiary in Spain.

The SRB and the EU resolution authorities outside the euro area signed joint decisions relating to the resolution plans and decisions on the minimum requirement for own funds and eligible liabilities (MREL) of three foreign significant institutions with significant subsidiaries or branches in Spain, in whose colleges they participate as observers. A joint decision was also signed between a group-level resolution authority and the Banco de España, as the preventive resolution authority of the Spanish subsidiary of the group concerned.

As regards **resolution planning**, the following was noteworthy in 2020:

- 52 credit institutions were informed of their MREL.
- The recovery plans of 12 Spanish significant credit institutions were reviewed (in collaboration with the SRB), as were those of 35 Spanish less significant credit institutions.

Furthermore, to promote the effective implementation of resolution legislation, in 2020 the Banco de España participated actively in the development of **preventive resolution criteria and strategies**. Among the actions that, on account of their significance, warrant special mention are: i) the further analysis of resolution strategies other than bail-in (specifically, the sale of business and bridge bank tools); ii) the monitoring of the degree of fulfilment of the MREL targets approved in the previous resolution cycle and analysis of possible deviations; iii) the participation in the committees of the FROB, the Deposit Guarantee Scheme and Sareb (asset management company for assets arising from bank restructuring); and iv) the research and analysis of matters relating to financial continuity in resolution, the bail-in playbook and potential contagion from regional markets to the national market, among others, in collaboration with the SRB.

7.3 Financial reporting and reporting to the Central Credit Register

In crisis situations such as that caused by COVID-19, having accurate, quality and timely financial data takes on even greater importance, bearing in mind the operational challenges faced by both regulators and institutions in meeting the different reporting requirements.

As a result of these conflicting needs, various measures have been adopted by all the authorities concerned – the EBA and ECB at European level, and the Banco de España in its field of competence – to concentrate on those reporting requirements considered to be more informative for this crisis.

First, and to **alleviate institutions' reporting burden** as far as possible, **the EBA agreed that national competent authorities (NCAs)** could extend the submission deadline for supervisory reporting requirements. In accordance with this agreement, the **ECB** extended the reporting deadline for significant institutions by one month, and the **Banco de España**, in a letter from the Director General Financial Stability, Regulation and Resolution, granted the same extension to less significant institutions. As regards national reporting requirements, the Director General Financial Stability, Regulation and Resolution eased the deadline for some financial statements.

Moreover, the EBA requested additional reporting and disclosure ([Guidelines 2020/07 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis](#)). These guidelines were adopted by the SSM for significant groups and by the Banco de España for less significant institutions.

In the **national arena**, the Government has implemented **various measures**, through different royal decree-laws, to mitigate the economic impact of the pandemic. In particular, to ease the financing conditions of economic agents, it has established moratoria and set up various State guarantee facilities, as described in this report.

To facilitate compliance with the **reporting obligations derived from these measures** and smooth the **monitoring of the related operations**, the Banco de España has set in place the procedures needed for institutions to send this information in a timely manner. Thus, every day institutions submit data on the legislative moratoria (on mortgage debts and non-mortgage loans, for the tourism and transport sectors) and on the loan moratoria granted under the sector-wide framework agreements established by different banking associations (which may be consulted on the [Banco de España's website](#)). The data gathered from institutions are published each month on the Bank's website.

Additionally, in the regular information submitted each month to the Central Credit Register (CCR), institutions must identify the loans benefiting from moratorium measures or for which State guarantees have been requested, to enable the monitoring of these transactions and facilitate an analysis of the situation. Institutions were notified of these new reporting requirements on 8 April, in a letter from the Director General Financial Stability, Regulation and Resolution.

In this regard, **the CCR data are playing a crucial role during this crisis**. First, they help with designing and assessing the effectiveness of the measures. Second, they allow for verifying the correct application of these measures by institutions.

