

Annual Report on Cooperation

2018



BANCO DE
PORTUGAL
EUROSYSTEM

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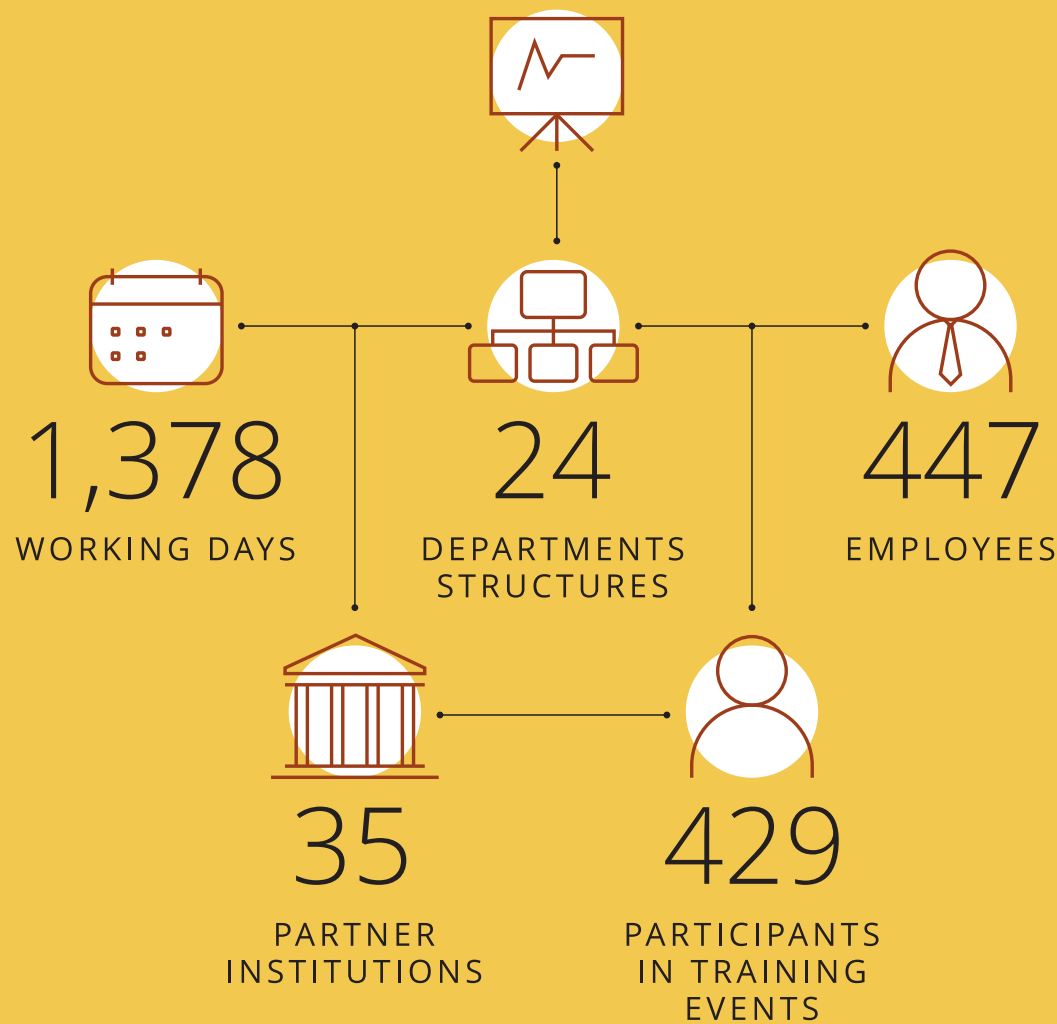
Having been consistently pursued by Banco de Portugal for nearly three decades, cooperation with counterpart central banks from emerging and developing countries – in particular Portuguese-speaking countries – contributed to global monetary and financial stability.”

