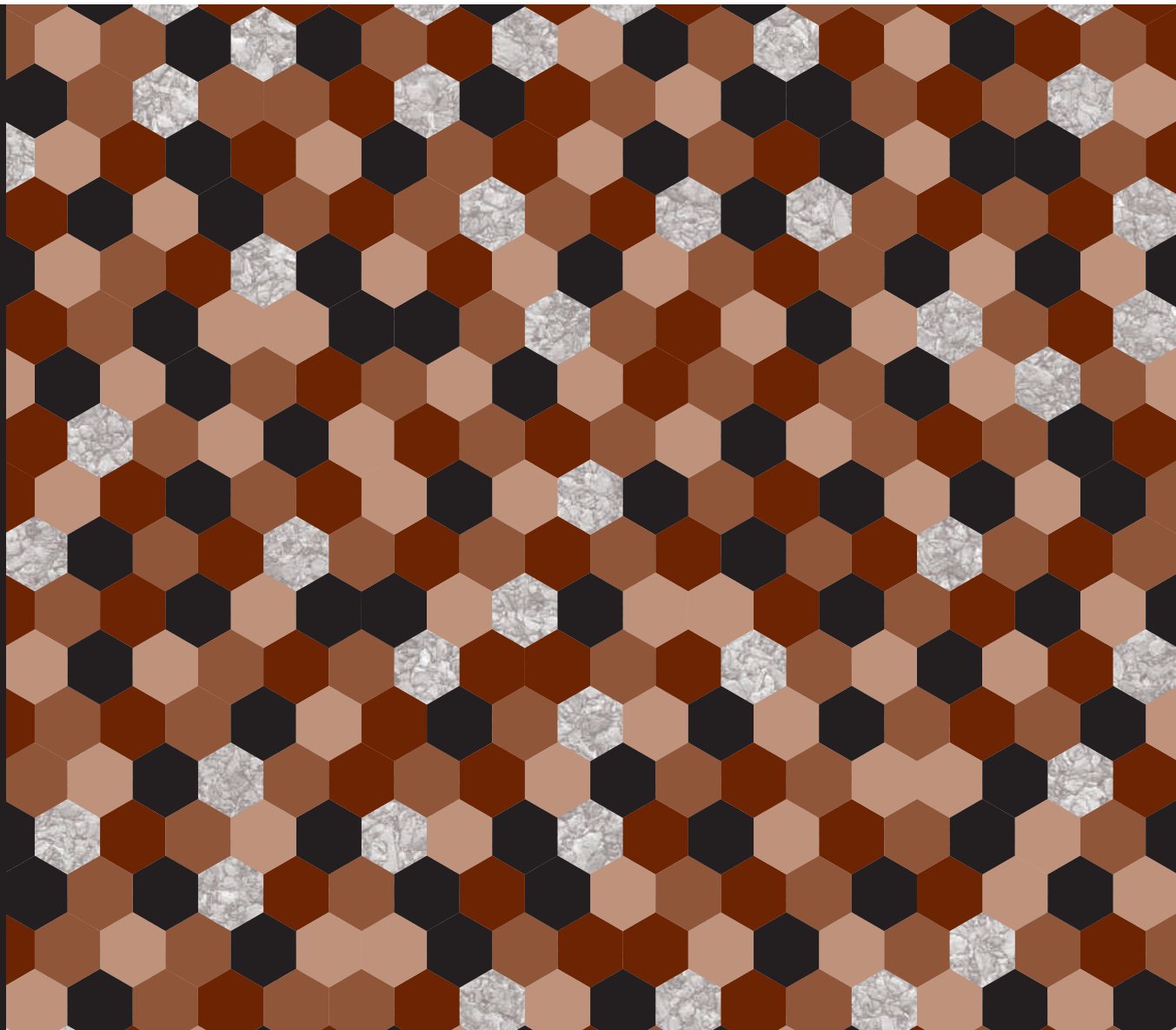


Annual Report on Cooperation 2016



BANCO DE PORTUGAL
EUROSYSTEM



Annual Report on Cooperation

2016



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Editorial

As part of its efforts to communicate with the public and be accountable to society, Banco de Portugal publishes the first issue of the *Annual Report on Cooperation* for 2016.

With this new publication, Banco de Portugal provides information on its cooperation work with counterparties in emerging and developing economies, in particular the central banks of Portuguese-speaking countries.