PUBLICATION BY THE BANCO DE ESPAÑA OF THE PRIMARY PUBLIC FINANCIAL STATEMENTS OF CREDIT INSTITUTIONS

In September 2020 the Banco de España began the quarterly publication of the **individual and consolidated primary public financial statements of credit institutions on an institution-by-institution basis**, in accordance with the provisions of Circular 2/2020 of 11 June 2020. Until the entry into force of this circular, the Banco de España sent this information to the associations representing credit institutions, which were in charge of disseminating them. Following the regulatory change, the Banco de España, as part of its commitment to

enhancing the transparency of information on credit institutions in Spain, publishes them quarterly on its website.

Primary financial statements comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement. The publication began with the data for 2020 Q2 and includes the retrospective series of these statements since March 2018.¹

¹ The information is directly available on the Supervision section, at <https://www.bde.es/bde/en/areas/supervision/estados-financieros-publicos-primarios-de-las-entidades-de-credito-2b306d3fa9e4471.html> or on the website's Statistics section, at https://www.bde.es/webbde/en/estadis/infoest/temas/te_ifycir.html. The release calendar for this information can be found at https://www.bde.es/bde/en/areas/estadis/relacionados/Calendarios/Calendarios_de__1931fa955514921.html.

Third, they make it easier for the Banco de España analysts to study changes in transactions and their impact on economic activity.

Lastly, mention should be made of the use of the CCR data for determining loans' eligibility for the ICO guarantee facility. The Resolution of the State Secretariat for Economic Affairs and Support to Enterprise provides that, when assessing the eligibility of loans helping firms and the self-employed mitigate the economic effects of COVID-19, borrowers should not be listed as in default according to consultations of the CCR files at 31 December 2019.

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

8.1 The Eurosystem and other European Union institutions

The Banco de España's involvement in the ESCB's activities was noteworthy in 2020. Owing, inter alia, to the extraordinary situation prompted by the COVID-19 crisis, the activity of the **Governing Council** and **General Council of the ECB** stepped up significantly. **There was an increase in the number of meetings held by these bodies (which are attended by the Governor)**, where decisions are adopted on monetary policy and the functioning of the Eurosystem. Likewise, more decisions were taken through written procedures. In addition, the **Deputy Governor continued to attend the meetings of the Supervisory Board of the SSM**, which discusses, plans and executes the supervisory tasks of the ECB and submits draft decisions to the Governing Council on matters of prudential supervision of credit institutions.

The Banco de España also continued to be actively involved in the work of the **different ECB committees** (Monetary Policy, Market Operations, Market Infrastructure and Payments, Financial Stability, Statistics, Banknotes, Legal, Risk Management and International Relations, among others) and in their working groups.



Central meeting room of the Europa building, the main seat of the European Council and Council of the European Union.

With respect to other EU institutions, as in previous years the Banco de España collaborated in various working groups and committees. It was represented at the informal **Ecofin** meeting in April and participated in the meetings of the **Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC)**. Among other matters, these fora discussed the management of, and recovery from, the crisis triggered by the COVID-19 pandemic. This led to the EU Council giving its approval in April to an initial package of €540 billion in new loan instruments to provide liquidity to countries where needed. These new instruments notably include the creation of a specific credit line within the European Stability Mechanism (ESM), to finance the expenditure increases derived from the pandemic, and of the temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Moreover, July saw the approval of Next Generation EU, a sizeable, temporary €750 billion recovery plan for Europe. This instrument, the largest ever jointly funded stimulus package at European level, will raise funds in the form of loans and grants through the issuance of common supranational debt and is in addition to the EU's standard budget (the Multiannual Financial Framework for the period 2021-2027, approved on 17 December). Another milestone reached was the adoption of the EU-UK Trade and Cooperation Agreement on 30 December, governing relations between the two from 1 January 2021, following the end of the transition period envisaged in the Withdrawal Agreement. In addition, other key matters on the European agenda, such as the European Green Deal, the European Digital Strategy and the digital finance package, were addressed during the year. Work also continued on deepening the EMU, strengthening the banking union and adopting a new and ambitious action plan to drive forward the capital markets union over the coming years. Lastly, the need to define an agenda for measures to strengthen the Union's strategic autonomy was addressed for the first time.

