

## THE INTERNATIONAL MONETARY FUND'S 2024 FINANCIAL SECTOR ASSESSMENT PROGRAM FOR SPAIN

The International Monetary Fund (IMF) concluded its latest assessment of the Spanish financial system in June. This is the fourth Financial Sector Assessment Program (FSAP) (after the 2006, 2012 and 2017 programs) the IMF has conducted in Spain. The Financial System Stability Assessment (FSSA) published on the IMF's website summarises the assessment work performed and the FSAP key recommendations for the Spanish authorities.<sup>1</sup>

The 2024 Spain FSAP was structured around different thematic areas. Technical notes have been published on each area, specifically detailing the IMF's analytical approach and setting out its assessment and conclusions on the situation in Spain:<sup>2</sup>

- systemic risk analysis;
- macroprudential policy framework and tools;
- regulation and supervision of less significant institutions;
- regulation, supervision, oversight, and crisis management of financial market infrastructures;
- cyber risk and financial stability;
- fintech developments and oversight;

- financial safety net and crisis management.

The IMF's assessment of the resilience of the Spanish financial system, particularly the banking sector, was positive. The IMF underscored the deleveraging by households and firms and found that the risks posed by the non-bank financial intermediation sector were moderate because it comprises a small share of the overall financial system. The main risks to financial stability in Spain (summarised in Table 1) are associated with an abrupt, significant slowdown in growth alongside a material, further tightening in financial conditions, including higher interest rates and risk premia and downward pressure on real estate valuations. That said, the IMF's stress tests revealed the banking sector's resilience in the aggregate under the adverse stress test scenario, albeit with significant credit deleveraging.

As usual in FSAPs, the IMF made a series of recommendations to the Spanish authorities to comply with over the coming years. The addressees (authorities concerned) and timing (near or medium-term – between one and five years – compliance) of the IMF's FSAP recommendations vary for each area.

As regards macroprudential policy, the IMF recommended developing a framework for setting the countercyclical capital buffer (CCyB) aimed at activating this instrument in

Table 1  
FSAP risk assessment matrix

Risk	Relative likelihood	Expected impact
Intensification of regional conflict(s) and geo-economic fragmentation	High	Medium
Abrupt global slowdown or recession that may trigger systemic financial instability	Medium	High
Commodity price volatility	High	Medium
Monetary policy miscalibration	Medium	Medium / High
Weak implementation of fiscal commitments, delays in EU funded projects or reassessment of sovereign risk	Medium	High
Extreme climate events	Medium	Medium
Cyberthreats	Medium	High

SOURCES: IMF and Banco de España.

1 For a more detailed summary of the 2024 Spain FSAP, see "El programa de evaluación del FMI para el sistema financiero español: Una visión general desde una perspectiva de estabilidad financiera". *Revista de Estabilidad Financiera - Banco de España*, 47, otoño (forthcoming).