Banco de Portugal's cooperation activities, as they are structured today, began at the start of the 1990s. However, the first initiatives, which were part of an institutional cooperation model that was still under development, precede this date. Banco de Portugal's collaboration with institutions in Portuguese-speaking countries has always played a central role within the context of its cooperation activities, reflecting the historical relationships between these countries. The Bank's cooperation, however, goes beyond these activities. Over time and, in particular, in the past few years, cooperation with institutions in other countries and multilateral organisations has increased gradually.

Banco de Portugal's cooperation work takes different forms, such as providing on-site technical assistance, organising courses and seminars on topics specific to central banking, participating in meetings and conferences, providing traineeships, work visits and sponsoring scholarships.

In addition to providing technical training to counterparties, Banco de Portugal's relationship with its partners in this activity, and the resulting collaborative ties, are a priceless asset in a globalised world, where the search for joint solutions requires reaching out to multiple agents and geographical areas – including central banks, due to their crucial role in economic performance.

This Annual Report adds a new dimension to the set of publications on cooperation.

International Relations Department,
May 2017

1. Cooperation in 2016

In 2016 Banco de Portugal carried out 131 cooperation activities, the second highest number since 1991. This was a recovery in the number of activities to close to the peak seen in 2014 (142).

The higher number of activities also naturally led to an increase in the involvement of the Bank's human resources in cooperation work. Consequently, around 300 employees from different departments within the Bank participated in activities totalling 1,402 (business) days.

Each year, cooperation activities include a broad range of topics, covering all areas of a central bank's intervention. In 2016 the Statistics area carried out the highest number of activities (27) and had the highest human resource involvement (equivalent to 352 days). Also particularly important were Audit/Risk Management (14 activities and 181 days) and the Bank's participation in the structures monitoring the Exchange Rate Cooperation Agreement (between Portugal and Cabo Verde) and the Economic Cooperation Agreement (between Portugal and São Tomé and Príncipe).

In addition, Banco de Cabo Verde and Banco de Portugal signed a Protocol for Cooperation and Technical Assistance on Statistics and Information on Credit Liabilities, with the aim of strengthening cooperation between the two institutions in these areas.

In 2016 the recent trend continued of promoting multilateral activities (i.e. initiatives with the participation of several institutions). In addition to clear efficiency gains, this option allows for greater sharing of experiences and a chance to develop synergies.

Cooperation among Portuguese-speaking countries continues to be particularly important, accounting for around three-quarters of total activities. Nevertheless, cooperation involving emerging and developing economies which are not Portuguese-speaking has increased – a decade ago, it accounted for only around 15 per cent of the total.

The XXVI Lisbon Meeting took place on 3 October 2016. In this forum, which has brought together the Central Bank Governors of Portuguese-speaking countries since 1991, in addition to the usual debate on the issues raised in the IMF/World Bank Annual Meetings, the discussion revolved around the challenges posed by the FinTech phenomenon (Financial Technology), in particular for regulators. The topic was resumed the following day, in the Workshop on Digital Banking and FinTech: Challenges and Threats for the Banking System, which brought together, in Lisbon, representatives from the Financial Stability Board, Bank of England, Deutsche Bundesbank, the International Monetary Fund and McKinsey & Company to reflect on the new threats to the banking business model posed by the digital age.

In 2016 Banco de Portugal continued to step up its involvement with the Center for Latin American Monetary Studies (CEMLA). For the first time since its creation, the Meeting of Central Bank Governors of the CEMLA was held in Lisbon (CI Meeting), under the auspices of Banco de Portugal.

2. Cooperation in numbers

Chart 1 •
Cooperation
activities



Chart 2 •
Days in
cooperation
activities



Chart 3 •
Participants in
training events



Chart 4 •
Banco de Portugal
staff in cooperation
activities



Notes: After peaking in 2014, cooperation work increased in terms of number of activities, days, participants in training events and Banco de Portugal staff involved.

