

# STRATEGIC PLAN **21-25**



BANCO DE  
PORTUGAL  
EUROSYSTEM

**175**  
YEARS





# STRATEGIC PLAN **21-25**

**Promoting proximity  
and strengthening trust**



**175**  
years



**BANCO DE  
PORTUGAL**  
EUROSYSTEM



## Message from the Governor

In a rapidly changing world, by 2025 we should be **promoting proximity and strengthening trust** among the Portuguese. This is the motto of the Banco de Portugal's Strategic Plan.

We have lived through very difficult and unusual times during the pandemic, with clear risks to the functioning of the economy, the financial system and the Banco de Portugal itself. Financial market tensions have had repercussions on the Bank's mission of maintaining price stability and safeguarding financial stability. Within this context, establishing the Banco de Portugal's strategic plan for 2021-25 has posed an even more complex and significant challenge. The Banco de Portugal is duty-bound to participate in the collective effort of recovering the Portuguese economy and, within the scope of its functions, to focus the debate on the European project. The Bank must share its knowledge with society, listen to the concerns of the Portuguese people and be accountable for its actions.

The strategic challenges we face in the years to come include protecting the functioning of the banking market and the payment system, deepening the Economic and Monetary Union and the Banking Union and addressing the rapid pace of digital transformation and growing requirements in terms of internal governance and sustainability, including environmental sustainability.



To guide us through the plan for 2021-25, the Board of Directors has set out five strategic guidelines. The Bank should promote:



**SG 1** A robust financial system able to tackle the post-pandemic period;



**SG 2** A banking market that meets the conditions required for the smooth functioning of the economy;



**SG 3** A recovered, resilient economy, converging towards European levels;



**SG 4** Influential action in Portugal and in Europe, trusted by the Portuguese society;



**SG 5** A governance model for the Banco de Portugal that promotes efficiency and is focused on further developing its staff and on technological transformation.

Dialogue, proximity, **effective and timely action**: these are the key ideas for the coming years. Our strategic guidelines are rooted in these objectives. The Banco de Portugal must contribute to strengthening the country's social capital, so that together we can successfully overcome the challenges ahead. We will build a closer relationship with citizens; we will continue to deepen the exchange of information and enhance coordination among authorities by making use of our independence; and we will promote public debate on the economy and on Europe.

We have unique obligations and will use our technical capabilities and independence to serve our country and contribute to developing Portugal and the European Union.

The Governor

Mário José Gomes de Freitas Centeno

# 1 Mission and values

## Mission

The Banco de Portugal is the central bank of the Portuguese Republic. It is part of the European System of Central Banks and the Eurosystem, the Single Supervisory Mechanism and the Single Resolution Mechanism.

The Banco de Portugal's mission is to:

- maintain price stability;
- promote the stability of the financial system.

## Values



### Integrity

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



### Competence, effectiveness and efficiency

The Bank employs highly qualified staff in its core business. Its governance model, internal organisation and processes use best practices as a benchmark.



### Independence

The Banco de Portugal is independent in functional, institutional, personal and financial terms, which is a prerequisite for compliance with its mission. Its independence presumes a clear mandate, the impossibility of seeking or taking instructions from third parties and the protection of the status of members of its decision-making bodies.



### **Transparency and accountability**

In complying with its tasks in the context of the Eurosystem, the Banco de Portugal is accountable to the Portuguese Parliament, government and society.



### **Team spirit**

The Bank's staff work in a spirit of mutual assistance and knowledge sharing.



### **Social and environmental responsibility**

The Banco de Portugal acts in a socially and environmentally responsible manner, operating as a social actor and advocate of corporate ethics, diversity and inclusion, and sustainability.



