MORTGAGE MARKET REFERENCE RATES

1. **Official interest rates published by the Banco de España**
2. **Mortgage loan reference index (IRPH): definition and calculation, administration by the Banco de España, supervised contributors, dissemination, transparency policy and complaints procedure**

Loans can be granted by banks to customers at a fixed or variable interest rate. Interest rates on fixed-rate loans are specified at inception. Interest rates on variable-rate loans are reviewed at pre-defined intervals, in line with developments in the benchmark index established in the contract.

There are several **official interest rates that can be used by banks as benchmark indices for variable-rate loans**, particularly mortgage loans.

Official interest rates are listed and regulated in Ministerial Order EHA/2899/2011, which empowers the Banco de España to define these rates and establish a process for determining them, and entrusts it with publishing them monthly, both in the Official State Gazette and on its website. Pursuant to this empowerment, **the Banco de España published Circular 5/2012** including the official interest rates (the same as those listed in the Ministerial Order) along with their **definition and determination process**.

The Banco de España publishes the official interest rates monthly through various channels: (i) in the Official State Gazette and (ii) on the Banco de España's own website, where historical time series can be found in the Statistical Bulletin and on the Bank Customer Portal, and a press release is published on the first working day of each month.

Benchmark indices have an administrator that is responsible for ensuring the integrity of all aspects relating to their determination, such as the definition of the methodology, the data collection process, their calculation and the control and accountability processes. These administrators must meet exhaustive governance criteria.[1]

1 OFFICIAL INTEREST RATES PUBLISHED BY THE BANCO DE ESPAÑA

The legally established official interest rates are as follows:

[1] In July 2013 the International Organisation of Securities Commissions (IOSCO) published the final Principles for Financial Benchmarks, which aim to improve the reliability of the benchmark indices used in the markets and regulate the governance and quality of the index and of the methodology, and the accountability mechanisms. Further, in June 2016 Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts was approved, establishing a common regulatory framework in the European Union for calculating these benchmark indices. The governance requirements are detailed in both the Regulation and the above-mentioned IOSCO principles.

a 1-week, 1-month, 3-month, 6-month and 1-year EURIBOR.

These rates are defined as the monthly simple arithmetic average of the daily values of the 1-week, 1-month, 3-month, 6-month and 1-year EURIBOR, calculated and published by the European Money Markets Institute (EMMI), the index administrator. The Banco de España only publishes as its official interest rate the figure previously published by the EMMI on its website.

b Average rate on three-year-plus mortgage loans for open-market house purchase, granted by credit institutions in Spain (IRPH).

This rate is defined as the simple average of the average interest rates weighted by the principal of mortgage loans with terms of over three years for open-market house purchase arranged or renewed by commercial banks and savings banks in the month to which the index refers.

This interest rate, also known as IRPH by its Spanish abbreviation, is calculated by the Banco de España based on the data provided by commercial banks and savings banks in Spain.[2] Therefore, its administrator is the Banco de España.

See more:

- **Mortgage loan benchmark index (IRPH): definition and calculation, administration by the Banco de España, supervised contributors, dissemination, transparency policy and complaints procedure.**

c Average rate on loans for house purchase with a fixation period of between one and five years granted by credit institutions in the euro area.

Defined as the arithmetic average, weighted by loan volume, of interest rates on euro-denominated new loans for house purchase with an expected interest rate fixation period of between one and five years to euro area resident households. This interest rate is calculated and published by the European Central Bank (ECB) on its website.

This is a statistical interest rate and has no administrator. The Banco de España only publishes as its official interest rate the figure previously calculated and published by the ECB.

d Five-year interest rate swap (IRS) rate.

This rate is defined as the monthly simple average, determined by the Banco de España, of the daily annual interest rates on euro-denominated five-year interest rate swaps, calculated and published by the IBA (ICE Benchmark Administration®)[3].

The administrator of this official interest rate is the Banco de España. The IBA publishes the daily interest rate (EUR ICE Swap Rate®) that is the basis for calculating the official rate, but not its monthly simple average, which is the official interest rate.

