



<b>2013 Highlights</b>	1
Seminars & Workshops	2
Bilateral Activities	2
Institution-building Projects	3
<b>Seminar Catalogue</b>	4
<b>General Information</b>	5
<b>Contacts</b>	5



This newsletter is a new tool, a twice-yearly publication intended to inform readers regularly about international technical cooperation at the Bank of Italy, especially seminars and workshops.

For over twenty years now, the Bank of Italy has been engaged in technical cooperation projects to strengthen the institutional capabilities of the beneficiaries. The beneficiary institutions are generally in new EU member states that have not yet adopted the euro, EU candidate and potential candidate countries, Mediterranean countries, Eastern European and Caucasian countries within the European Neighbourhood Policy area, Russia, China, and other emerging countries.

The areas of cooperation relate to the Bank's institutional functions (central banking including payment systems and treasury services, economic research and statistics, banking and financial supervision, and currency circulation) and some support activities (IT, internal auditing, controls).

The activities comprise seminars and workshops, bilateral staff training and institution building projects. The Bank also responds, as far as possible, to specific requests for information from central banks and financial authorities.

## 2013

## Highlights

The recent global financial crisis has unquestionably affected our activity in the field of technical cooperation.

Naturally, in 2013 the demand for technical cooperation - and hence our initiatives - related mostly to operational risk management, banking and financial supervision, financial statistics, portfolio and debt management, and payment systems. In addition to these "institutional" central banking topics, we also registered increasing interest in communication and financial literacy, both of which pose new challenges.

Detailed information on the activities carried out in the second half of 2013 follow.

## Seminars & Workshops

As before, the seminar topics for 2013 were chosen in consideration both of the challenges posed by the latest economic, financial and technical developments and of the specific needs of the beneficiary central banks. Our experts were careful to combine theory and practical application and to facilitate exchanges of views among participants. (A list of the seminars held in the previous years, is available on the [Bank of Italy website](#)).

### Seminar on “Financial Statistics in Central Banks”

**(Rome, 29 – 31 October 2013)**

The financial turmoil that has affected the global economy over the last few years poses tough new challenges not only to policymakers, but also to statisticians and those responsible for compiling national accounts, who need to provide accurate and timely statistics for policy making. [\[Read more on page 6\]](#)

### Seminar on “Supervisory Review and Evaluation Process: Regulation, Procedures and Tools - Focus on Bank Assets Quality”

**(Rome, 11 – 13 December 2013)**

The financial and economic crisis necessitates the enlargement and improvement of the supervisory toolbox, both for analysis of banks' risk profiles and for corrective actions. International

and national regulators are now engaged in very far-reaching revision of the regulatory framework, work that has resulted in a revision of the supervisory approach as well. [\[Read more on page 6\]](#)

### Workshop on

**“From the Fight Against Money Laundering to Asset Recovery Activities: Sharing the Italian Experience”**

**(Perugia, 25 - 27 September 2013)**

The workshop formed part of Italy's program in support of the Deauville Partnership initiatives, an effort launched by the G-8 leaders in Deauville, France, in 2011 to support Arab countries experiencing political transitions (Egypt, Jordan, Libya, Morocco, Tunisia and Yemen). [\[Read more on page 7\]](#)



*The anti-money-laundering workshop in Perugia*

## Bilateral Activities

[\(study visits to Italy & missions\)](#)

Study visits and missions are organised at the direct request of the beneficiary central bank/supervisory authority or other entities, such as the European Commission and the IMF, which sometimes finance the initiatives.

In 2013, continuing the trend of the last few years, the requests bore chiefly on banking and financial supervision, risk management, statistics and IT security. The most active institutions in submitting requests were central banks in Central and Eastern Europe, which accounted for 28% of the total.

### Bilateral Activities (in figures)

*(1<sup>st</sup> July - 31<sup>st</sup> December 2013)*

Study visits: 13

On-site missions: 2

Number of participants in study visits: 79

Number of central banks benefiting from study visits and missions: 15

## Institution-building Projects

### Twinnings and Eurosystem projects: how they work

The Bank of Italy often participates in capacity-building initiatives funded by the EU, such as twinnings and Eurosystem programmes coordinated by the ECB. Both are directed to countries included in the EU enlargement and neighbourhood policies. The objective is to facilitate the implementation of the *acquis communautaire* and the adoption of the best European standards.

Usually, these are medium- to long-term programmes, carried out mainly in the beneficiary country, based on a series of modules corresponding to the topics dealt with. The initiatives require specific procedures that establish the contractual obligations and responsibilities of the beneficiary institution and of the provider of the training and consultancy.

