



2014 (2nd semester) Highlights	1
Seminars & Workshops	2
Bilateral Activities	2
2015 Seminar & Workshop Catalogue	3
General Information	5
Contacts	5



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

The Bank of Italy is engaged in technical cooperation activities (i.e. seminars and workshops, bilateral staff training and institution building) 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, BRICS and other emerging countries.

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

Further details on <https://www.bancaditalia.it/compiti/ricerca-economica/cooperazione-tecnica-internazionale/index.html>

2014 (2nd Semester)

Highlights

In the last six months, the Bank of Italy has held two international seminars, hosted 23 study visits and conducted 11 missions abroad. About half of the bilateral activities were carried out within larger programmes financed by the European Commission (TAIEX initiatives, the EU-China Trade Project, and the Eurosystem needs-analysis programmes with the central banks in the Western Balkans coordinated by the ECB).

More details on the activities carried out in the semester follow.

Seminars & Workshops

Seminar on “Accounting, Budgeting and Tax Issues: Activities, Controls and Risk Monitoring System”

(Rome, 5-7 November 2014)

Financial independence is a cornerstone for central banks to fulfill their mandate effectively. Independence and credibility also depend on capital adequacy, cost efficiency and the ability to address risks stemming from activities. At the same time, an independent central bank needs to be accountable to the general public.

Therefore, the Bank of Italy has developed an integrated internal control system to support financial reporting, manage tax risks, control cost efficiency and ensure compliance with the



Seminar on Accounting, Budgeting and Tax Issues

accounting, procurement and tax rules.

The first day of the seminar focused on central bank independence, financial reporting and accounting controls, with presentations from Bank of Italy experts and a contribution from an expert from the Banco de México.

[\[Read more on page 6\]](#)

Seminar on “The Evolution of Payment and Securities Clearing and Settlement Systems in the EU: the Banca d'Italia Experience”

(Rome, 17-19 December 2014)

Robust and efficient payment and securities settlement systems are essential for the implementation of monetary policy and the preservation of financial stability. In the past two decades, the Eurosystem has been working on the creation of market infrastructures in order to ensure the smooth functioning of clearing and settlement systems, removing barriers and inefficiencies and contributing to create a competitive and sound financial marketplace in Europe.

The three-day seminar offered an in-depth look at payment and securities settlement systems and collateral management in the EU and the role of the Bank of Italy.

[\[Read more on page 7\]](#)

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 supranational entities, such as the European Commission and the IMF, which sometimes finance the initiatives.

The number of bilateral activities increased considerably compared with the previous year, focusing on supervision and financial stability and central bank operations. The most significant share of activities involved central banks in EU candidate and potential candidate countries (41% of the total), in the framework of initiatives supported by the Eu-

ropean Commission.

While missions abroad tend to be geographically concentrated, we host study visits from central bank experts from all over the world. The share of participants from G20 countries (especially China) has increased significantly over last year.

Bilateral Activities (in figures)

(1st July - 31st December 2014)

Study visits: 23

On-site missions: 11

Number of participants in study visits: 87

2015 Seminar & Workshop Catalogue

Seminar on “Information Systems Auditing in a Central Bank: Practical Experience and New Challenges”

(Rome, 15-17 April 2015)

The rapid evolution of information technology – essential to practically all central bank processes – poses new challenges for auditors and requires skills that are not easy to develop or maintain. Internal audit functions will have to pay more attention to IT risks and guarantee the effectiveness, efficiency and security of operational processes, considering the integration between administrative and IT controls.

The seminar will explore methods and techniques of information systems auditing. Interactive sessions are planned to share experiences in IT audit, such as the IT security and cybersecurity risks.

Representatives from the Bank of Italy Directorates that have been audited will describe their experience with IT auditors.

Seminar on “Balance of Payments Data Production According to BPM6: the Bank of Italy’s Experience”

(Rome, 9-11 June 2015)

The ECB has recently revised the external statistical data requirements according to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). The new Guidelines have been recently adopted in the euro area.

Against this background, the Bank of Italy has re-engineered its balance-of-payments data production process according to the new international standards.