Given that the daily data underlying the calculation (the EUR ICE Swap Rate®) are publicly available, the index does not have any contributors providing input data. These data are obtained from an index whose administrator (IBA) is authorised by the British Financial Conduct Authority (FCA).

e Benchmark interest rate based on the 1-week, 1-month, 3-month, 6-month and 1-year euro short-term rates (€STR).

[2] Including branches in Spain of foreign credit institutions.

[3] ICE swap Rate® and ICE Benchmark Administration® are registered trademarks of IBA and/or its affiliates and are used by the Banco de España with permission under licence by IBA.

This rate is defined as the value on the last working day of the month of the average compound interest rate at different maturities (one week, one month, three months, six months and one year) that the ECB publishes and compiles on the basis of the €STR.

The administrator is the ECB. The Banco de España only publishes as its official interest rate the figure previously published by the ECB in its ECB DATA PORTAL.

f Internal rate of return on the secondary market for two-to-six-year government debt.

This rate is defined as the average weighted by the nominal trading volumes of the internal rates of return of the securities issued by the government with a residual maturity of between two and six years, traded in outright spot transactions in the preceding six months. This average is calculated monthly by Sociedad de Bolsas, S.A., which belongs to the Bolsas y Mercados Españoles (BME) group, as the "RODE two-to-six year government debt (S)" index.

The administrator of this index is Sociedad de Bolsas, S.A. The Banco de España only publishes as its official rate the figure previously published by Sociedad de Bolsas, S.A. on its website.

2 Mortgage loan benchmark index (IRPH): definition and calculation, administration by the Banco de España, supervised contributors, dissemination, transparency policy and complaints procedure.

2.1 What is it?

The IRPH or average rate on three-year-plus mortgage loans for house purchase **is one of the official interest rates published by the Banco de España.**

See more:

>Benchmark rates published by the Banco de España

2.2 How is it calculated?

The Banco de España calculates the index drawing on the information provided by **commercial banks and savings banks in Spain.**[4] These institutions are deemed for these purposes to be **supervised contributing institutions**.

Contributing institutions submit to the Banco de España, on a monthly basis, the average interest rate figure (weighted by their loan amounts) for all the three-year-plus mortgage loans for house purchase extended that month. The average weighted rate reported by each contributing institution is calculated in terms of the annual percentage rate (APR)[5].

Once the Banco de España receives the information from the contributing institutions, after performing the appropriate quality checks, it calculates the simple arithmetic average of the interest rates submitted by banks with more than ten transactions each month.

The index is determined on the basis of the following formula (established in Annex 8 of Circular 5/2012):

[4] Including branches in Spain of foreign credit institutions.

[5] The APR is calculated by strictly applying the criteria under Rule 8 of Circular 8/1990 of 7 September 1990, on the transparency of operations and customer protection, which remains in force solely for this purpose.

$$I_c = \frac{\sum i_b + \sum i_{ca}}{n_b + n_{ca}}$$

Where:
I_c = weighted average interest rates for all institutions.
i_b, i_{ca} = weighted average interest rates on the loans of each commercial bank and savings bank, respectively.
N_b, n_{ca} = number of reporting commercial banks and savings banks.

2.3 Who is its administrator?

The Banco de España is the index administrator.[6] It also **exercises supervisory, inspection and sanctioning functions** in relation to compliance with governance and control obligations by the supervised contributors that provide the input data used to calculate the indices.[7]

Although the legislation regulating administrators' actions[8] is not applicable to the Banco de España, the Banco de España has considered it advisable to use it as a reference for determining the IRPH. Accordingly, it has conducted an assessment of its internal governance, methodology and data quality processes, concluding that the Banco de España has an efficient control framework which guarantees the integrity and independence of the process used to determine the IRPH.

The Banco de España has set up an **Internal Oversight Committee** to review all the relevant aspects of the IRPH to ensure its integrity and quality. The composition, functions and rules of procedure of the Committee have been approved by virtue of a resolution of the Banco de España Executive Commission.

