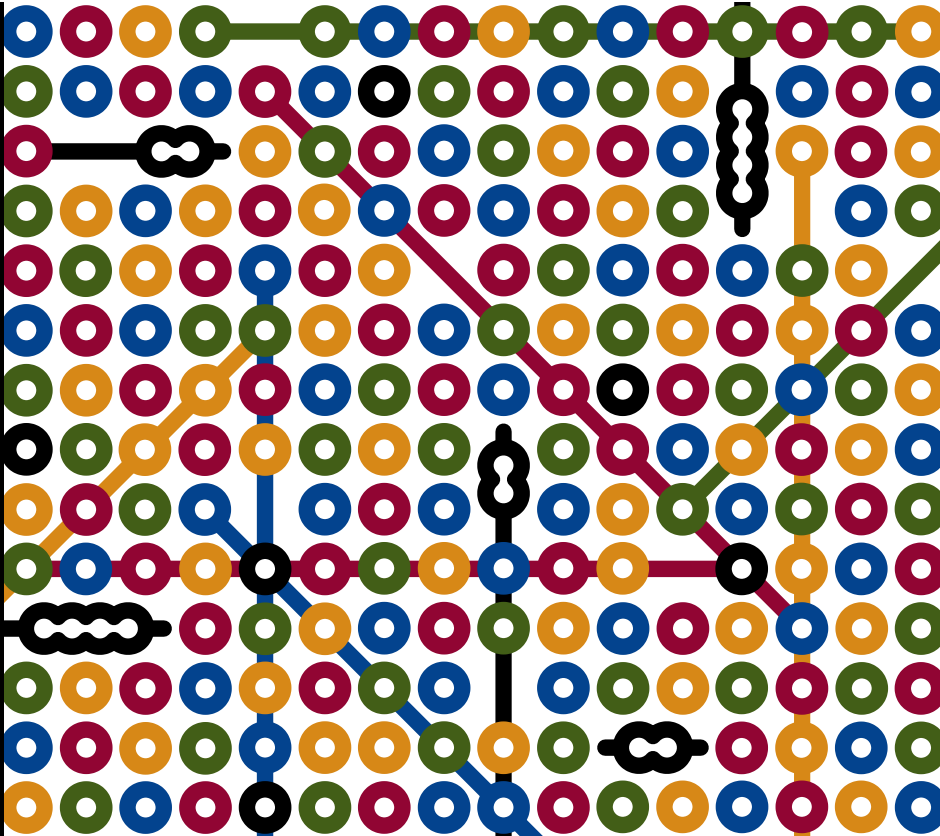




BANCO DE PORTUGAL
EUROSYSTEM

STRATEGIC PLAN **17-20**

Always doing better



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Message by the Governor

I am delighted to present Banco de Portugal's Strategic Plan 2017-2020, a guide for the institution for the next four years.

The last six years required a huge effort of Banco de Portugal to adjust to new contexts, such as the implementation of the Economic and Financial Assistance Programme, the expansion of the mandate of Banco de Portugal with the functions of macroprudential and resolution authority, and the creation of the Single Supervisory Mechanism (SSM).

With regard to management practices and changes in organisational structures, the governance model of Banco de Portugal was strengthened, staff renewal and training were revamped, supervisory areas were reinforced, national supervisory teams were integrated in the structures of the SSM, financial literacy was promoted, a proactive and integrated communications policy was developed and a number of initiatives were implemented, such as the opening of the Money Museum and King Dinis Wall.

All transformations undertaken were key to ensure confidence and stability of the national financial system under particularly adverse conditions. They were also crucial to increase Banco de Portugal's transparency and openness to society, with a greater sense of identity as an institution.

In fact, learning from experience, we must recognise that there are corrections to be made, projects to be concluded and new initiatives to be undertaken. That is the purpose of the Strategic Plan 2017-2020, which had relied on the close involvement of the Board of Directors. Preparatory work included an in-depth diagnostic exercise addressed to all senior management teams of Banco de Portugal, a staff questionnaire and strategic reflections on the three major areas of Banco de Portugal's mission – to act as monetary authority within the framework of the Eurosystem; to safeguard the financial system's stability; and to analyse and give advice on the Portuguese economy. This Strategic Plan has

also benefited from consultation with external stakeholders and reflection on topics as diverse as the trends and implications of digital banking and FinTech, the research agenda of a central bank, and certain support functions' outsourcing strategies.

This work gave rise to the cornerstones of the Strategic Plan 2017-2020, which I summarise as follows:

- Contribute to a single monetary policy based on risk-sharing;
- Ensure public confidence and the soundness of institutions to safeguard financial system stability;
- Actively contribute to a well-informed and educated society in economic and financial matters;
- Prudently manage the resources made available to Banco de Portugal by society.