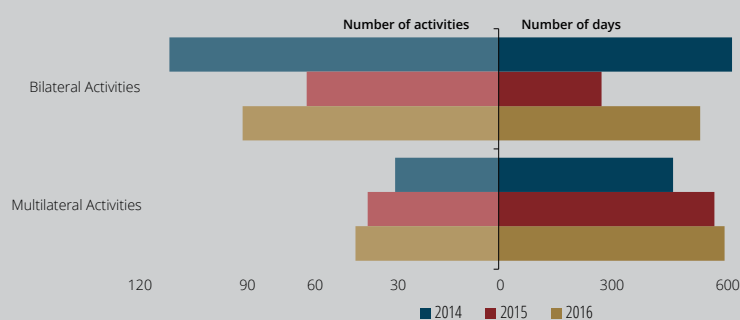


Chart 5 •
Scope of
cooperation
activities

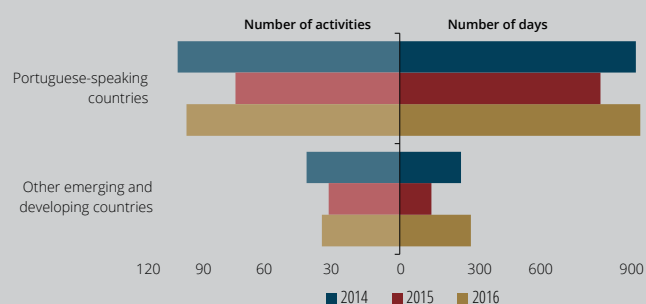


Chart 6 •
Main
counterparts
of cooperation
activities

Notes: Although bilateral relations with Portuguese-speaking counterparts are predominant, multilateral activities and activities with other emerging and developing countries were strengthened.

