



BANCO DE PORTUGAL
EUROSYSTEM

STRATEGIC PLAN OF BANCO DE PORTUGAL 2014 | 2016



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2014 | 2016



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Message from the Governor

Now that the period for implementing the Strategic Plan for 2011-13 has ended, it is time for stock-taking, planning the years ahead and reflecting on the organisation we intend to be over a wider horizon. We undertook this task in the course of 2013 and with everybody's involvement, giving rise to the Strategic Plan for 2014-16.

Three intense years of achievement have passed, in which Banco de Portugal began a deep, lasting and at the same time tranquil transformation.

With this transformation, we have successfully responded to the new

domestic and international context resulting from the financial and sovereign debt crisis, society's increasing demands and scrutiny, and changes in organisations' technology and management.

With this transformation, we can calmly and confidently address the challenge of banking union, the new tasks as prudential and resolution authority, and the continuing adjustment of the Portuguese economy and banking system.

In the past three years, the Bank's governance model, internal organisation and management policies have undergone very significant changes. These included the appointment of an Ethics Adviser and the revision of the Code of Conduct, the approval and release of the Board of Auditors Charter, the new risk management model, the reorganisation and reinforcement of resources in the supervision area and the growing mobility of human resources and interdepartmental collaboration.

The three-year period was largely dominated by the implementation of the Economic and Financial Assistance Programme (PAEF in Portuguese). PAEF involved intense regulatory activity and the develop-

ment of a more intrusive risk-based supervisory model, with a marked horizontal and forward-looking focus. Close collaboration with the European Central Bank continued and non-standard monetary policy measures were implemented, instrumental to maintaining the Portuguese banking system's liquidity.

We have committed to financial literacy and inclusion, in parallel with the safeguarding of equilibrium in the banks' relations with their customers; we have released more comprehensive and timely statistics, offering easier access; we have actively participated in important Eurosystem projects, such as the migration to the Single Euro Payments Area (SEPA) or the introduction of the new euro banknote series, and have reinforced cooperation with Portuguese-speaking countries.

All these activities were accompanied by an effort towards greater openness to society, with the intensification of communication campaigns and several social responsibility initiatives.

This period of intense transformation was followed by a period especially focused on consolidation, dissemination and absorption of

the new models and the improvement of work processes and methods. This is the aim of the new Strategic Plan.

Only when the institution's vision and strategic goals are adopted by all staff members will it be possible for Banco de Portugal to assert its role as a benchmark in the preservation of financial stability, as a respected Eurosystem partner and an independent and influential institution in the Portuguese economic debate. Only by acting in compliance with our values and committing to quality, timeliness, consistency and transparency in decision-making and action will we successfully fulfil the mission that we have been entrusted with.

On my behalf and on behalf of the other members of the Board of Directors, I would like to convey my deep acknowledgement for all my co-workers for their efforts. I am confident about the future and about Banco de Portugal's ability to achieve the vision embodied in the Strategic Plan for 2014-16.

Governor

Carlos da Silva Costa

Banco de Portugal, January 2014

Strategic Plan of Banco de Portugal

The Strategic Plan sets out Banco de Portugal's goals for the 2014-16 period.

The Plan reflects the mission, the values and the vision of Banco de Portugal for 2020 and takes into account the developments in

thedomestic, European and international context.

The results and analysis of the Plan's implementation will be released in the Annual Reports and Accounts of the Board of Directors.

Guilherme Camarinha, tapestry alluding to the creation of Banco de Portugal, 1971.





10/1/2017
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Pine & oak. Also made a panel

Mission, Values and Vision

Mission

In its capacity as central bank of the Portuguese Republic and an integral part of the Eurosystem and the European System of Central Banks, Banco de Portugal has the mission of:

- maintaining price stability; and
- promoting and safeguarding the stability of the financial system.

Values

Banco de Portugal's values are:

Integrity • Banco de Portugal's staff members place society and the public interest at the centre of their activities and observe high ethical standards.

Competence, effectiveness, efficiency • Banco de Portugal has highly skilled staff members in their business areas. Its governance model, internal organisation and processes are in line with best practices.