2.4 Who are the supervised contributors and what requirements must they meet?

The supervised contributors are commercial banks and savings banks[9] in Spain that contribute the underlying dataset needed for the Banco de España to calculate the official interest rate according to the above formula.

Supervised contributors must meet certain governance and control requirements.[10] These include having control systems in place that ensure that the calculation data are contributed in accordance with a code of conduct. As the administrator of the index and supervisor of compliance with these requirements, the Banco de España has drawn up a **code of conduct** for contributors to the index which clearly sets out their responsibilities regarding the contribution of input data, ensuring that Regulation (EU) 2016/1011 is complied with. The Banco de España supervises compliance with this code of conduct.

The supervised contributors are required to submit to the Banco de España the names of all those responsible for the IRPH contribution process (submitters).

See more:

Q&As on the submitters

[6] According to the criteria specified for in Regulation (EU) 2016/1011.
[7] According to Legislative Royal Decree 4/2015 of 23 October 2015, approving the consolidated text of the Securities Market Law.
[8] Regulation (EU) 2016/1011 and IOSCO Principles for Financial Benchmarks.
[9] Including branches in Spain of foreign credit institutions.
[10] Pursuant to Regulation (EU) 2016/1011.

2.5 How is it disseminated?

Around the 19th day of each month, the Banco de España publishes the IRPH figure in the Official State Gazette and in both the Statistical Bulletin and the Bank Customer Portal on its website.

2.6 Is the index revised once it has been published?

The Banco de España performs quality checks on the information received from the contributors immediately upon receipt.

All incidents and errors detected before the IRPH is published are corrected. Thus, **the official interest rate published includes the latest information submitted by banks** and available to the Banco de España before it is published.

No changes are made to the official interest rate following its publication in the Official State Gazette. However, should corrections to the data provided by the contributors for determining the IRPH be reported after the index is published, the Banco de España will recalculate the index with the new data available, so as to identify any differences between the published index and the one resulting from the correction. Solely for information purposes, the Banco de España publishes information on incidents giving rise to any change (in absolute terms) in the index exceeding 0.001%. This information is brought up to date on a quarterly basis, including any new incidents that may have had an impact in the 12 months prior to the date of the update.

See more:

Revisions after publication of the official IRPH.

2.7 Processing of complaints

Any natural or legal persons may file a complaint with the Banco de España on **any aspect of the index determination process** that they deem has, within reason, significantly affected their interests.

Complaints may be submitted electronically, by post or in person, following the instructions described in the Banco de España's Virtual Office, which can be found here:

- **Suggestions and complaints relating to services provided by the Banco de España**

The Banco de España shall register and acknowledge receipt of all complaints and undertakes to respond in a timely manner.

2.8 Revisions after publication of the official IRPH

Summary information on incidents subsequent to publication of the official IRPH giving rise to any change (in absolute terms) in the index exceeding 0.1 basis points (error > 0.001%) since January 2023.
The incidents are classified into three categories, according to the root cause:

- **Delayed submission of information: the bank does not submit valid information to the Banco de España within the deadlines set.**
- **Errors in the data submitted: the bank submits to the Banco de España incorrect or incomplete information affecting the integrity and accuracy of the data reported.**
- **Incident in the administrator's system or process: technical or operational problems affecting the administrator in the process of determining the index.**

Incident number	Reporting period covered since January 2023	Absolute impact in percentage points				Reason
		0.001 < impact <= 0.005	0.005 < impact <= 0.010	0.010 < impact <= 0.020	impact > 0.020	
1	April - 2023				x	Error in data submitted
2	March - 2023				x	Error in data submitted
3	May - 2023		x			Error in data submitted
4	October - 2023			x		Error in data submitted
5	November - 2023			x		Error in data submitted
6	March - 2024		x			Error in data submitted
7	April - 2024				x	Error in data submitted
8	May - 2024				x	Error in data submitted
9	August-2025	x				Error in data submitted

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2.9 Q&As on the submitters

Notes:

– References to the "Code of Conduct" are to the Code of Conduct for those contributing input data for determining the average rate on three-year-plus mortgage loans for open-market house purchase, granted by credit institutions in Spain (known as IRPH by its Spanish abbreviation).