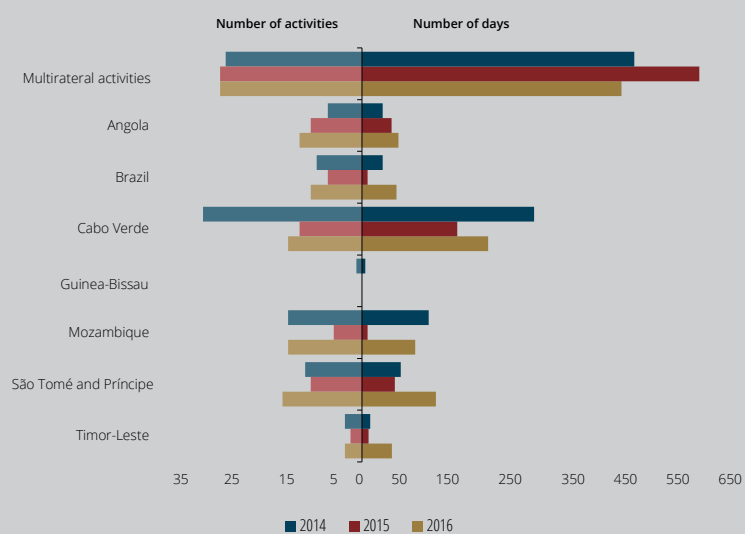


Chart 7 •
Cooperation
activities with
Portuguese-
speaking
countries

Chart 8 •
Cooperation
activities with
other emerging
and developing
countries

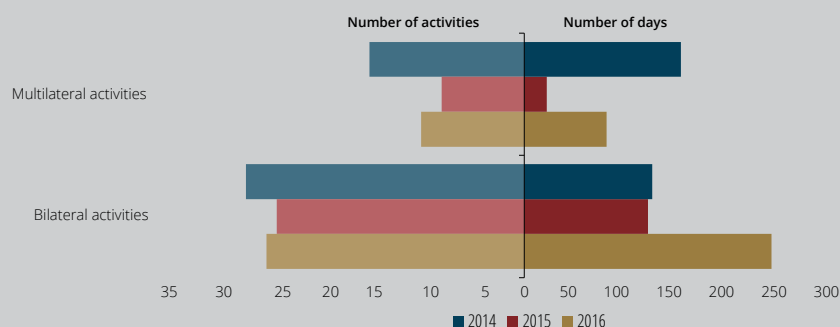


Chart 9 •
Types of
cooperation
activities

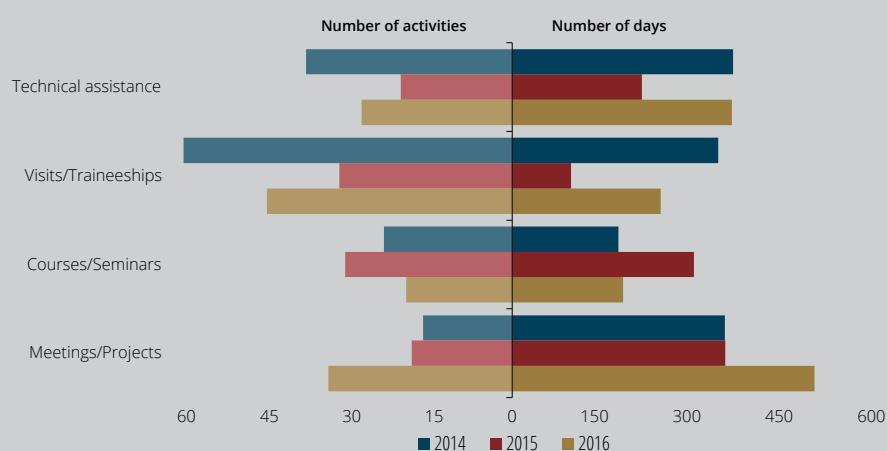
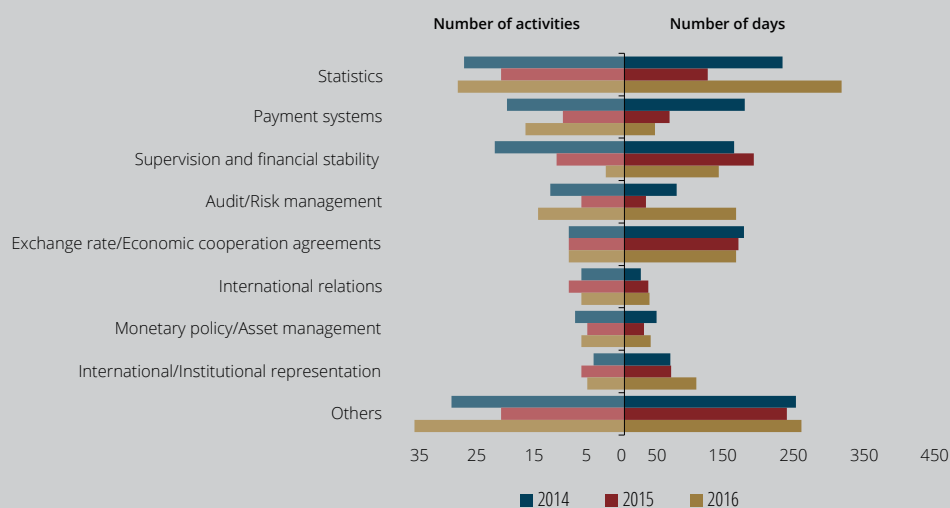


Chart 10 •
Cooperation
activities by
area of
intervention



Notes: Work visits and traineeships were the types of initiatives with the highest number of activities, despite a less intensive use of human resources. In 2016, Statistics played a key role, both in terms of number of activities and human resource involvement.

Table 1 • Cooperation activities

	2014		2015		2016	
	Activities	Days	Activities	Days	Activities	Days
Portuguese-speaking countries	100	1,062	74	904	96	1,082
Multilateral activities	31	479	32	595	33	458
Meetings/Multilateral projects	15	375	13	377	16	349
Courses/Seminars	9	104	12	218	9	109
Scholarships	7	0	7	0	8	0
Bilateral activities	69	583	42	309	63	624
Angola	6	37	9	52	11	65
Brazil	8	36	6	10	9	61
Cabo Verde	28	303	11	168	13	223
Guinea-Bissau	1	6	0	0	0	0
Mozambique	13	118	5	10	13	94
São Tomé and Príncipe	10	68	9	58	14	130
Timor-Leste	3	15	2	12	3	53
Other emerging and developing countries	42	276	32	142	35	320
Multilateral activities	15	152	8	22	10	80
Bilateral activities	27	124	24	120	25	240
Total	142	1,338	106	1,046	131	1,402