The continuous search for outstanding performance, underlying the Strategic Plan 2017-2020, is reflected in the motto we have chosen to steer our action on every occasion: **"Always doing better"**. This motto means that we all have to ask ourselves each and every day what we can do to ensure the relevance, quality and efficiency of our response to the various requests.

"Always doing better" will be the most important contribution of each one of us to strengthen and build trust – trust between employees; trust in our European partners; trust in the other financial regulators; trust placed by society in Banco de Portugal.

The Governor

Carlos da Silva Costa

Banco de Portugal, February 2017



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1 Introduction

The Strategic Plan 2017-2020 (SP17-20) sets out Banco de Portugal's priorities for 2017-2020.

Recent developments in European integration and the widening of the remit of central banks' mandates, as well as the risk and complexity of the activities carried out, pose truly fundamental challenges over the coming years. Over the 2017-2020 time horizon, Banco de Portugal must consolidate its position in national and European contexts and adjust to a 'new normal' for its activity.

The evolution of the SP17-20 was the result of an in-depth diagnostic exercise into Banco de Portugal, including a consultation of the senior management teams and a questionnaire open to all staff members. The mission functions and major cross-cutting policies were also examined. The SP17-20 was prepared by an internal team, monitored by a steering committee, with the close involvement of the Board of Directors.

Banco de Portugal's priorities for 2017-2020 – organised in Broad Strategic Guidelines – arise from

the mission entrusted to Banco de Portugal and from the values and vision for 2020.

The Broad Strategic Guidelines (BSGs) for 2017-2020 are the following:

BSG1 Emphasise Banco de Portugal's capacities as monetary authority at both an internal and external level;

BSG2 Participate in the definition of regulatory frameworks and implementation of supervisory practices, in order to ensure the soundness and stability of the national financial system and confidence among economic agents;

BSG3 Promote understanding of the Portuguese economy and European integration, helping inform and educate;

BSG4 Be among the most efficient central banks in the Eurosystem.

The key message of the SP17-20, across all priorities, reflects self-accountability and outstanding performance: **“Always doing better”**. This is imperative for an institution like Banco de Portugal, which acts in increasingly complex and demanding contexts.

The SP17-20 also defines the resources needed for the successful delivery of the strategic

priorities as well as the mechanisms and metrics to evaluate its execution. It is therefore an important tool for both management and staff, aligning decision-making and individual performance with Banco de Portugal's objectives. This tool also renders Banco de Portugal accountable for its actions and, as such, a reference to all its stakeholders.

2 Mission, Values and Vision

Mission

Banco de Portugal is the central bank of the Portuguese Republic. It is part of the European system of Central Banks and the Euro-system, the Single Supervisory Mechanism and the Single Resolution Mechanism. It has two main missions: maintain price stability and promote the stability of the financial system.

Values

• Integrity

Banco de Portugal's staff place society and public interest at the centre of their action and uphold high ethical standards;

• Competence, effectiveness and efficiency

Banco de Portugal employs highly qualified staff in its business areas. Its governance model, internal organisation and processes use best practices as a benchmark;

• Independence

Banco de Portugal is independent in functional, institutional, personal and financial terms, which is a prerequisite for compliance with its mission. Independence

requires a clear mandate, the impossibility of seeking or taking instructions from third parties, the protection of the status of members of decision-making bodies and financial independence;

• Transparency and accountability

In compliance with its tasks in the context of the Eurosystem, Banco de Portugal is accountable to the Portuguese Parliament, the government and society for what it does, and why and how it does it;

• Team spirit

Banco de Portugal's staff act in accordance with the principles of mutual assistance, knowledge sharing, loyalty and transparency;

• Social and environmental responsibility

Banco de Portugal acts in a socially and environmentally responsible manner, operating as a social actor and advocate of corporate ethics;

The conduct of Banco de Portugal's staff is in accordance with high ethical standards enshrined

in *Regulamento da Comissão de Ética e dos Deveres Gerais de Conduta dos Trabalhadores do Banco de Portugal* (Regulation of the Ethics Committee and the General Duties of Conduct of the Employees of Banco de Portugal).

Vision for 2020

In 2020, Banco de Portugal shall be:

- A reference institution regarding the maintenance of financial stability, effective and technically respected in Portugal and in Europe;
- A proactive and influential central bank in the conduct of monetary policy and in the performance of the other tasks carried out by the Eurosystem, as well as in other fora where it intervenes;

- An independent and influential institution in the Portuguese economic debate;
- An efficient central bank regarding the use of resources, with a risk management policy aligned with best practice.