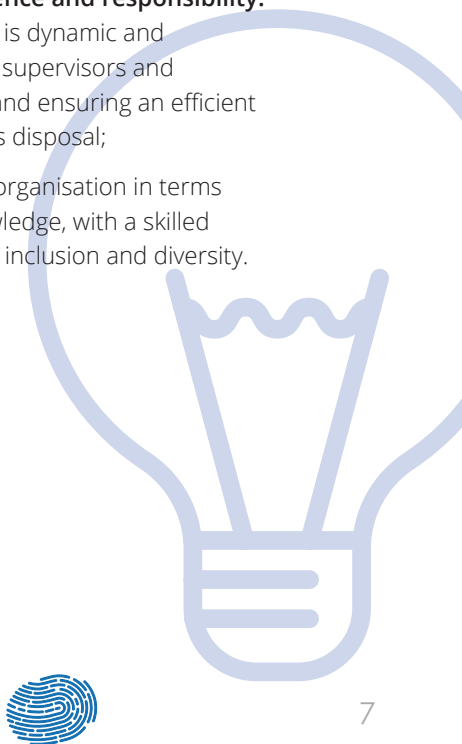


## 2 Vision for 2025

### Promoting proximity and strengthening trust

The Banco de Portugal, seen as a reference in Portugal and across Europe for its proximity to society:

- **Trust.** An institution recognised for its role as monetary, supervisory and resolution authority, strengthening the euro through monetary policy and safeguarding the stability of the financial system;
- **Proximity and a reference in the European Union.** An institution that encourages and is valued in the debate on the European project and the Banking Union;
- **Institutional proximity, with independence and responsibility.** A Bank that, within its institutional setting, is dynamic and transparent in its relationships with other supervisors and authorities, preserving its independence and ensuring an efficient and sustainable use of the resources at its disposal;
- **Proximity among teams.** An exemplary organisation in terms of cooperation, sharing and building knowledge, with a skilled and motivated staff within a framework of inclusion and diversity.



### 3 Context analysis

The COVID-19 pandemic has tested the resilience of society and all its institutions by increasing risks to financial systems. The health measures adopted to contain the pandemic have led to a sharp, unexpected decline in economic activity. Financial market tensions have had and will continue to have repercussions on the strategic challenges of the Banco de Portugal's core business. Adding to the challenges posed by the pandemic are those raised by digital transformation, environmental and social sustainability and growing public scrutiny of central bank action.

#### **Elements characterising the external environment**

- Gradual recovery from the public health crisis and its economic, financial and labour market impact, amid high debt and low inflation;
- Protracted environment of historically low (or even negative) interest rates;
- Financial system risks linked to the economic impact of the pandemic, alongside the need to address the challenges of financial and technological innovation;
- Greater demands and public scrutiny of the action of public institutions and increased public awareness of the need for financially, environmentally and socially sustainable institutions;
- Developments in the Banking Union and in the European and Portuguese financial supervision models.

## 4 Strategic framework

The strategic guidelines for the period 2021-25 reflect the Bank's core responsibilities arising from its statutory mission.

- 1 Maintaining **price stability** in the performance of its tasks as monetary authority;
- 2 Safeguarding **financial stability** by exercising its tasks of regulation, microprudential and macroprudential policy supervision, prevention of money laundering and terrorist financing, legal enforcement, resolution, and conduct supervision;
- 3 Regulating and monitoring **payment systems and means of payment**;
- 4 **Economic analysis and statistical function**, including research and production and dissemination of statistics, which are very relevant for the Bank's closeness to the community.



The Bank's priorities signal its commitment to use its powers (i) to boost its performance as monetary authority, namely in the pursuit of a single euro area monetary policy; (ii) to safeguard depositor confidence, the financing of the economy, the modernisation of payment systems and the role of financial intermediation, ensuring an integrated view of financial stability; and (iii) to be a reference in the debate on economic and financial policy, contributing to a more informed public opinion by establishing a closer relationship with the community.

The Banco de Portugal has a broad and complex mandate that interacts with a demanding and constantly changing environment. In order to accomplish its mission, the Bank must strengthen its internal management of systems and processes and invest in boosting the skills of its staff.

The transformations to be implemented in internal management are mostly aimed at improving the Bank's performance in its core business as well as reflecting the Bank's commitment and efforts to constantly adapt its internal structure, in line with best practice and stringent efficiency criteria in the management of the public resources entrusted to it.