Table 2 • Cooperation activities by area of intervention

	2014		2015		2016	
	Activities	Days	Activities	Days	Activities	Days
Accounting	9	194	9	185	9	181
Audit/Risk management	1	53	2	11	9	79
Economic research	12	84	7	35	14	181
Exchange Rate/Economic Cooperation Agreements	3	19	2	56	2	20
Human resources/Strategic planning/Support services	6	59	4	56	7	87
Information systems and technologies	26	256	20	135	27	352
International relations	2	31	2	96	1	35
International/Institutional representation	1	15	1	2	0	0
Issue/Treasury	7	39	2	24	1	10
Legal matters/Anti-money laundering	8	52	6	31	7	42
Monetary policy/Asset management	4	47	3	12	7	24
Payment systems	7	27	9	39	7	41
Pension fund	5	75	7	76	6	116
Statistics	19	195	10	73	16	50
Supervision and Financial stability	21	177	11	210	3	153
Other	11	15	11	6	15	32
Total	142	1,338	106	1,046	131	1,402

3. Highlights in cooperation activities

3.1. Principles and recommendations of cooperation | Central Banks of Portuguese-Speaking Countries

In the *XXVI Lisbon Meeting* it was decided to systematise the principles that will guide cooperation activity among Central Banks of Portuguese-Speaking Countries in coming years:

Principle 1: The aim of cooperation is the institutional, technical and organisational empowerment of the participating central banks, by promoting knowledge and improvements in central banking performance, encompassing content and mission or support processes.

Principle 2: The rationalisation of resources channelled to cooperation should be extended transversally to all stages of the activities, taking into consideration the identification of needs, the interlocutors and participants, and the most suitable typologies; planning, budgeting and logistics; monitoring and transparent reporting of execution, costs and follow-up commitments; and the assessment of results.

Principle 3: The results of cooperation constitute, by respecting the limits of preserving the standards and regulations for safeguarding data and information, a documentary heritage that can be shared and made available for the central banking community in Portuguese-speaking countries as well as the international organisations they are members of.

To put these principles into practice, the following recommendations should be taken into account:

Recommendation 1: Broaden the partnerships between suppliers/institutions involved in cooperation activity, namely with international organisations the central banks are members of.

Recommendation 2: Take advantage of the efficiency gains associated with the use of new digital platforms, improving contact between interlocutors and remote access to materials and resources at lower costs, and promoting the development of 'virtual meetings' to complement or as an alternative to those held face-to-face.

Recommendation 3: Complement the annual programming of activities with medium-term planning, based on well-defined priorities, in order to increase the predictability of the actions and even out the calendar of events, enabling greater coherence and sustainability of sharing processes and transfer of knowledge.

Recommendation 4: Favour multilateral initiatives, whenever suitable, as a way of benefiting from synergies and externalities resulting from their greater diversity, depth and critical mass.

Recommendation 5: Develop coordination of training activities, clarifying sequence and articulating with other types of cooperation, namely technical assistance, intensify information on training offers and available materials, and invest in training of trainers.

3.2. Banking Regulation and Supervision | Banco Nacional de Angola (BNA)

In the last quarter of 2016, BNA requested the support of Banco de Portugal in the Banking Regulation and Supervision fields. The aim of this project is to support Angolan authorities in the process of recognition of the equivalence of the supervisory and regulatory requirements in force in the European Union, working in (micro) prudential supervision and in anti-money laundering and counter-terrorist financing.

The work and contacts between both banks resulted in:

- sharing of Angolan regulatory acts on different subjects concerning prudential and accounting issues;
- exchange of information on the Community regulatory framework, as well as on the questionnaire used by the European Banking Authority to evaluate the equivalence of prudential regulation and supervision systems;
- definition of the main issues in the project's operating areas, with a view to developing a process leading to recognising the regulation equivalence.

An activity programme is scheduled to be implemented in the course of 2017.

3.3. Statistics | Banco Central do Brasil (BCB)

The BCB requested Banco de Portugal to participate in two cooperation initiatives in the course of 2016, on the compilation and monitoring of financial statistics:

- technical assistance in the fields of development, consistency and international harmonisation of Financial Accounts and Financial Assets, to be carried out in Brazil;
- visit for the exchange of know-how on tools and methodologies for the compilation of Quarterly Sectoral Accounts Statistics.

These initiatives and subsequent contacts, which also included the Instituto Brasileiro de Geografia e Estatística (IBGE) (Brazilian Institute of Geography and Statistics), have promoted methodological enhancement in the compilation of national financial accounts and the sharing of experiences in that statistical field, with particular regard to internal organisation and information systems.

These issues will continue to be addressed in cooperation with the institutions mentioned in 2017.