8.2 European Banking Authority

The EBA's activity in 2020 was also notably impacted by the COVID-19 crisis. The EBA reacted swiftly to the outbreak of the pandemic, adopting a series of measures, in coordination with other European institutions, to make use of the flexibility embedded in the regulatory and supervisory framework, so as to maintain the flow of credit to the economy and reduce institutions' operational burden.

Noteworthy in this regard were the publication of guidelines on legislative and non-legislative moratoria, the postponement to 2021 of the 2020 stress test exercise, and an extraordinary transparency exercise, mentioned elsewhere in this report.

Meanwhile, **Brexit** has also greatly influenced the work of the EBA, which released various statements encouraging institutions to get ready for the change and calling on financial institutions to ensure appropriate communication with their customers.

In prudential regulation matters, the **EBA** continued working on the numerous mandates under the risk reduction package, including most notably the development of a regulatory technical standard on the prudential treatment of software assets.

Moreover, and at the request of the European Commission, the EBA updated its 2019 impact study on the implementation of Basel III in European banks with the latest data. The updated report also included an analysis of the impact of the different alternatives for implementation in Europe and an assessment of the effects of COVID-19. In its December 2020 report, the EBA continues to take a favourable view of the implementation of Basel III in Europe.

Other noteworthy work by the EBA included: i) in the reporting and transparency area, the progress made in the EUCLID project and the cost-benefit study on applying proportionality to the reporting requirements of supervised institutions; ii) in the market conduct and consumer protection area, the continued focus on achieving greater supervisory convergence; iii) as regards payment services, the work on access to payment accounts by third-party payment service providers and on the migration to strong customer authentication solutions in line with PSD2 in e-commerce card-based payment transactions; and iv) in the resolution area, the work to develop the mandates set out in the Second Bank Recovery and Resolution Directive (BRRD II).

Lastly, in 2020 the EBA bolstered the **work on sustainable finance and the digitalisation of the banking sector**, in addition to that related to **money laundering and terrorism financing**. As regards the latter, it is worth noting that the mandate of the three European supervisory authorities (ESAs) to contribute to preventing the use of the financial system for ML/TF purposes was consolidated within the EBA in 2020, and a new AML/CFT Standing Committee (AMLSC) was set up, in which both SEPBLAC and the Banco de España are represented.

8.3 European Systemic Risk Board

In 2020, the European Systemic Risk Board (ESRB) gave priority in its work to **five areas of activity** to address the main risks and systemic vulnerabilities linked to the COVID-19 emergency.

Under the coordination of its **Advisory Technical Committee (chaired by the Governor of the Banco de España)**, the ESRB focused its efforts on the analysis of: i) implications for the stability of the financial system of public guarantee schemes and other fiscal measures to protect the real economy; ii) market illiquidity and implications for asset managers and insurers; iii) the procyclical impact of external ratings downgrades; iv) restraints on the payment of dividends and variable remuneration by financial institutions; and v) liquidity risks arising from margin calls.

As a result of this work, in 2020 the ESRB issued a **set of recommendations** addressed to the supervisory and macroprudential authorities of all EU Member States. These recommendations were adopted by the Banco de España, within its scope of responsibility as designated authority and competent authority for less significant credit institutions.⁹

Lastly, at organisational level, in September 2020 Javier Suárez, lecturer at CEMFI (a special-purpose entity of the Banco de España), was reappointed as Chair of the ESRB Advisory Scientific Committee, replacing Richard Portes (London Business School).