Independence • Banco de Portugal has functional, institutional, personal and financial independence. This principle is enshrined

in the law and is instrumental for the Bank to fulfil its mission.

Independence implies a clear mandate, the impossibility of requesting or receiving instructions from third parties, the protection of the status of the decision-making bodies' members and financial independence.

Transparency and responsibility • In compliance with its obligations within the framework of the Eurosystem, Banco de Portugal is accountable to the Assembly of the Republic, the Government and Portuguese society on its activities and why and how they are carried out.

Transparency on Banco de Portugal's governance model and activity and accountability for the results achieved are essential complements to the principle of independence.

Team spirit • Banco de Portugal's staff members work in a spirit of mutual assistance and

Social and environmental responsibility • Banco de Portugal acts with a sense of social and environmental responsibility, as a social agent and promoter of corporate ethics.

Vision

O Banco de Portugal in 2020

In 2020 Banco de Portugal should be:

- A reference institution in the preservation of financial stability, that is effective and technically respected in Portugal and Europe;
- A pro-active and influential central bank in the conduct of monetary policy and other Eurosystem tasks, as well as in other fora where it intervenes;
- An independent and influential institution in the Portuguese economic debate;
- A central bank that is efficient in resource utilisation and with a risk management policy that is aligned with best practices.

For that purpose, Banco de Portugal should:

- Reinforce itself as a leading centre of rationality, that is self-critical and able to recognise mistakes and correct its course;
- Interact with society, to anticipate and solve problems or propose solutions, asserting itself through the quality of analysis and decision-making and through consistency;
- Involve its staff members and stimulate internal debate and consensus-building;
- Be an anchor for national debate on economic and financial policy and contribute to informed political opinion;

- Have a predominantly pro-active communication policy through diverse communication channels and use simple language that is adjusted to the various target audiences;
- Be capable of defining priority areas and discontinuing activities with no added value.

In 2020 Banco de Portugal should be even more focused and efficient and remain committed to consolidating the confidence placed in it by society that is crucial for the successful performance of its mission.



Challenges posed by the new domestic and international context

Banco de Portugal must adapt to the new developments in the domestic and international framework:

- The construction of a Banking Union, which initially will involve the creation of the Single Supervisory Mechanism (SSM) and should include a Single Resolution Mechanism (SRM) for financial institutions facing difficulties (and a common deposit guarantee scheme);
- The extension of the mandates of national central banks, namely in terms of financial stability, which has led to the assignment of a macro-prudential policy mandate to Banco de Portugal, adding to its responsibilities as national supervisory and resolution authority;
- The prospect of ongoing high uncertainty levels as to the economic situation and the evolution of the European Union's institutional framework;
- The continuing adjustment of the Portuguese economy and banking system and the transition to a 'new normal', with very different characteristics to the pre-financial crisis period;
- The increasing scrutiny and demands to which central banks are subject;
- The deep changes in work relations and methods, associated with technological developments and social transformations.

Strategic objectives 2014-16

Broad Strategic Guidelines	Strategic objectives
Financial stability within the European context	Enhance micro-prudential supervision within the Single Supervisory Mechanism
	Foster financial stability by deepening the scope and the analytical and regulatory framework of macro-prudential supervision, in conjunction with micro-prudential and banking conduct supervision
	Strengthen the Bank's institutional capacity and expertise as national resolution authority, including in the context of the establishment of a European Single Supervisory Mechanism
Effective and fully-fledged contribution to the exercise of its tasks as monetary authority within the framework of the Eurosystem	Ensure influential participation in the Eurosystem and other fora where the Bank intervenes and excel in the implementation of monetary policy decisions
	Safeguard and reinforce the Bank's financial independence within the framework of the Eurosystem
Organisation and efficient management of resources	Strengthen corporate culture and match human resources to the Bank's functions
	Focus supporting departments on greater efficiency and satisfaction levels within the Bank
Fostering an open institution, respected by society	Contribute to a more informed society regarding the country's economic and financial situation and the Bank's activities
	Reduce context costs in the Bank's areas of activity

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1. Financial stability within the European context

Enhance micro-prudential supervision within the Single Supervisory Mechanism

From November 2014 onwards, the supervision of euro area credit institutions will be carried out under the Single Supervisory Mechanism (SSM).