3.4. Support in the implementation of an integrated monetary management system (SIGMA) | Banco de Cabo Verde (BCV)

The BCV requested the support of Banco de Portugal in a project implementing an integrated platform for the management of monetary policy operations, which includes monetary policy operations tenders and recourse to standing facilities, the management of collateral and operations and the management of banking liquidity (forecasts and compliance with minimum reserve requirements). That platform is also to include the secured and unsecured interbank money market.

The mission included the training of local teams in monetary policy operations and technical

assistance on management and development methodologies, the drawing up of requirements, features and business processes, as well as report production/data extraction and preparation of liquidity forecasts. The processes already implemented were also evaluated, and several recommendations were made regarding the business scope and information technologies.

Banco de Portugal's support in this project, with a timeframe of three years, is expected to continue in the course of 2017.

3.5. Quality evaluation of internal audit | Banco de Moçambique (BM)

The BM, in its effort to raise audit quality to international standards, requested Banco de Portugal to provide technical assistance in order to evaluate the quality of the Internal Audit function.

Work included interviews with key players in the internal audit function. The regulatory and strategic framework was thus concluded with the understanding of the procedural practices actually developed by local staff.

A report was prepared as a result of this evaluation, pointing to specific opportunities for improvement of the internal audit function, as regards both compliance with the Institute of Internal Auditors' standards and comparison with best practice. Based on the report's conclusions, an implementation plan was drawn up, and some of the proposed actions for improvement are already in place.

3.6. Project for the creation of a Central Balance Sheet Database | Banco Central de São Tomé e Príncipe (BCSTP)

The BCSTP expressed its interest in a project for a Central Balance Sheet Database and, in May 2015, organised an awareness-raising seminar on this subject. The Central Balance Sheet Database – an economic and financial database on the corporations of a given country – provides insights into economic activity and progress in the business environment.

Following the 2015 seminar, a remote cooperation project was started between the two central

banks, with a view to identifying the most important aspects for the implementation of the Database and to carrying out the sequence of steps necessary for that purpose.

This cooperation, which intensified in the course of 2016, has proved very productive and will be continued into 2017.

3.7. Anti-money laundering and counter-terrorist financing | Banco Central de Timor-Leste (BCTL)

In the context of a mutual evaluation exercise by FATF – Financial Action Task Force and the Timorese authorities on anti-money laundering and counter-terrorist financing practices carried out in 2012, gaps were detected in the regulatory framework of Timor-Leste. As a result, it underwent some improvements in 2013, followed in 2014 by the creation of a financial information unit at the BCTL.

Taking into account previous cooperation in the banking supervision field between Banco de Portugal and the BCTL, as well as the importance of the language in the context of Timor-Leste's legislation, in 2016 the World Bank requested the cooperation of Banco de Portugal for the development of a technical assistance programme for the BCTL, with a view to creating and implementing internal inspection procedures in the field of anti-money laundering and counter-terrorist financing.

In this context, a manual of on-site inspection procedures was drafted, and a mission of experts (including a member of staff from Banco de Portugal) took place in April 2016 for the presentation and discussion of the manual, as

well as for the training of supervision experts in the BCTL in specific areas linked to anti-money laundering.

A second technical assistance mission in this field was scheduled for the first half of 2017, to support the actual implementation of the above-mentioned inspection manual.

3.8. Cooperation with the CEMLA | Other Emerging and Developing Countries

2016 was marked by intensified cooperation with the Center for Latin American Monetary Studies (CEMLA), which accounted for more than 8 per cent of total cooperation initiatives.

With its head office in Mexico City, the CEMLA was established in September 1952 and focuses on empowerment, research and dissemination of knowledge on subjects related to the main activities carried on by central banks in Latin America and the Caribbean. It currently comprises 52 institutions, 30 of which are associate members with voting rights in the CEMLA's General Meeting. Banco de Portugal has been part of the group of collaborating members (currently 22) since 1980.

In 2016, Banco de Portugal hosted in Lisbon the II Meeting of the Financial Information Forum and the CI Meeting of Central Bank Governors of the CEMLA. The other initiatives promoted by this entity in 2016 with the participation of Banco de Portugal focused on a range of sundry items, involving six departments.

4. International courses and seminars in Portugal

4.1. Introduction to Reserve Management | 15 to 17 February

Introductory course, organised by the Markets and Reserve Management Department, presenting the main concepts and procedures on reserve management. Covers issues related to market monitoring, the conduct of portfolio management operations (front-office) and their recording and processing (back-office).