8.4 Single Resolution Board

The SRB, along with the national resolution authorities (NRAs), forms the Single Resolution Mechanism (SRM), whose mission is to ensure an orderly resolution of failing banks in the banking union to prevent adverse impacts on the real economy, the financial system, and the public finances of Member States. It is worth noting that in 2020 Jesús Saurina (Director General of Financial Stability, Regulation and Resolution at the Banco de España until February 2020) was appointed as a member of the SRB and Director of Resolution Planning and Decisions.

In 2020, the SRB, in collaboration with the NRAs, focused its greatest efforts on **completing and adapting its internal policies**, attaching particular importance to the requirements of the new banking package (SRMR II, BRRD II, CRR II and CRD V). In the area of resolution planning, the following documents are particularly noteworthy: i) the new MREL policy, to which the MREL decisions of the 2020-2021 cycle have been adapted; ii) the “Expectations for Banks” document, which determines the actions that institutions are expected to undertake in the planning phase to guarantee their resolvability; and iii) the “LSI guidelines”, which set harmonised criteria that institutions under the aegis of the NRAs must observe in their resolution planning.

In response to COVID-19, the SRB, in cooperation with the NRAs, supervisory authorities and the European Commission, has adopted **flexibility measures to mitigate the effects of the pandemic** and monitored its impact on euro area banks. In a letter issued on 25 April, the SRB allowed banks to postpone the requirement to submit “less urgent” information related to the 2020 resolution planning cycle. As regards the MREL, it stated its intention to: i) bring the 2020 MREL decisions into line with the latest information adjusted for the adverse impact of the pandemic; ii) reflect,

⁹ For more details, see the [Legislation - Guidelines and recommendations](#) section of the Banco de España's website.

in these decisions, the capital requirement changes adopted by the supervisor on account of the pandemic; and iii) take a flexible approach for those institutions that face difficulties meeting the binding MREL targets set in the 2018 and 2019 cycles, taking into consideration that the first binding target is now set for 2022, in accordance with BRRD II.

In 2020, again in collaboration with the NRAs, the SRB approved **operational guidance for banks in various areas**, including: i) operational continuity in resolution; ii) access to financial market infrastructures (FMIs), and iii) the bail-in tool. This guidance offers advice on how to implement the SRB's expectations in these areas. Turning to banking consolidation processes, which stepped up in 2020, the SRB has also published a document setting out its expectations for institutions involved in merger and acquisition processes, in order to ensure the resolvability of the resulting groups.

Lastly, in 2020, the SRB approved its **2021-2023 Multi-Annual Programme**, setting out a roadmap for the next three years, with a clear focus on improving bank resolvability. In this regard, the SRB will continue to work on matters relating to the operationalisation of transfer tools, separability, liquidity and funding in resolution, on-site inspections, and the review of the operating conditions of the Single Resolution Fund.

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

The Banco de España is a member of the Financial Stability Board (FSB), whose **Steering Committee includes the Governor of the Banco de España**. During 2020, the FSB adapted its work programme to prioritise the international coordination of the response to COVID-19. As part of its work, it drew up general principles to guide national responses, including most notably recognising and using the flexibility built into standards and coordinating on the timely unwinding of the measures taken. It also analysed and monitored the effects of the pandemic on the financial system, for which it prepared a report reviewing the risks related to non-bank financial intermediation, underscoring the need to strengthen the resilience of the sector.

The FSB also continued to carry out its agenda, publishing, inter alia, reports on enhancing cross-border payments, the regulatory, supervisory and oversight challenges raised by stablecoins, effective practices to respond to, and recover from, cyber incidents, and the implications of climate change for financial stability. It also continued monitoring the implementation of reforms and published a progress report on the reforms to interest rate benchmarks, focused on the transition away from LIBOR. As part of its assessment programme, the FSB published a consultation report on the effects of the too-big-to-fail reforms. This report concluded that banks

are now more resilient and resolvable than in the 2008-09 crisis, that the benefits of the financial reforms adopted significantly outweigh the costs, and that there are some gaps that need to be addressed in order to remove certain obstacles to resolution.