Supervision will be undertaken:

- Directly by the ECB, for a group of entities considered 'significant' according to pre-established criteria relating to size and systemic relevance;
- By national supervisory authorities, by delegation of the ECB, in the case of the other institutions.

Up to October 2014 there will be a transfer of responsibilities, after a Comprehensive Assessment of each significant institution whose supervision is to be taken on by the ECB.

The setting-up of the SSM will have a very significant impact on the organisation and micro-prudential

supervision activities at Banco de Portugal and other related activities, namely in legal enforcement.

Banco de Portugal will form Joint Supervision Teams that, under the coordination of the ECB, will supervise the main national banking groups. Banco de Portugal will remain responsible for the direct supervision of the other institutions, in accordance with the common European framework.

To achieve these objectives, Banco de Portugal must:

- Adapt the new institutional and operational frameworks resulting from the SSM and actively participate in their definition;
- Reorganise and improve information systems to support micro-prudential supervision, promoting their approximation and compatibility with those eventually established in the SSM;

- Promote effective and efficient supervision activity;
- Adapt and reinforce legal enforcement procedures;
- Participate in the definition of a methodology and the computation of supervisory costs within the SSM.

Foster financial stability by deepening the scope and the analytical and regulatory framework of macro-prudential supervision, in conjunction with micro-prudential and banking conduct supervision

Banco de Portugal's powers in the field of financial stability have been considerably reinforced. In 2013 the Bank was appointed the authority responsible for the conduct of macro-prudential policy.

Full performance of this new task will involve the development of an analytical and regulatory framework that is effective in preventing and mitigating risks to financial stability.

With regard to the regulatory framework, the macro-prudential, micro-prudential and banking conduct areas will have to complement one another adequately, to reinforce the soundness of institutions, mitigate systemic risk and

promote balanced relations between banks and bank customers.

To achieve this objective, Banco de Portugal must:

- Develop methodologies to identify and assess systemic risks, extended to the whole financial system and supported by optimised use of data in managed databases;
- Prepare a regulatory framework of (macro- and micro-) prudential measures to prevent and mitigate systemic risks, taking into consideration the experience from the recent financial crisis;
- Codify the Legal Framework of Credit Institutions and Financial

- Companies, to rationalise the regulatory framework and adapt it to the Single Supervisory Mechanism;
- Redraft the structure of the Financial Stability Reports to cover the whole financial system;
- Include credit intermediaries within the banking conduct supervision perimeter;
- Promote access to adequate remedial mechanisms that allow for fast dispute resolution, at low cost, thus avoiding recourse to judicial processes.

Strengthen the Bank's institutional capacity and expertise as national resolution authority, including in the context of the establishment of a European Single Supervisory Mechanism

In 2012 Banco de Portugal was appointed national resolution authority. In this capacity, the Bank may decide to apply resolution measures to credit institutions and specific investment companies to ensure the stability of the Portuguese financial system with the minimum cost to public finances in case of severe financial imbalance in those entities.

To achieve this objective, Banco de Portugal must:

- Verify and promote compliance with the conditions required for the application of resolution measures to institutions where a possible situation of severe financial imbalance threatens the stability of the financial system;
- Prepare resolution plans for the major banking groups and institutions;
- Adapt to the new legal, institutional and operational frameworks that may result from the adoption of the Directive on the recovery and resolution of credit institutions and investment firms and from the setting-up of a European Single Resolution

Mechanism and actively participate in the definition of those frameworks;

- Give structured support to the operation of the Deposit Guarantee Fund, the Mutual Agricultural Credit Guarantee Fund

and the Resolution Fund, so as to make any involvement of these funds more agile and efficient in case resolution measures are applied to an institution or an institution is wound up.