– For the purposes of this document, "submitters" and "those responsible for the contribution process" are used interchangeably in the Code of Conduct.

A.- Questions on the requirements for submitters established under section B.1 of the Code of Conduct.

1. **Is there a standard form for the due diligence process in place for submitters?**
   There is no standard form for the due diligence process. Institutions may draw up their own forms to certify that the identity, qualification, and reputation checks established for submitters in the Code of Conduct have been verified.

2. **Is there a standard form for the statement of responsibility to be signed by those responsible for submitting information? Does the statement have to be signed before a notary?**
   There is no standard form for the statement of responsibility to be signed by the submitter, acknowledging the latter's designation and confirming that they understand and fulfil requirements and their responsibilities. Institutions may, based on their internal procedures and controls, draw up a standard statement form and specify the additional supporting documentation to be kept on record. The statement does not need to be signed before a notary.

3. **Does the submitter need to have a specific qualification or suitability certification to qualify for this task?**
   No specific qualification or suitability certification is mandatorily required to qualify as a submitter. Ensuring that a person is qualified entails verifying that they have the knowledge, skills and experience set out in section B.1.b of the Code of Conduct.

B.- Questions about notifying the Banco de España of the names of those responsible for the contribution process as set out in Section B.2 of the Code of Conduct.

4. **Which institutions are required to send information on those responsible for the contribution process?**
   Supervised contributors (banks, savings banks and branches in Spain of foreign credit institutions) are subject to the Code of Conduct requirements from the moment they carry out a transaction that meets the criteria for inclusion in return 2172 "Interest rates on lending transactions in Spain with the resident private sector", as detailed in the Technical Applications published by the Banco de España for preparation of this return. Consequently, the obligation to send information on the submitters to the Banco de España arises the first time the institution carries out a transaction to be reported in return 2172. However, **return 2172 must be submitted monthly, even if blank.**

5. **What tasks should be deemed to be included in the contribution process?**
   As the persons responsible for submitting data, those in charge of the contribution process – which concludes with the submission of data – must be identified and their identity notified to the Banco de España. The process includes, at least, the following phases: selection of operations that will help determine the index using the submitted data, calculation, verification, error detection, data submission agreement and subsequent reviews.

6. **Is there a standard form for notifying the identity of those responsible?**
   There is no standard form for notifying the Banco de España of the names of the persons responsible for the contribution process. Institutions can draw up their own procedures.

7. **What identification data should be included in the notification?**
   Clear identification of the persons responsible for the contribution process, together with their responsibilities in this process and their contact details, must be included.

Institutions must regularly update the list of submitters, notifying the Banco de España on a timely basis of any new submitters or submitters who have withdrawn from the process and any change in the data reported.

8. **What is the channel established for notifying the Banco de España of the names of those responsible for the contribution process?**
   Information about the submitters must be sent electronically to the Banco de España in a free text file in pdf format through the "Sending Financial Documentation" option in the Financial Information Exchange Service (SIF by its Spanish acronym) application. To this end, Document "66 - Code of Conduct IRPH. Submitters' Data" has been included in this SIF option. The document must be signed electronically by an authorised person as established in Technical instruction (I.E.2008.02) on Rules for the online submission of financial statements in accordance with the XBRL standard and other financial documentation.

C.- Other related questions of interest.

9. **Must those who contribute data to determine the IRPH meet the governance and control requirements applicable to supervised contributors set out in Article 16 of Regulation (EU) 2016/1011[11] in addition to the Code of Conduct requirements?**
   The Code of Conduct aims, among other things, to ensure that supervised contributors meet the obligations imposed by Article 16 of Regulation (EU) 2016/1011. The Code of Conduct itself indicates that "supervised contributors that submit calculation data for determining indices must comply with the provisions of Article 16". Accordingly, contributors must refer to said Article 16 of the Regulation in the event of any specific aspect not expressly regulated by the Code of Conduct.

[11] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.