Carlos da Silva Costa,
Governor of Banco de Portugal

Cooperation in numbers
2018

130

COOPERATION ACTIVITIES



1 Cooperation in 2018

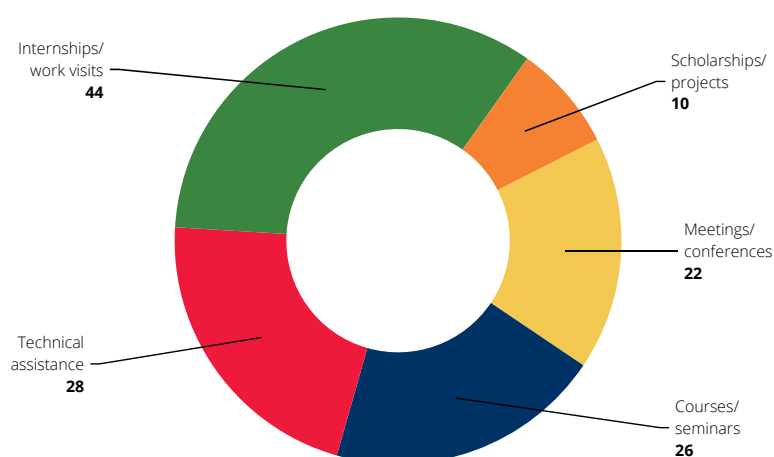
As part of their mission, many central banks share knowledge and experience in order to develop skills at both human resource and institutional level. This is also the case for Banco de Portugal, where this key source of support for monetary and financial stability covers the full range of the economic, financial, legal and operational tools used by central banks. Virtually all cooperation activities are carried out using technical and financial resources within Banco de Portugal, cutting across its functions and departments.

Focusing on empowering counterpart central banks from emerging and developing countries, cooperation activities provide a service to the community both in the specific context of the central banks and their national framework and in the broader context of international institutions. This also benefits Banco de Portugal, which gains from the sharing of experiences, its contribution to better functioning partner institutions and greater harmony within the central bank community. In addition to the activities directly organised or co-organised by Banco de Portugal, cooperation also includes participation in national, European and international structures dealing with cooperation issues. In this respect, Banco de Portugal plays a key role in building a body of conceptual and practical knowledge in this field, recognised by its peers and relevant institutions.

There were 130 cooperation activities in 2018, 72% of which in Portuguese-speaking countries, in partnership with 35 institutions. The most important fields were supervision and financial stability, which – together with audit/risk management and new technologies – saw the highest increase in terms of human resources.

Seven cooperation activities stood out due to their topic, innovation, potential impact and sense of commitment, namely: Integrated Monetary Management System (*Sistema Integrado de Gestão Monetária* – SIGMA) of Banco de Cabo Verde, Green finance, New technical cooperation agreements, Seminar on Bank Resolution, Money Museum, Exchange Rate Agreement between Portugal and Cabo Verde, and Fintech and cybersecurity.

Chart 1.1.1 • Cooperation activities in 2018 by type





Integrated Monetary Management System (SIGMA) of Banco de Cabo Verde

Banco de Cabo Verde is developing an integrated system to manage monetary policy and money market activities (*Sistema Integrado de Gestão Monetária* – SIGMA), which includes monetary policy tender operations and recourse to standing facilities, management of collateral for credit operations, management of interbank liquidity (compliance with minimum reserve requirements and liquidity forecasts) and functioning of the interbank money market.

Banco de Portugal has helped develop and implement SIGMA over the past few years, sending experts to Cabo Verde to share their experience and identify areas in need of improvement.

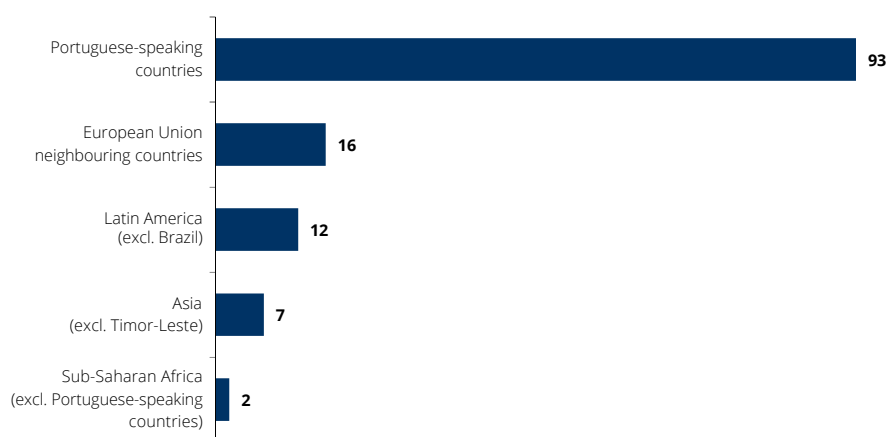


Green finance

Climate change has been a major issue worldwide over the past decades, particularly since the Paris Agreement (December 2015). Focusing on the idea of keeping the average increase in global temperature below 2 °C, the Agreement made it clear that the financial effort needed to reach this target would require the wider involvement of the private sector and, in particular, the financial system. As a consequence, green finance – part of the wider concept of sustainable finance – has been receiving growing attention. Central banks have also been increasingly called to address these issues in several aspects of their activity.