2. Effective and fully-fledged contribution to the exercise of its tasks as monetary authority within the framework of the Eurosystem

Ensure influential participation in the Eurosystem and other fora where the Bank intervenes and excel in the implementation of monetary policy decisions

To achieve this objective, Banco de Portugal must:

- Reinforce the analytical quality and the pertinence of the economic research developed;
- Improve the support to the participation of the Governor and the other representatives of Banco de Portugal in meetings of the Eurosystem and

the other fora where the Bank intervenes and improve the coordination of such participation;

- Improve the use of statistics and develop solutions for the integrated exploitation of the data in microdatabases managed by Banco de Portugal;

- Enhance information systems to support monetary policy operations, institutions' collateral and liquidity management, integrating them more efficiently with Eurosystem applications;
- Improve the oversight of payment systems operation and of the most critical participants/service suppliers;
- Implement the TARGET2-Securities system at Banco de Portugal and contribute to its successful implementation in the Portuguese financial system;
- Successfully implement the euro banknotes' Europa series, with the physical introduction of the €10, €20 and €50 denominations;
- Collaborate with the ECB and the national central banks of the European System of Central Banks (ESCB) in the definition and release of technological solutions to support ESCB activities;
- Contribute to the development of the ESCB's AnaCredit (Analytical System on Credit) system;
- Establish an internal credit rating system to use within the scope of collateral valuation used in Eurosystem credit operations and possibly for other purposes, such as support to the assessment of internal credit rating models used by banks.



Safeguard and reinforce the Bank's financial independence within the framework of the Eurosystem

Safeguarding and reinforcing Banco de Portugal's financial independence is instrumental to the Bank's role within the Eurosystem and to effective performance of the tasks entrusted to it.

To achieve this objective, Banco de Portugal must:

- Reinforce its asset and reserve management ability, making it more profitable and efficient;
- Increase its ability to identify and assess the various types of risk in asset and liability management;
- Reinforce the Bank's own funds, notably as regards the implementation of the International Monetary Fund's recommendations for reinforcing the Bank's financial position as a result of the Safeguards Assessment exercise held in 2011.

3. Organisation and efficient management of resources

Strengthen corporate culture and match human resources to the Bank's functions

To achieve this objective, Banco de Portugal must:

- Strengthen its governance model and organic structure;
- Conduct a performance analysis of the departments (including functional benchmarking against other central banks);
- Develop and implement an internal communication policy;
- Assess alternative scenarios: in-house solutions with

rationalisation of services, shared services, outsourcing, hybrid solutions;

- Improve human capital management.

Focus supporting departments on greater efficiency and satisfaction levels within the Bank

Banco de Portugal will increase the quality of support services to external and internal customers (staff and departments). The Bank will rationalise spaces and processes, to 'do better with lower costs', taking advantage of the potential of current technological solutions.

To achieve this objective, Banco de Portugal must:

- Simplify, modernise and optimise departmental and horizontal work processes;
- Establish internal protocols for the level and quality of service provision;
- Rationalise and integrate information systems and technology solutions;
- Match technological solutions to the interaction needs of staff members working at geogra-

phically different locations and making frequent trips;

- Reorganise working spaces;
- Promote the Defined Contribution Pension Fund as the second relevant pillar for the protection of workers hired after June 2009 and continue to ensure a high degree of solvency of the Defined Benefit Pension Fund;
- Improve the release of the Library's products and services.

4. Fostering an open institution, respected by society

Contribute to a more informed society regarding the country's economic and financial situation and the Bank's activities

Institutional communication should contribute to the achievement of Banco de Portugal's mission, to the assertion of its independence and to its accountability. For that, communication must be balanced, consistent and diversified, covering the Bank's different activity areas.

To achieve this objective, Banco de Portugal must:

- Rationalise external communication;
- Promote its external openness;
- Promote acquaintance with its tasks and activities;
- Improve image and reputation risk management;
- Reinforce communication on financial stability;
- Promote financial inclusion and literacy.

Reduce context costs in the Bank's areas of activity

This objective implies a decrease in the costs borne by economic agents due to financial regulation and supervision, rules on cash management and reporting obligations for statistical purposes.

To achieve this objective, Banco de Portugal must:

- Create Single Rule Books that facilitate consultations on legislation and regulations in the different business areas;

- Create a single service point for regular requests for information from external entities;
- Rationalise the information received from reporting entities, eliminating redundancies and ensuring reporting quality;
- Develop a system for easy access by economic agents to the information it produces and releases;
- Reduce communication costs and provide safe methods that follow the evolution of the processes;
- Improve efficiency in cash lifecycle management.