**SG1**  
FINANCIAL  
SYSTEM  
ROBUSTNESS



**SG2**  
PROTECTION  
OF THE  
BANKING  
MARKET



**SG3**  
RECOVERY AND  
RESILIENCE OF  
THE ECONOMY



**SG4**  
CONFIDENCE  
AND INFLUENCE  
ON SOCIETY

# STRATEGIC GUIDELINES

**SG5**  
GOVERNANCE





## STRATEGIC GUIDELINE 1

### FINANCIAL SYSTEM ROBUSTNESS

**The Bank will pursue the goal of establishing a financial system able to tackle the post-pandemic period and become stronger in the face of future shocks, in an environment of price stability.**

The financial system is faced with the immediate challenge of continuing to support the recovery of the economy, while overcoming the effects of the pandemic on the financial situation of firms and households. Over the medium term, business models must adapt to the paradigm of the new digital economy and the challenges posed by climate change. Portuguese economic growth requires a stable, robust financial system. It is crucial for the Bank to have the tools in place to identify sources of risk. Financial system robustness is also contingent upon efficient, high-quality regulation. Preventive action via micro- and macroprudential supervisory measures must be supplemented by the ability to absorb large shocks without major disruptions. This is possible by fine-tuning crisis management mechanisms and strengthening the resolution function's operational capacity to provide an effective response.

Monetary policy has been furthered by a new strategical framework. Price stability is the primary objective. Without prejudice to this objective, the Eurosystem, including the Banco de Portugal, will contribute to the other objectives of the European Union, including full employment and sustainable economic development.

### STRATEGIC PRIORITIES 2021-25

- To contribute to a discussion on the strategy, the long-term framework and the implementation of the Eurosystem's monetary policy;
- To assess the implications for the Eurosystem of issuing a central bank digital currency and to engage in designing and implementing it;

- To re-examine and develop internal methodologies to assess new risks with repercussions on financial stability and monetary policy;
- To monitor the implications of climate change and energy transition for monetary policy and financial stability;
- To influence regulatory developments in the financial system, notably the macro- and microprudential, conduct and resolution aspects as well as the Banking Union's architecture;
- To strengthen the resolution function's operational capacity in the context of crisis management.



## STRATEGIC GUIDELINE 2

### PROTECTION OF THE BANKING MARKET

#### **The Bank will act to guarantee the smooth functioning of the banking market.**

To protect depositors and financial services consumers as well as the funding of the economy, supervisory tasks entail monitoring the financial situation, liquidity and capital levels and risk profile of institutions – focusing on the impact of the pandemic crisis and digital transformation on business models (as regards profitability, resilience, conduct and internal control) – as well as the resolvability of credit institutions. The Bank will also ensure the smooth functioning of payment systems, relying on secure solutions, promote financial inclusion and strengthen the mechanisms to boost preventive effectiveness against money laundering and terrorist financing and the punitive effectiveness of the enforcement function. The Bank's measures to protect the banking market will be integrated by maximising synergies across different areas.

## **STRATEGIC PRIORITIES 2021-25**

- To monitor the impact of the pandemic on economic agents, particularly on credit quality and developments in non-performing assets; to set supervisory expectations, assess compliance of banks' plans to address risks and problems and with issued supervisory measures;
- To promote adequate governance, conduct and internal control of supervised institutions;
- To monitor developments and the sustainability of institutions' business models, focusing on digital transformation, operational resilience and environmental risk management;
- To enforce the scope of supervised entities and the effectiveness of the principle of exclusiveness;
- To bolster the supervisory effectiveness of entities operating with virtual assets;
- To promote the general public's accessibility to the various payment solutions available, making the retail payments market in Portugal more secure, efficient and innovative;
- To assess and bolster the quality of reporting by institutions and strengthen internal information on bank accounts and payments;
- To revise the ML/TF risk analysis models of the financial sector, with a view to promoting the effectiveness of ML/TF preventive supervision;
- To contribute to compliance with resolvability conditions and the loss-absorption capacity of credit institutions;
- To develop mechanisms to accelerate proceedings in the discharge of the enforcement function;
- To streamline a medium/long-term digital financial literacy strategy for Portugal, promoting financial inclusion via proper, secure use of digital channels to access retail banking products.





### STRATEGIC GUIDELINE 3

## RECOVERY AND RESILIENCE OF THE ECONOMY

**The Bank will contribute to a recovered, resilient economy, converging towards European levels in the medium and long-term.**

In the pursuit of its mission, the Banco de Portugal is committed to the sustainable recovery of the Portuguese economy. The Bank's actions are key in terms of economic analysis, advising on public policy design and statistical production supporting such analyses. It will operate on the basis of a more integrated stance in terms of internal debate and analysis and statistical information management and dissemination, while engaging with relevant economic sectors. The Bank will provide solutions towards economic development by monitoring monetary and liquidity conditions in the economy, promoting economic recovery in the short term and safeguarding the Portuguese economy's resilience and convergence towards European levels in the medium and long-term.