The vision for 2020 can only be accomplished with the mobilisation of all staff towards the priorities set and the urgent need to enhance internal and external collaboration, streamlining the synergies for the benefit of Banco de Portugal's overall performance.

"Always doing better" is Banco de Portugal's challenge in the SP17-20: each employee, department, mission function and decision-making body is invited to be self-responsible each and every day, always focusing on what and how to do better.

3 Broad Strategic Guidelines

Banco de Portugal's activity stems directly from the responsibilities set out in its Organic Law, which are the identity and *raison d'être* of Banco de Portugal.

As the range of activities typically entrusted to a central bank is relatively stable, the main challenges to the performance of Banco de Portugal's mission are basically planning capacity and internal

organisation. Strategic planning aims essentially to safeguard the accomplishment of Banco de Portugal's mission in demanding and ever-changing contexts.

The SP17-20 is structured in four Broad Strategic Guidelines (BSG); three relate directly to the mission areas and the fourth addresses the support areas.

BSG1

monetary authority



Emphasise Banco de Portugal's capacities as monetary authority, at both an internal and external level

Priorities

- Actively contribute to a single monetary policy in the euro area, based on the risk-sharing principle;
- Continue to research fundamental topics within monetary policy, including monetary policy's role in the future, interaction with macroprudential policy, the effects of non-standard measures and the link with other macroeconomic policies;
- Prudently manage financial risks, while ensuring stable criteria in the definition of return to the State and safeguarding Banco de Portugal's soundness;
- Develop internal capacity in monitoring Banco de Portugal's role in view of technological challenges and digital evolution, with particular regard to payment systems and means of payment.

Banco de Portugal must use its recognised competences to help enhance performance as monetary authority in the various dimensions of its activity: monetary policy, reserve management, cash issuance, oversight of payment systems, risk management and research. Banco de Portugal has to respond to developments in the field of European integration and to challenges related to mon-

etary policy fragmentation and the interaction between monetary policy and other macroeconomic policies. Banco de Portugal is also called upon to respond to the challenges arising from the relationship between the non-standard monetary policies and the evolution of risk on Banco de Portugal's balance sheet, as well as to technological and regulatory challenges.



BSG2

financial stability

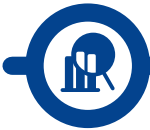
Participate in the definition of regulatory frameworks and implementation of supervisory practices, in order to ensure the soundness and stability of the national financial system and confidence among economic agents

Priorities

- Promote a comprehensive approach of risk assessment for the definition and implementation of prudential policies, with recourse to the different competences of Banco de Portugal and in cooperation with other national and international financial supervisory authorities;
- Strengthen Banco de Portugal's role among European authorities, contributing to the soundness and stability of the national financial system;
- Strengthen performance in regulation, supervision and crisis management, based on the development of prudential policy instruments, in close cooperation with European institutions and supervisory authorities, and other national central banks;
- Ensure a balanced relationship between financial institutions and their customers, guided by high standards of behaviour and appropriate financial education, in cooperation with the other national supervisory authorities.

Banco de Portugal must consolidate its integration into the new European banking supervision system and the adaptation of the resolution function to the new European framework, and further develop the capacity to analyse and design prudential instruments at European and national level.

This assumes a better use of the synergies offered by the exercise of various competences entrusted to Banco de Portugal, as well as interconnection and external coordination – including with other central banks – to safeguard financial stability in Portugal.



BSG3

economic analysis and advice

Promote understanding of the Portuguese economy and European integration, helping inform and educate

Priorities

- Pursue the research agenda on relevant issues for Banco de Portugal's mission;
- Produce and foster understanding of the Portuguese economy and European integration, using the competences and information available in Banco de Portugal, and promoting partnerships that increase efficiency;
- Regularly consult the stakeholders to identify important topics early and ensure the usefulness of information and knowledge generated in Banco de Portugal.

Banco de Portugal must help inform public opinion on the Portuguese economy and European integration, taking advantage of its privileged position regarding access to information, the expertise of its staff, its independence and its partnerships with national and international academia. Economic analysis and advice should be focused on issues relevant to the statutory mission areas, including the analysis of the Portuguese economy in the European environment. Banco de Portugal must strengthen the relationship with its stakeholders and ensure a stronger presence and greater openness to the general public.