The Banco de España also forms part of the **Basel Committee on Banking Supervision (BCBS)**, which is **chaired by the Governor of the Banco de España**. The Committee's activity in 2020 was marked by COVID-19 and it worked, from the outset, to coordinate the international response to its effects on the banking sector.

Among other objectives, the Committee's response has aimed to safeguard the resilience of the global banking system and to ensure financing for creditworthy households and firms. To this end, a series of technical clarifications and public statements have been issued on the regulatory framework and the usability of the capital and liquidity buffers. In addition, the Group of Central Bank Governors and Heads of Supervision (GHOS) agreed to defer the implementation of the outstanding Basel III standards by one year, so as to increase the operational capacity of banks and supervisors to respond to the immediate impact of the pandemic. Moreover, the GHOS once again reaffirmed their expectation of full, timely and consistent implementation of the Basel III standards.

The BCBS has also made **progress in other areas**. In 2020, the Committee completed the review of the credit valuation adjustment framework and approved a technical adjustment to the prudential treatment of NPL securitisations. Similarly, the Committee released an update of its guidance on the sound management of risks related to money laundering and financing of terrorism, and it published for public consultation the principles for operational resilience and risk.

Lastly, in late 2020, a strategic review was conducted of the BCBS's structure and internal processes, aimed at giving greater focus to the emerging risks and vulnerabilities of the banking sector. This shift marks an end to the post-crisis regulatory agenda of the last decade, opening up a new stage of monitoring and evaluating its implementation.

As in previous years, the Banco de España has continued to contribute actively to different activities and initiatives driven by the Basel Committee and the FSB and participates in discussions and in significant technical analyses.

In addition to the foregoing, the Banco de España participates in the **three committees of the Bank for International Settlements (BIS)** that analyse the global economy and international financial markets: the Global Economy Meeting (attended by the Governor on a bimonthly basis), the Committee on the Global Financial System (attended by the Deputy Governor on a quarterly basis) and the Markets Committee (in which the Director General Operations, Markets and Payment

Systems participates). During the year, these committees published various reports, drawn up with the active participation of Banco de España staff. These reports enable relevant aspects of the functioning of financial markets, including the impact of financial innovation, to become more generally known. Notable publications included a report on the international perspective of US dollar funding and another on the impact of the growing use of execution algorithms on the foreign exchange market.

Within the BIS, the Banco de España also participates in the **Committee on Payments and Market Infrastructures (CPMI)**, which in 2020 was focused on developing an ambitious programme for enhancing cross-border payments, in liaison with the FSB. The CPMI has closely monitored market infrastructures (payment systems, security settlement systems, and central counterparties) to verify their smooth functioning and the appropriate management of risks in stress situations.

8.6 The International Monetary Fund and the G-20

The Banco de España organises, in coordination with the General Secretariat of the Treasury of the Ministry of Economic Affairs and Digital Transformation, **the IMF team's two annual visits to Spain to prepare the annual report on the Spanish economy known as the "Article IV" report**. During the visits, the IMF team holds a number of discussion meetings with senior management, in addition to other technical meetings with the Bank's economists and inspectors, and seminars which are open to participants from other institutions. The economic outlook and the attendant risks are discussed and economic policies are assessed at these meetings. The foregoing is finally reflected in the publication of the corresponding report. **In 2020, the IMF's visits took place in March and September and were virtual (partially, in the case of the March visit). The final report was published in November.** Additionally, every five years, the Bank participates in the preparatory visits of the Financial System Assessment Programme (FSAP). The Banco de España's senior management also participates actively in the IMF's spring and annual meetings, at which its three main reports (*World Economic Outlook*, *Global Financial Stability Report* and *Fiscal Monitor*) are presented and discussed. During 2020 these meetings had to be held online, owing to the pandemic. The Bank has a representative seconded to the seat on the IMF's Executive Board. This representative reports to the Bank and adopts positions on all matters of interest relating to, inter alia, the IMF's funding policies, loans, governance and oversight of economies and financial systems.