### The Eurosystem Needs Analysis Project for the National Bank of the Republic of Macedonia (NBRM)

The project was coordinated by the ECB, with expert contributions from ten Eurosystem national central banks plus the Bulgarian National Bank. It examined Macedonian central bank's current institutional and operational framework, focusing on shortcomings that must be made up in order to reach EU central banking targets. Of the ten NBRM business areas covered, the Bank of Italy was responsible for economic research and forecasting. Two senior Bank of Italy economists under-

took missions to Skopje and Frankfurt and cooperated smoothly and efficiently with the NBRM experts and the ECB coordinators.

The project lasted nine months and was concluded in July.

The likely next step will be a technical assistance program to work on the shortcomings and implement the relevant recommendations of the needs analysis.



*National Bank of the Republic of Macedonia logo*

*“We need strong institutions to guarantee competitiveness and to encourage sustainable growth; to guide fiscal policies and ensure fiscal sustainability; and to supervise and stabilise the single financial market. We also need strong institutions to engage citizens more closely in the European project”.*

*Mario Draghi  
(President of the European Central Bank)*

**2014****Seminar catalogue****Portfolio Management for Central Banks  
(Rome, 26 – 28 March 2014)**

The seminar presented the Bank of Italy's approach to the management of foreign exchange reserves, offering participants practical and effective tools to manage portfolios of assets denominated in foreign currency. The main global currencies' portfolios were covered, with an emphasis on euro-denominated securities. Market analysis tools and diversification techniques were reviewed and applied to a series of case studies. The seminar described in detail the range of activities performed by front and back office and focused specifically on the risk management function. Coverage of euro-denominated assets comprised an account of the euro-area economy and a thorough review of recent developments in European financial markets. A special session was dedicated to the use of electronic trading platforms in portfolio management. Participants had an opportunity to share their experience and knowledge related to the management of foreign exchange reserve portfolios.

**Public Debt Management and the Contribution of Banca d'Italia****(Rome, 16 -18 June 2014)**

The seminar examined the holding of auctions, including the handling of the operational risk, drawing among other things on the Bank of Italy's experience. It also discussed the drafting of issuance plans and ways of capitalizing on analytical tools and dialogue with primary dealers (market makers). Broadening the subject, it touched on the relationship between debt management, monetary policy implementation and financial stability, given that the crisis appears to have strengthened the linkages between the different policy areas. Participants contributed by describing their own experience in debt management and taking part in a role play.

**Accounting, Budgeting and Tax Issues: Activities, Controls and Risk Monitoring System****(Rome, 5 - 7 November 2014)**

Financial independence is a cornerstone for central banks which incur operational costs and risks in the course of their activities. Central bank independence and credibility depend also on capital adequacy and operational efficiency, which in turn follow from effective risk management, proper use of resources, and accountability to the general public.

In addition to its activities and controls to ensure compliance with the accounting expenditure and tax rules, the Bank of Italy has stepped up its management control and the monitoring of legal, reputational and financial risks.

The seminar will describe and discuss the relevant processes, methodologies, tools and control techniques. The results obtained will be shared, in order to provide participants with an overview of the practices adopted.

**Payment and Securities Settlement Systems****(Rome, 17 - 19 December 2014)**

The seminar should enhance participants' knowledge of payment and securities settlement systems, analysing the main issues relating to their evolution within the EU, from the policy, operational, technical and legal standpoints, with special focus on the Bank of Italy's experience. Seminar participants will also visit the Service Desk of the Eurosystem TARGET2 Single Shared Platform (SSP).

## General Information

Participation in seminars is by invitation.

Requests from institutions other than the regular beneficiaries are considered on a case-by-case basis.

The working language is English.

Participation is free of charge.

In some cases hotel accommodation is provided by the Bank of Italy.

Travel expenses to and from Rome are not reimbursed.

Lunches are covered for the duration of the seminar. A courtesy dinner is also offered.

We usually accept up to 25 participants and only one representative from each institution.

Our seminars are as interactive as possible. Short presentations by selected participants are usually invited in order to stimulate discussion and debate.

## Contacts

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## Seminars & Workshops (...continued)

**(Seminar on “Financial statistics in Central Banks” continued from page 2)** Against this background, the seminar aimed to describe the latest developments in methods and uses of financial statistics produced by central banks.

It provided an overview of the current Italian Financial Accounts framework within the Eurosystem, focusing on sources, methods and uses of the financial accounts developed by the Bank of Italy. There were specific comparisons with the compilation methods of other central banks, and some country-specific reasons for the different approaches were discussed. Rather than recommending a single solution, the seminar sought to enhance participants' ability to devise and optimise compilation strategies for specific contexts and adapt them to the sources available.

The first two days focused on the exact relationship between the financial accounts and the cornerstones of central banking statistics, i.e. money and banking, the balance of payments, and supervisory data, with a comprehensive discussion of practical aspects. One session was devoted to the Bank of Italy's IT platform for financial statistics, and some new, increasingly sophisticated IT solutions were described. General guidelines, specifications and suggestions regarding the selection (or in-house development) of appropriate software were also set out. The last day was given over to thorough examination of the use of the financial accounts for economic analysis and other central banking purposes.