BSG4

internal management

Be among the most efficient central banks in the Eurosystem

Priorities

- **Internal governance**

Improve Banco de Portugal's internal governance model and strengthen the organisation, planning and control function, in order to ensure high performance and accountability for results;

- **Information**

Define a governance model and an information management model, develop a corporate data warehouse, enhance the support technology and standardise and rationalise information requests, enabling Banco de Portugal to have access to comprehensive, high-quality and timely information;

- **Human resources**

Develop a human resources management model using competence profile mapping, invest in training and individual development, foster strong leadership, and adjust incentive and payment systems to merit-based criteria, in order to ensure

motivation and intensify collaboration;

- **Systems and technologies**

Develop a new digital workplace model, investing in tools that boost productivity and enhance collaboration, ensure Banco de Portugal's information security, particularly regarding cyber-attacks, revise the business continuity plan and develop the IS/IT function in the context of the digital transformation strategy;

- **Communication**

Define the communication strategy, focus communication on stakeholders, make it modern, diversified and inclusive, and reformulate the responsibilities of the communication function, aligning communications with the defined strategy and the duty of accountability to society.

The transformations to be introduced in the internal management



areas are primarily aimed at improving Banco de Portugal's performance of its mission activities, reflecting also the will and effort of Banco de Portugal to undertake a profound internal transformation, in line with best practice and demanding efficiency criteria. It is a priority to strengthen Banco de Portugal's forecasting and reaction capacity, improving its response to the wide range of risks and uncertainties that Banco de Portugal has to face due to their nature.

To this end, Banco de Portugal must have in place an internal governance model that is transparent and well-defined, with a sound and coordinated set of rules and procedures that promote high performance in the implementa-

tion of its activities and facilitate decision-making. It shall also encourage the integration and sharing of information, in order to enhance its internal use and rationalise information requests.

With regard to human resources management, Banco de Portugal must be able to attract, retain and develop its staff, allowing it to carry out its mission in challenging contexts.

In the pursuit of operational excellence, efficiency and security, recourse to innovative technological facilities should be privileged.

Banco de Portugal must also pursue a communication policy aimed at the implementation of its strategy and the fulfilment of the duty of accountability to society.

4 Resources

Banco de Portugal is a public institution with a set of rights transferred by the State ensuring the resources required for its operation. Banco de Portugal's resources are, therefore, public resources, making budget constraints and the allocation of available resources more relevant.

To ensure that the available resources are judiciously managed and used in the implementation of the strategy and priorities defined, the SP17-20 sets a number of goals to be achieved by 2020.



Staff

- Maximum of 1,700 employees; annual headcount defined for each department;
- Ratio of support area staff/mission area staff: 0.6;
- Span of control: 6.



Technology

- Digital transformation project—*Banco Digital 2020*: €13.2 million.



Financial resources

- Maintenance of staff costs, on the assumption that remuneration increases are

offset by the effect of staff recomposition and that the charges to the Pension Fund are unchanged;

- 1% annual reduction in supplies and services from third parties, on the assumption that there is no need for services of an exceptional nature.

Premises

- Development of the construction project of a new office building in Lisbon, with judicious management of the existing premises;
- Evaluation of other large projects: disaster recovery centre to be located more than 200 kilometres from Lisbon and cash distribution centre in the northern region of the country.



5 Monitoring

The SP17-20 will be in place over the next four years. The identification of initiatives to implement the BSGs is held on an annual basis through operational plans, giving the SP17-20 the necessary flexibility to respond to changes in activity and address context challenges.

The implementation of the SP17-20 will be phased in: not all priorities are initiated and implemented at the same time. The first actions to be undertaken are those with an impact on Banco de Portugal's culture, internal governance and organisation; these will be followed by changes related to the management of competences, initiatives to enhance transparency and capacity building for Banco de Portugal to move forward in the analysis, research and mission areas, as well as by actions aimed at improving the management of information systems and technologies.

Assessment

The implementation of the SP17-20 will be evaluated quarterly, based on an internal control report prepared by a steering committee comprised of the senior management and the Board of Directors of Banco de Portugal. This evaluation will enable Banco de Portugal to detect any deviations in the implementation of the SP17-20 and make the necessary adjustments.

The success of the plan will be monitored through clear and quantitative criteria assessing performance. To evaluate the results, Banco de Portugal will use the following indicators, among others: (i) satisfaction and engagement indicators; (ii) stakeholder/focus group questionnaires; (iii) headcount evolution; (iv) developments in administrative costs; (v) reputation indices; (vi) employer attractiveness indices; and (vii) financial envelopes for large projects.

Communication and accountability

The SP17-20 is ambitious and will require great dedication and focus from all staff. Staff will be kept informed of how the SP progresses every six months.

Banco de Portugal will make itself accountable to the general public, on an annual basis, in the *Annual Report – Activities and Financial Statements*.

Internal accountability

The entire management team of Banco de Portugal is committed to the SP17-20 and is co-responsible for its results. The project management officer is responsible for monitoring implementation, assisted by the internal team assigned to the planning, control and organisation functions. Each strategic initiative has a staff member in charge (senior manager) directly responsible for its operational implementation.