2 The technical notes forming part of the Spain FSAP are available on the IMF's [website](#).

Table 2  
Main IMF recommendations for the Banco de España

Recommendation	Timing (a)
<b>Macroprudential policy framework and tools</b>	
Deploy policies, including but not necessarily limited to, the introduction of a positive neutral countercyclical buffer, to ensure that banks raise capital buffers to be better positioned against downside tail risks	Immediate
Increase the minimum frequency of AMCESFI Council meetings and raise the profile and transparency of AMCESFI by publishing meeting minutes / summaries and timely Annual Reports	Immediate
Review the case for appointing two or three external members to AMCESFI to strengthen the diversity of perspectives and expertise	Immediate
Further develop and deepen the macroprudential framework by addressing remaining data and information gaps, as well as by strengthening reporting requirements	Near term
<b>Systemic risk analysis and monitoring</b>	
Enhance data collection and monitoring of foreign investments in the real estate market	Near term
Create the infrastructure for a more granular cash-flow analysis and report regular stress testing results	Near term
<b>Financial sector oversight</b>	
Ensure alignment of resources of supervisory authorities to current and expected future workload	Immediate
<b>Banking supervision and regulation of less significant institutions</b>	
Streamline the offsite monitoring system and apply proportionality in conducting supervisory review and evaluation processes while performing more frequent and targeted onsite inspections and thematic activities	Immediate
Strengthen Banco de España onsite inspection activities on less significant institutions' governance and risk management, particularly management of liquidity risk and interest rate risk in the banking book	Immediate
<b>Crisis management and financial safety nets</b>	
Establish and operationalise an approach to address liquidity needs in resolution	Immediate
<b>Cyber security risk supervision and oversight</b>	
Conduct onsite examinations as part of financial market infrastructure supervision. Conduct more thematic reviews while maintaining short onsite visits to a sample of less significant institutions. Develop a lighter threat intelligence based red-teaming framework based on TIBER-ES (Threat Intelligence Based Ethical Red-Teaming – Spain) principles	Near term
<b>Regulation, supervision and oversight of financial market infrastructures</b>	
Formalize a cooperation agreement between the Spanish National Securities Market Commission and the Banco de España	Near term
<b>Fintech</b>	
Delegate powers to the Coordination Commission and the regulators to make changes to sandbox operation, streamline administrative processes, and provide greater flexibility to supervisory authorities to use preferred mix of tools	Near term
<b>Financial integrity</b>	
Complement the National Risk Assessment, ensure accuracy of data stored in centralised beneficial ownership register, and extend anti-money laundering and counter terrorist financing risk-based supervisory activities to professional enablers and virtual asset providers	Near term

**SOURCES:** IMF and devised by authors.

**a** Immediate (within one year); Near term (within 1-3 years).

normal times for exposures located in Spain. This would strengthen banks' solvency to contend with cyclical systemic risk. The CCyB activation policy recently approved by the Banco de España<sup>3</sup> implements this recommendation.

The IMF also suggests enhancing the governance of the Spanish macroprudential authority (AMCESFI) by raising its transparency, appointing external members and making more information available (see Table 2).

The performance of this FSAP was possible thanks to close institutional collaboration at various levels. Under the general coordination of the Ministry of Economy, Trade and Enterprise (General Secretariat of the Treasury and International Financing), the FSAP brought together the Banco de España, the Spanish National Securities Market Commission, the Directorate General of Insurance and Pension Funds, the Spanish executive resolution authority (FROB), the Deposit Guarantee Scheme and the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac), among other authorities. In addition, IMF staff held meetings with European Union bodies tasked with oversight of the Spanish financial system (the European

Central Bank (ECB) and the European Systemic Risk Board), as well as with various private sector representatives and academics.

Owing to the importance of the topics discussed, staff members of different functional areas of the Banco de España were involved in all the FSAP lines of work. They provided the information requested by the IMF through questionnaires. Together with the ECB, the Banco de España furnished data for the IMF stress tests and other related quantitative analyses. From a logistics viewpoint, the Banco de España helped organise in its Madrid premises most of the technical work sessions programmed for IMF staff visits to Spain in mid-2023 and early 2024.

The next Spain FSAP will foreseeably be carried out in 2029. The systemic importance that the IMF attaches to the Spanish financial sector means that Spain is included in the group of jurisdictions that are subject to an FSAP every five years. Until then, the IMF will regularly monitor compliance with the recommendations made to the Spanish authorities in the recent FSAP within the context of its next annual IMF Article IV consultations (on national macroeconomic policies).

<sup>3</sup> Press release of 1 October 2024, "The Banco de España approves the new framework for setting the countercyclical capital buffer and sets the buffer rate for 2024 Q4 at 0.5%". The recommendation was issued by the IMF shortly before the Banco de España announced, on 16 May 2024, its plan to introduce a positive CCyB rate. The Executive Board of the IMF acknowledged this recent development in its press release "IMF Executive Board Concludes 2024 Article IV Consultation with Spain" of 6 June 2024.