### STRATEGIC PRIORITIES 2021-25

- To help increase knowledge of public policy issues by means of a more systematic approach, encouraging further debate and analysis and an evaluation culture;
- To invest in data compilation and production to support the analyses and studies required for advising on economic agents' behaviour;
- To promote and support projects in the field of data science;
- To deepen cooperation with other Portuguese statistical authorities;
- To foster dialogue with relevant economic sectors on statistical production and economic analyses published.



#### STRATEGIC GUIDELINE 4

### CONFIDENCE AND INFLUENCE ON SOCIETY

**The Bank will play an influential role, both in Portugal and in Europe, focusing on building a close relationship with and gaining confidence from Portuguese society.**

To enhance public confidence in the work carried out by the Bank and act by contributing to the national and international decision-making process, the Banco de Portugal will be closer to society, by listening to the public and creating confidence and greater understanding of its mission. In this context, it will promote a closer contact with all its national and international partners by using communication channels that make it easier for a wider audience to understand its tasks. At the same time, it will strengthen its relationship with other national authorities and institutions, without prejudice to its statutory independence, and enhance transparency and social and environmental responsibility.

#### STRATEGIC PRIORITIES 2021-25

- To foster economic literacy by explaining the bank's activities and tasks, focusing on its role within the European framework, creating confidence and understanding of its mission;
- To regularly interact with firms and society as a whole, bringing the Bank closer to the community;
- To enhance social responsibility and sustainability in terms of environmental, social and corporate governance parameters (ESG).



## STRATEGIC GUIDELINE 5

### GOVERNANCE AND INTERNAL MANAGEMENT

**The Banco de Portugal will strengthen its governance model, with a view to enhancing decisions and increasing the organisation's efficiency by further developing its staff and fostering technological transformation.**

The Bank will continue to adapt its governance and organisational model to the most efficient pursuit of its mission and prioritise staff development, innovation and digital transformation, the development of integrated information management and the stabilisation of its operating expenses.

#### STRATEGIC PRIORITIES 2021-25

- To maximise the further advancement of its staff by providing the organisation and its people with the necessary skills and competences, thereby diversifying development opportunities and promoting mobility;
- To strengthen the governance model, optimise the organisational model and deepen a culture of accountability for results;
- To consolidate draft integrated information management, while advancing on information governance models and data architecture;
- To reinforce the Bank's technological and digital capacity: to identify opportunities for automation by rolling out projects with the various business areas;
- To establish the innovation management model associated with the digital transformation process;
- To advance the project to concentrate the Bank's services dispersed across Lisbon in a new building;

- To widen the interlinkage between tools to project results and control mechanisms;
- To adapt the strategic asset allocation model;
- To diversify assets under management, taking into account profitability and risk vectors;
- To set an adequate balance sheet financial buffer level.



## 5 Following up on the Plan

Key to the success of the Strategic Plan for 2021-25 is following up on its implementation. This makes it possible to check the rollout of initiatives and make any necessary adjustments. The Bank will follow a set of overall indicators to measure performance, on an annual basis, of dimensions deemed strategic for its development over 2021-25 and a dashboard with micro-level indicators, covering all areas of operation within the Bank, with a view to monitoring the rollout of initiatives listed in the Strategic Plan, by gauging its degree of achievement and the performance of those responsible for said rollout.

The Bank will report on the Plan's progress on an annual basis, as well as on any revisions, should any sizeable deviations occur or unexpected situations arise that warrant any adjustments to the strategy.

### Overall monitoring indicators

Excluding extraordinary factors or non-regular initiatives with high financial content, the overall monitoring indicators are as follows:



#### **Staff costs (compensation component) and Supplies and services from third parties (Bank management)**

2% maximum growth for the annual average over 2021-25 (excluding the effects of the pandemic in 2020).



#### **Number of active staff members**

Ranging from 1,690 to 1,740, conditional on staff cost restrictions.



### **Investment (Bank management)**

Overall financial envelope of €80 million over the Plan's horizon.



### **Ratio of staff members per middle manager (span of control)**

6



### **Ratio of human resources in support and mission functions**

< 0.6

When assessing confidence and reputation issues, the Bank will use, among others, satisfaction and reputation indicators.