In 2018 Banco de Portugal was part of the efforts to significantly step up the approach to sustainable finance made by several international bodies of which it is a member. Its intervention in the *Macao Forum on Green Finance* in April was one of the first stages in this process.

Chart 1.1.2 • Cooperation activities in 2018 by region





New technical cooperation agreements

The cooperation activities of Banco de Portugal have earned considerable international recognition, as seen by the number of bilateral protocols concluded. In 2018 two new Technical Cooperation Agreements were signed with counterpart institutions, namely the Monetary Authority of Macao and Bank Al-Maghrib (the central bank of Morocco).

These Agreements are a testament to the stronger ties between Banco de Portugal and these institutions and frame its cooperation activities in a structured manner, with gains in terms of scope, reliability, predictability and efficiency.

Chart 1.1.3 • Cooperation activities in 2018

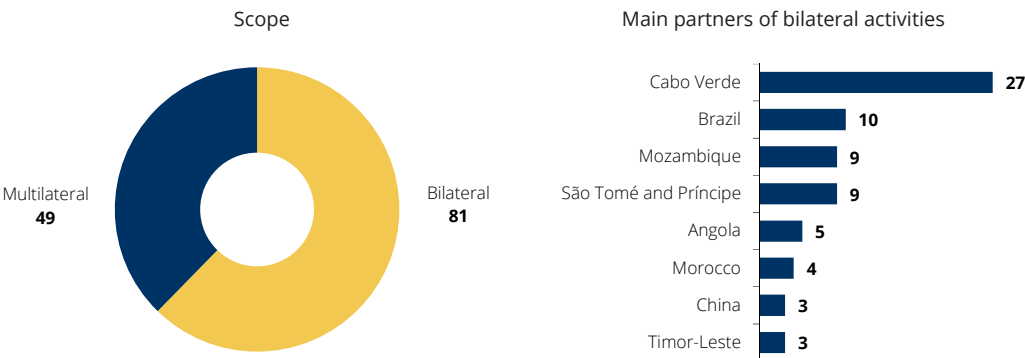
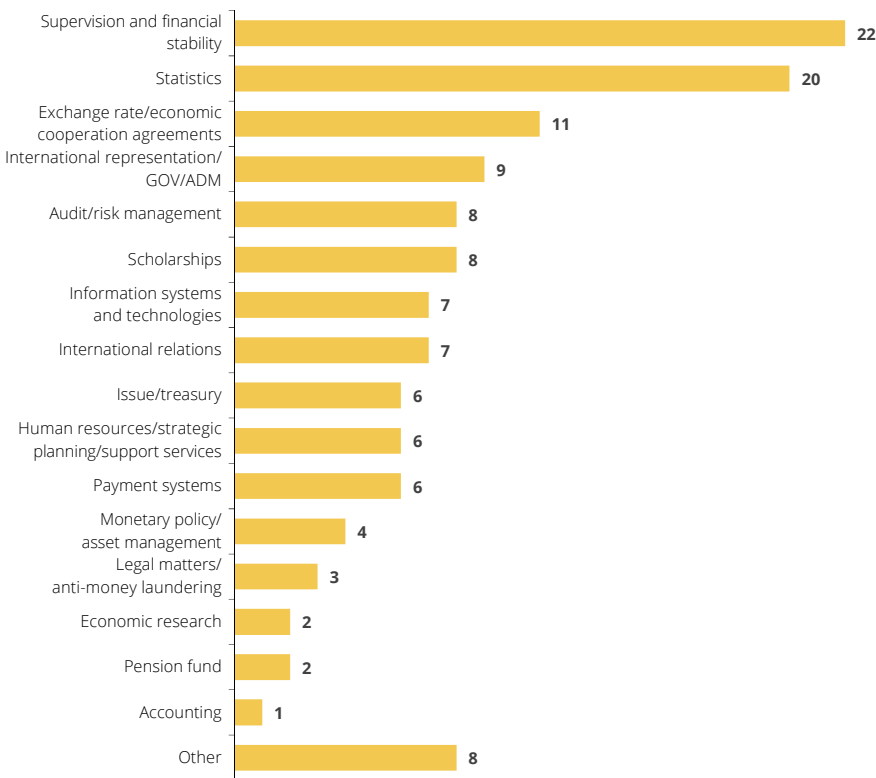


Chart 1.1.4 • Cooperation activities in 2018 by topic





Seminar on bank resolution

Banco de Portugal held a seminar on bank resolution for the central banks of Portuguese-speaking countries for the first time in 2018.