4.2. Introduction to Risk Management | 18 and 19 February

Introductory course, organised by the Risk Management Department, intended to complement the skills gained in the course Introduction to Reserve Management, focusing in particular on aspects providing an adequate framework for managing risks that are inherent to reserve management (and other financial assets).

4.3. Monetary and Financial Statistics | 11 to 15 April

Course organised by the Statistics Department, focusing on the various sets of monetary and financial statistics, specifically statistics on monetary and non-monetary financial institutions, Central Credit Register statistics and securities statistics. Addresses the main concepts, metrics and uses for these types of statistics.

4.4. Payment Systems | 2 to 6 May

This seminar, organised by the Payment Systems Department, presents and improves skills essential to central bank experts working in operations processing and the oversight of payment systems (both for retail operations and large transactions).

4.5. Balance of Payments and International Investment Position Statistics | 23 May to 3 June

Course organised by the Statistics Department, together with the IMF's Statistics Department, providing training on the compilation and dissemination of balance of payments and international investment position statistics, in accordance with the standards of the Balance of Payments and International Investment Position Manual (BPM6) and its compilation guide.

4.6. Prudential Supervision | 11 to 15 July

Course organised by the Banking Prudential Supervision Department, in collaboration with the Federal Reserve System (United States), providing participants with analytical and decision-making skills within the context of risk-based supervision, covering four of the main risk categories: credit, operational, market and liquidity.

4.7. Reserve Management: market analysis and monitoring | 19 to 23 September

Specialised course, organised by the Markets and Reserve Management Department, intended to deepen the understanding of the techniques and instruments supporting the monitoring and regular analysis of markets, from a historical and from a forward-looking perspective. Its objective is to integrate this analysis into exchange rate and yield forecasts, from a reserve management viewpoint, also covering the financial indicators associated with reserve management.

4.8. Workshop on Digital Banking and FinTech: Challenges and Threats for the Banking System | 4 October

Workshop organised to promote a reflection on the challenges and risks of developing and applying new technologies to the provision of financial intermediation services.

The Workshop on Digital Banking and FinTech: Challenges and Threats for the Banking System was widely publicised.

4.9. Economic analysis and short-term forecasts | 10 to 14 October

Course organised by the Economics and Research Department, intended to provide participants with the skills needed to monitor the economic environment, and to develop and/or improve models for short-term forecasts on the main expenditure aggregates.

5. Multilateral initiatives

5.1. Meetings / Conferences

Interim meeting between Eurosystem and Executives' Meeting of East Asia Pacific (EMEAP) central banks – Germany, 1 and 2 February

Preparatory Meeting of the Conference Money in Africa – Monetary and financial decolonisation in Africa in the 20th Century – Portugal, 14 March

Joint high-level meeting between the central bank Governors of the ASEAN+3 and the Eurosystem – Germany, 4 May

5th Issue and Treasury Meeting of the BCPLP – Portugal, 4 to 6 May

II Meeting of the Financial Information Forum of the CEMLA – Portugal, 4 to 7 May

CI Meeting of Central Bank Governors of the CEMLA – Portugal, 10 and 11 May

XVIII Forum on Information and Technology Systems of the BCPLP – Mozambique, 23 to 28 May

Conference on Banking Resolution and Deposit Guarantee of the CEMLA, organised jointly with the Bank for International Settlements (FSI – Financial Stability Institute) – Mexico, 20 to 24 June

XII Meeting of Monetary Policy Managers of the CEMLA – Spain, 22 to 24 June

Workshop of China Experts Network 'How strong is China's commitment to reform?' ESCB composition – Germany, 27 and 28 June

Regional Conference on the Implementation of International Financial Standards of the CEMLA – Mexico, 12 to 14 July

VI Meeting on Financial Stability of the CEMLA – Mexico, 14 to 17 July

Asia/Pacific Group on Money Laundering Annual Plenary Meeting – Bangladesh, 23 to 28 July

III Meeting of Central Bank Procurement and Service Hiring Managers of the CEMLA – Brazil, 31 August to 4 September

6th Accounting Meeting of the BCPLP – São Tomé and Príncipe, 6 to 10 September

Preparatory Meeting of the Conference Money in Africa – Monetary and financial decolonisation in Africa in the 20th Century – Portugal, 8 September