Presentations were delivered by statistical experts from the Bank of Italy, from Österreichische Nationalbank, who recounted their experience in the use of financial accounts data for the Macroeconomic Imbalance Procedure (MIP), and from Banco de Portugal, who described an alternative system for compiling the Financial Accounts.

The discussion was enriched by presentations by the Bank of Latvia (on the requirements for monetary financial institutions' balance-sheet item statistics in Latvia), the Bank of Albania (on financial statistics in Albania - the EU Twinning experience), and the National Bank of Poland (on the financial accounts in that country), describing their respective national systems, rules, practices, and challenges.

There was also a special session for exchanges of views and experiences among all participants. Analyses and discussions were based on a questionnaire, that had been given to participants in advance in order to identify critical points and specific interests shared by many participants.

The seminar brought together 28 participants from central banks. They generally appreciated the initiative and offered invaluable suggestions for future editions. Interest was intense, and a number of participants requested future bilateral initiatives to further analyse specific issues.

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**(Seminar on “Supervisory review and evaluation process: regulation, procedures and tools - Focus on bank assets quality” continued from page 2)** Under the framework of the Basel Committee on Banking Supervision, the Supervisory review and evaluation process (SREP) is the core activity of supervisory authorities, whereby they assess the soundness of the banking and financial system, prevent the aggravation of risk and establish adequate levels of capital for financial institutions. Supervisory review is also crucial to central banks' approval of changes in ownership and business.

The seminar provided an overview of the Italian supervisory approach, including the regulatory framework for the Bank of Italy's SREP cycle (planning, analysis, assessment, work procedures, reporting standards), and also the “state of the art” of the risk assessment systems applied to banks and other financial entities. There was specific discussion of the main models and tools concerning both off-site prudential controls and on-site inspection, and examples drawn from actual experience were given for nearly all the issues dealt with.

The specific topics addressed were:

- assessment of corporate governance, including internal governance, organisational framework, remuneration and compensation schemes, internal control and comprehensive asset management systems;
- corrective and remedial actions, including

capital adequacy measurement;

- reputational risks and consumer protection;
- liquidity risk assessment, highlighting the weekly/daily monitoring now used in off-site supervision, simulating various scenarios in intermediaries' liquidity situation and discussing possible subsequent supervisory actions;
- credit risk, focusing on the systemic credit provisioning tools for risk assessment and supervision, with special stress on methods for evaluating the adequacy of provisions and the necessary capital actions.

Presentations were made by Bank of Italy experts. The keynote address by the Financial Attaché to the Permanent Representation of Italy to the European Union provided useful updates concerning the European Banking Union.

The participants from the Bank of Albania and the Banco de Mexico enriched the debate with well appreciated presentations. The former described Albania's experience with corrective and remedial actions, and the latter discussed Mexico's systemic credit provisioning tools for risk assessment and supervision.

The seminar elicited enormous interest and was attended by 30 participants, the most ever. This was one of the most satisfying rewards for our efforts.

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**(Workshop on "From the Fight Against Money Laundering to Asset Recovery Activities: Sharing the Italian Experience" *continued from page 2*)** In the wake of the Arab Spring, asset recovery has become a matter of urgency for countries involved. The international community has stepped up its commitment to cooperation and to the strengthening of institution building.

The three-day workshop offered an overview of Italian and international rules and best practices in fighting money laundering and the financing of terrorism. Special attention was devoted to the topics of combating corruption and recovering stolen assets, with a

focus also on the essential role of international cooperation.

More in detail, the workshop described the international legislative framework on anti-money-laundering, including UN and EU sanctions to prevent asset flight. Details on anti-money-laundering instruments and measures to prevent the international financing of terrorism were supplied, and international best practices on people with prominent public function and hence exposed to corruption (politically exposed persons) were illustrated.

Attention then turned to analysis of the tools for identifying and freezing funds of illicit origin, the role of international cooperation and Italy's experience of international anti-money-laundering cooperation, chiefly the exchange of information among national Financial Intelligence Units -FIUs.

Finally, the workshop examined the cooperation between the Bank of Italy and the judiciary, with a presentation of several case studies involving requests for international judicial cooperation and an account of the institution of a special Unit at the Prosecutor's Office in Milan.

Presentations were delivered by experts from the Bank of Italy and the Italian FIU, as well as by representatives of the Italian judiciary and tax police force.

The workshop, held at the Bank of Italy's facility in Perugia, was organised in cooperation with the Italian Ministry of Foreign Affairs. It was attended by 11 participants from central banks and FIUs.



*Perugia, the city center*

*The views expressed during the seminars do not necessarily reflect the position of the Bank of Italy.*



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