In addition to the sharing of experience on bank resolution in Portuguese-speaking countries, participation of the International Monetary Fund and the European Central Bank allowed for a discussion on the international reform of the resolution agenda, aspects of building a banking union in Europe and the European single supervisory and resolution mechanisms.



Money Museum

The success of Banco de Portugal's Money Museum has reached its cooperation activities: delegations of several central banks of Portuguese-speaking countries and other regions have shown interest in visiting the Museum and in better understanding this initiative.

In most cases, the overall purpose of these visits is to obtain information and draw lessons with a view to establishing similar venues in their institutions. Banco de Portugal has offered to share its experience and help central banks develop projects of this nature, which are not only significant from a historical point of view, but also key to promoting financial literacy and improving understanding of the role of central banks.



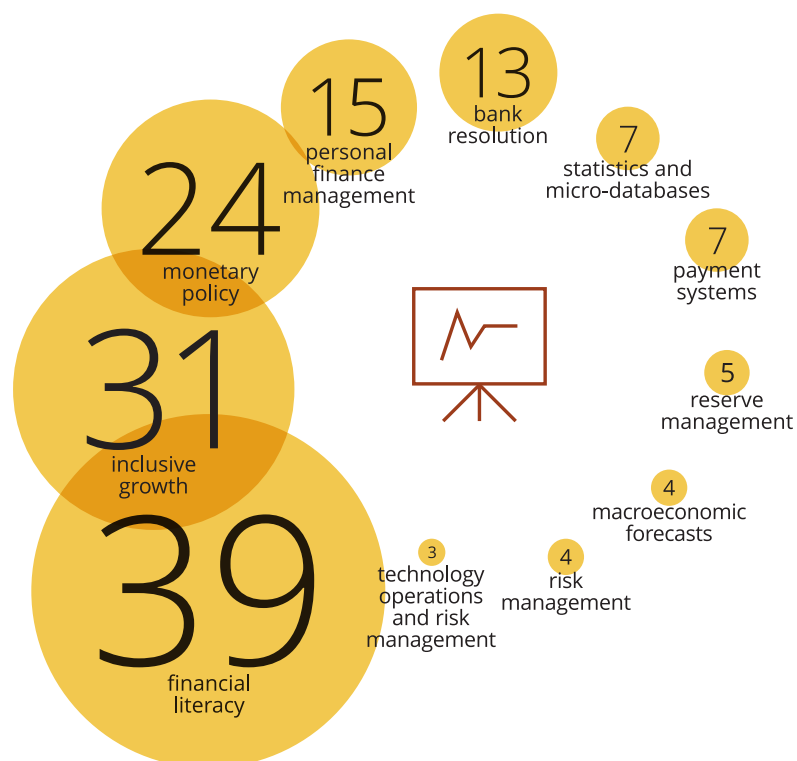
Exchange Rate Cooperation Agreement between Portugal and Cabo Verde

The Exchange Rate Cooperation Agreement between Portugal and Cabo Verde marked its 20th anniversary in March 2018. This agreement was developed in cooperation with Banco de Portugal, which has been involved in the structures created to ensure its smooth functioning since the start.

The Exchange Rate Cooperation Agreement is based on a fixed exchange rate between the currencies of the two countries, supported by the commitment of the Cape Verdean authorities to pursue appropriate economic policies, the commitment of the Portuguese Treasury to provide a limited – but concessional – credit facility and the joint commitment to appropriate macroeconomic monitoring.

To celebrate the anniversary, several events were organised by Banco de Portugal or with its participation both in Portugal and Cabo Verde. The Exchange Rate Cooperation Agreement has been broadly positive and is expected to have made an important contribution to economic stability and growth in Cabo Verde.

Figure 1.1.1 • Courses and seminars organised for Portuguese-speaking countries in 2018 and number of participants



Fintech and cybersecurity

Developments in innovation and financial technology (Fintech) – together with cybersecurity – have become increasingly significant in the activity of the European System of Central Banks, in particular as regards regulations and the prudential and operational risks to financial stability and the smooth functioning of payment systems. The growing involvement of Banco de Portugal in monitoring these issues is also reflected in its international cooperation activities.