9th Statistics Meeting of the BCPLP – Timor-Leste, 8 to 14 September

XVI Meeting of Jurists of the BCPLP – São Tomé and Príncipe, 14 to 18 September

4th Meeting on Banking Supervision of the BCPLP – Cabo Verde, 20 to 23 September

XV Conference on Audit, Risk and Governance – Portugal, 27 September

3rd Meeting on Audit, Risk Management and Compliance of the BCPLP – Portugal, 28 September

2nd Meeting on the Business Continuity Plan of the BCPLP – Portugal, 29 and 30 September

XXVI Lisbon Meeting – Portugal, 3 October

CII Meeting of Central Bank Governors of the CEMLA – United States of America, 6 October

5th Ministerial Conference of the Macau Forum and Entrepreneurs and Financiers Meeting between China and Portuguese-speaking Countries – Macau (China), 10 and 11 October

XIII Meeting of Central Bank Treasurers of the CEMLA – Guatemala, 24 to 26 October

V Meeting of Experts on the Fight of Money Counterfeiting of the CEMLA – Guatemala, 27 and 28 October

7th Meeting of Payment Systems of the BCPLP – Brazil, 16 to 19 November

VIII Conference on Financial Education and Inclusion in Latin America and the Caribbean of the CEMLA – Argentina, 22 to 26 November

5.2. Multilateral projects

Support to the consolidation of the rule of law (coordinated by Camões – Instituto da Cooperação e da Língua and sponsored by the EU)

Update of statistical series of macroeconomic indicators of Portuguese-speaking countries

Identification of constraints on the EU's recognition of supervision equivalence in third countries.

5.3. Courses / Seminars

Workshop on *Developing and Improving Sectoral Financial Accounts* – Algeria, 19 to 23 January

Introduction to Reserve Management – Portugal, 15 to 17 February

Introduction to Risk Management – Portugal, 18 and 19 February

Monetary and Financial Statistics – Portugal, 11 to 15 April

Payment Systems – Portugal, 2 to 6 May

Balance of Payments Statistics and International Investment Position, co-hosted with the IMF's Statistics Department – Portugal, 23 May to 3 June

Workshop on *Sectoral Financial Accounts* – Montenegro, 1 to 4 June

Conference on Payment and Securities Settlement Systems – Macedonia, 4 to 10 June

Prudential Supervision (*Risk-Focused Supervision and Risk Assessment*), with the participation of the Fed – Portugal, 11 to 15 July

Reserve Management: market analysis and monitoring – Portugal, 19 to 23 September

Uses of Central Balance Sheet Data Offices' information – Turkey, 26 and 27 September

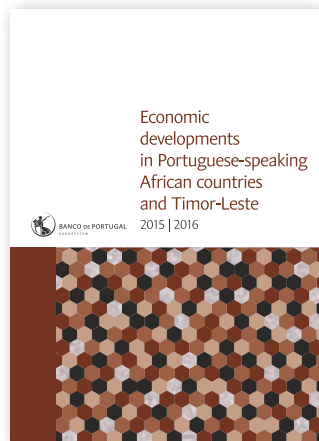
Workshop on *Digital Banking and FinTech* – Portugal, 4 October

Economic analysis and short-term forecasting – Portugal, 10 to 14 October

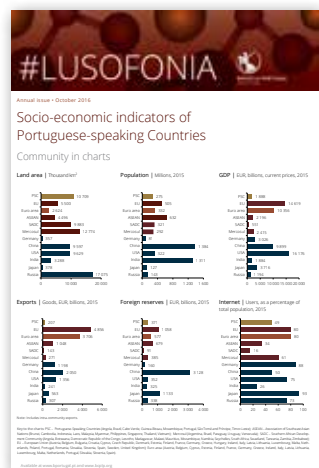
ESCB Emerging Markets Workshop – Spain, 17 and 18 November

Workshop on Joint Typologies and Capacity Building, within the scope of MENAFATF/APG – Saudi Arabia, 28 November to 1 December

6. Cooperation publications



Economic developments in Portuguese-speaking African Countries and Timor-Leste 2015-2016



Lusofonia 2016



Cooperation Journal (April and October 2016)

Available at:

<https://www.bportugal.pt/en/publications/banco-de-portugal/all/386-387-385>