The Banco de España is, furthermore, a fiscal agency and depository of the IMF. In this capacity, it coordinates the payment of quotas, advises the Treasury on Spain's participation in the multilateral debt framework (New Arrangements to

Borrow, or NAB) and its bilateral borrowing agreements with the IMF. The IMF approved the doubling of the NAB in 2020 (in which Spain has participated in an amount of up to SDR 6,810 million since 1 January 2021) and a simultaneous reduction in the volume of bilateral borrowing agreements by one-half. Spain is also a loan account holder of the Poverty Reduction and Growth Trust (PRGT) administered by the Fund. In 2020, the Banco de España augmented its loan to the PRGT by SDR 750 million (equivalent to around €1 billion). The augmented borrowing agreement provides for a total amount of SDR 1.2 billion to end-2029, earmarked for concessional financing to low-income countries.

As for the G-20, where Spain has the status of a permanent guest, the Banco de España collaborates with the Ministry of Economic Affairs and Digital Transformation by participating, together with the representatives of the General Secretariat of the Treasury, in several working groups of the so-called “finance circuit”: the Framework Working Group, which covers macroeconomic matters; the IFA Working Group, which focuses on international financial architecture-related matters; the Infrastructure Working Group, which handles infrastructure matters; and the Global Partnership for Financial Inclusion, which deals with financial inclusion. Face-to-face meetings of all working groups ended in March, and work schedules were redirected in response to the priorities arising from the pandemic. The central plank of the work schedule was the Action Plan to support the global economy, which was approved by ministers and governors in April. The Action Plan was mainly founded on the work by the Framework Working Group, in collaboration with other groups, and has been continuously updated. Mention should also be



Senior management of the Banco de España participate in the IMF meetings, which had to be held in virtual format in 2020.

made of the Debt Service Suspension Initiative (DSSI), which is based on the joint work by the IFA Working Group and the Paris Club. The DSSI temporarily suspended the financial obligations of the poorest countries during the pandemic. It remains in force and is currently being re-assessed, in conjunction with the IMF. Towards the end of the year, Italy assumed the G-20 Presidency, replacing Saudi Arabia.

9 INTERNATIONAL COOPERATION

The outbreak of the COVID-19 pandemic dramatically affected the Banco de España's international cooperation activity. As travel was impossible from March, regular face-to-face fora and encounters were inevitably suspended, and visits and missions were cancelled. Thus, the number of regular activities fell from 17 to eight, with some being carried out virtually, and six visits and five missions were carried out in 2020 compared with 46 and 43, respectively, in 2019. However, it should be highlighted that, **thanks to the use of IT tools and digital platforms, many face-to-face fora and encounters could be held in virtual format**, and many missions and visits were held via videoconference. As a result, the overall number of activities in 2020 was very close to those carried out in 2019 and, more significantly, they reached a greater number of beneficiaries than in previous years. In 2020, over 3,880 professionals directly benefited from these activities, 73% more than the 2,231 in 2019.

Taking into account the geographical areas of activity and continuing the trend of previous years, Latin America accounted for the highest number of cooperation activities and initiatives in 2020, with the highest number of beneficiaries and greatest effort invested. Over 135 activities were undertaken in this region, primarily in Chile, Colombia, Mexico, Costa Rica and Uruguay.

Additionally, as a member of the Working Group on International Cooperation, under the auspices of the ESCB's International Relations Committee, since 2019 the Banco



Signing of the memorandum of understanding with the Andean Development Corporation (CAF)-Development Bank of Latin America in the Executive Commission boardroom at the Banco de España (left). 15th Forum on the Analysis of the Latin American Economy, held in the Banco de España central headquarters (right).