In 2018 cooperation in these fields saw an increase, involving, *inter alia*, the Information Systems and Technology Department, the Banking Prudential Supervision Department and the Payment Systems Department of Banco de Portugal. A particularly noteworthy event was the *Seminar on Technology Operations and Risk Management*, organised in cooperation with the Federal Reserve System and aimed at the central banks of Portuguese-speaking countries.

Also important was the work undertaken with Banco Central do Brasil – including several technical assistance missions and participation in the *International Seminar on Digital Innovations in Financial Markets* – as well as participation in the *Seminar on Cybersecurity*, organised by Bank Al-Maghrib (the central bank of Morocco).

2 Courses and seminars organised for Portuguese-speaking countries in 2018

2.1 Introduction to Reserve Management

| 19 to 21 February

Introductory course, organised by the Markets and Reserve Management Department, explaining the main concepts and procedures used in reserve management. The course covered issues related to market monitoring, the conduct of portfolio management operations (front office) and their recording and processing (back office).

2.2 Training of Trainers in Personal Finance

Management | 19 to 23 February

Jointly organised by Banco de Portugal, Banco Central do Brasil and the Alliance for Financial Inclusion (AFI), this course provided a group of trainers with information on methodologies targeting audiences with different social and economic backgrounds. The course focused on issues such as family budget planning, credit and indebtedness, means of payment and fraud prevention, as well as the importance of saving and options for investing savings.

2.3 Introduction to Risk Management

| 22 and 23 February

Organised by the Risk Management Department, this introductory course complemented the skills gained in the Introduction to Reserve Management course, focusing in particular on providing an adequate framework for managing risks that are inherent to reserve management (and other financial assets).

2.4 Inclusive Growth | 12 to 23 March

Jointly organised by Banco de Portugal and the International Monetary Fund's Institute for Capacity Development, this course provided an understanding of the concepts of inclusive growth and a number of analytical and operational tools to evaluate, measure and monitor the impact of growth on poverty, inequality and job creation.

2.5 Payment Systems | 7 to 11 May

Organised by the Payment Systems Department, this seminar provided and improved the know-how required by central bank experts working in the processing of operations and the oversight of payments systems (both for retail operations and large transactions).

2.6 Bank Resolution | 24 and 25 May

This seminar was organised by the Resolution Department with the participation of experts from the European Central Bank and the International Monetary Fund. The seminar presented the practices and principles used in bank resolution (planning, implementation, cooperation with other entities and legal challenges), including the presentation of the European framework and sharing of experiences among Portuguese-speaking countries.

2.7 Statistics and Micro-databases | 28 May to 1 June

In this course organised by the Statistics Department, Banco de Portugal shared its experience in organising and structuring a central bank's statistics department. The course looked into main statistical areas, chiefly focusing on the compilation, processing and dissemination of data, specifically on micro-databases.

2.8 Monetary Policy Implementation | 23 June to 1 July

Held in Brazil by the Markets and Reserve Management Department and organised by Banco Central do Brasil, this course was designed to equip participants with skills to identify policy transmission mechanisms, instruments available to a central bank and eligibility criteria for counterparties and collateral in credit operations. It also focused on different techniques used to predict liquidity in the banking system.

2.9 Macroeconomic Forecasts | 25 to 29 June

Organised by the Economics and Research Department, this course was designed to equip participants with the necessary tools to develop and/or improve short and medium-term forecast models for macroeconomic variables.

2.10 *Seminar on Technology Operations and Risk Management (STORM)* | 9 to 12 July

Organised by the Banking Prudential Supervision Department in cooperation with the Federal Reserve Bank of New York, this seminar was designed to improve the participants' ability to identify and understand the main technological risks to financial institutions. The seminar looked into the links between technology and other business risks and discussed prospects for managing technological risk and the governance of technological aspects from a supervisory perspective.

2.11 Training of Trainers under the Strategic Plan for Financial Education | 27 July to 12 August

Held in Timor-Leste by the Banking Conduct Supervision Department and jointly organised by Banco Central de Timor-Leste and the Ministry of Education of Timor-Leste, this course was designed to equip teachers with the skills to become financial education trainers at their schools. The course looked into the contents of the East Timorese manual on financial education, which includes lessons on banknotes and coins in circulation, needs and wants, budgeting, saving, bank functions, deposits and interest.