THE BANCO DE ESPAÑA'S INTERNATIONAL COOPERATION WITH LATIN AMERICA THROUGH MEMORANDA OF UNDERSTANDING

The Banco de España has close cooperation ties with numerous central banks and other international institutions. In recent years, these relations have been strengthened by **entering into cooperative agreements with several institutions, with the aim of further pursuing joint activities which result in the dissemination of best practices in the various areas of central banking.** Of particular note in 2020 were the memoranda of understanding signed with CAF-Development Bank of

Latin America in August, and with the Banco Central de la República Argentina and the Latin American Reserve Fund **in 2020 Q4. These agreements, coupled with the close collaboration between the Banco de España and CEMLA, SECMCA, ASBA and IIMV, contribute to strengthening the Banco de España's presence and leadership in Latin America.** Figure 2.4 summarises the agreements signed to date with various Latin American countries and organisations.

Figure 2.4

MEMORANDA OF UNDERSTANDING WITH LATIN AMERICA

Central bank / Institution	Signing of the agreement
Banco de México	January 2014
Banco Central do Brasil	April 2014
CEMLA (Center for Latin American Monetary Studies)	November 2016
Banco Central de Chile	November 2017
Banco Central de Reserva del Perú	April 2018
Banco de la República (Colombia)	April 2019
SECMCA (Executive Secretariat of the Central American Monetary Council)	October 2019
CAF-Development Bank of Latin America	August 2020
Banco Central de la República Argentina	November 2020
FLAR (Latin American Reserve Fund)	December 2020

SOURCE: Banco de España.

de España has participated, together with the ECB and another 20 NCBs in the ESCB, in the Regional Programme of Strengthening Central Bank Competences and Banking Supervisors of the Western Balkans, financed by the European Commission. Further, as part of the Task Force for Africa, which includes the Banco de España together with the central banks of Portugal, Germany, France, Belgium and Italy, work has been carried out to achieve coordinated action for this continent. This initiative is aimed at designing a pilot cooperation programme with a group of African countries, similar to the EU's Twinning projects,¹⁰ in which a very positive balance has been struck in terms of efficiency and impact that is typical of the joint cooperation actions under the ESCB.

10 Twinning projects are aimed at providing technical support and fostering reforms and public policy changes in partner, neighbouring or EU candidate countries, thereby contributing to their security, stability and growth. These projects, which are funded through the EU budget, share a common purpose to provide support to the public sector and public administrations of other countries.

10 REGULATORY CHANGES

The following Banco de España circulars were approved in 2020, in the exercise of the regulatory powers set out in its Internal Rules:

- **Circular 1/2020 of 28 January 2020** amending Circular 1/2013 of 24 May 2013 on the Central Credit Register.
- **Circular 2/2020 of 11 June 2020** amending Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats, and **Circular 3/2020 of 11 June 2020** amending Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats.

These two Circulars, which were approved on the same day, both amended Circular 4/2017. However, the purpose of the amendment set out in Circular 2/2020 was to incorporate the changes in international regulations on the reporting requirements of credit institutions, while in the case of Circular 3/2020 (which was processed more quickly), the reform was aimed at granting greater flexibility in the context of the COVID-19 crisis.

- **Circular 4/2020 of 26 June 2020** on the advertising of banking products and services.
- **Circular 5/2020 of 25 November 2020** to payment institutions and electronic money institutions on public and confidential reporting standards and financial statement formats and amending Circular 6/2001 of 29 October 2001 on owners of currency-exchange bureaux and Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting standards and financial statement formats.

As regards State legislation approved in 2020, mention should be made of Law 7/2020 of 13 November 2020 on the digital transformation of the financial system (also known as the “Sandbox Law”), which regulates a controlled testing environment for IT innovation projects in the financial system, under which functions are conferred on the Banco de España as one of the supervisory authorities. 2020 also saw the approval of Royal Decree 309/2020 of 11 February 2020, implementing the legal regime of specialised lending institutions. This Royal Decree consolidates the regime for the control and inspection of such entities by the Banco de España and empowers the latter to prepare certain implementing regulations.