The seminar will illustrate our methodology of data collection and production for the main balance-of-payments items; for each item, the transition to the new BPM6 standards will be specifically treated.

Seminar on “The Quality of Banknote Circulation and the Bank of Italy’s Monitoring Activity on Professional Cash Handlers”

(Rome, 21-23 October 2015)

The seminar will take a broad view, including a description of the Italian cash cycle (actors involved and some data on the cash handling industry). An overview of the role of a central bank in preserving the quality of banknote circulation will be offered, as well as a description of the Eurosystem regulations and their implementation in Italy. Participants will be introduced to the Bank of Italy’s testing of banknote sorting equipment and monitoring of professional cash handlers – off-site monitoring and especially on-site inspection.

Seminar on “Innovation, Retail Payment Instruments and Systems: Market Developments, Regulatory Initiatives and Effects on Oversight”

(Rome, 18-20 November 2015)

In the Single Euro Payments Area (SEPA) framework, the seminar will describe market tendencies and regulatory initiatives to steer the development of payment systems. The main driver for change is standardization and harmonization of the chief traditional payment instruments (credit transfers and direct debits), as well as the adaptation of infrastructures. A second topic will be the increasing number of stakeholders, including non-banks, that can provide payment services, which should heighten competition and foster efficiency. A third theme will be the acceleration of technological innovation, which implies a growing influence of technological players and contributes to the diversification of means of payment (mobile, internet, etc.) based on protocols that are not yet fully standardized. Another implication of technological progress is the

impact on public payments, for both local and central administrations.

Public oversight at European and national level must closely monitor market developments, conduct detailed analysis, and manage the tools for intervention.

**Workshop(*) on “Banca d’Italia’s Experience in Managing Operational Risks”
(Rome, 2-3 July 2015)**

The workshop aims to share the practical experience that the Bank of Italy has gained in managing operational risks within a comprehensive, bank-wide framework (ORM).

This framework includes risks arising from every single business process and also covers horizontal issues (IT being the most important one). A separate framework for Business Continuity Management (BCM) is also in place.

The workshop will consist of interactive presentations given by people in charge of managing both frameworks; other business functions – especially those dealing with horizontal risks – may also be explained. Attention will be given to issues specific to a central bank – as they have arisen in the Bank of Italy – rather than standard risk management methodologies.

The workshop can be customized for participants who need either to focus on setting up a framework or on its running and improvement.

**Workshop(*) on “Macroprudential Analysis and Supervision”
(Rome, 24-25 September 2015 - date t.b.d.)**

The workshop will focus on some aspects of the methodology and application of the Ital-

ian and EU framework for macroprudential analysis and supervision. The program includes:

- overview of the Italian and EU Framework for financial supervision;
- macroprudential policy framework and application;
- macroprudential capital requirements;
- macroprudential analysis and tools (financial risk outlook);
- system-wide stress tests;
- supervisory stress tests;
- system-wide analysis of the non-bank financial sector and financial innovation.

**Workshop(*) on “Macroeconomic Modelling and Forecasting”
(Rome, 10-11 December 2015)**

The workshop will provide an overview of the techniques and models used at the Bank of Italy for short- and medium-term forecasting, for the analysis of economic policy issues, and for counterfactual simulations. First, the quantitative tools in use at the Bank of Italy will be described; then the workshop will focus on the main applications of the econometric models that support some of our institutional activities, such as short- and medium-term forecasting, constructing risk scenarios, assessing the possible use of macroprudential policy tools, evaluating structural reform programs, and estimating the effects of alternative fiscal policies.

()Workshops are organized as short seminars with a narrow thematic focus, addressed to small groups of specialists.*

General Information

Participation in seminars and workshops 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.

Seminar duration is usually 3 days; workshops last 2 days at the most.

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

We usually accept up to 25 participants in the seminars and only one representative from each institutions. As far as workshops are concerned, groups are not larger than 15 participants.

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

Contacts

International Technical Cooperation and
EU Neighbourhood Economies Division

International Relations Directorate

Directorate General for Economics, Sta-
tistics and Research

Banca d'Italia

Via Nazionale, 91

00184 Roma

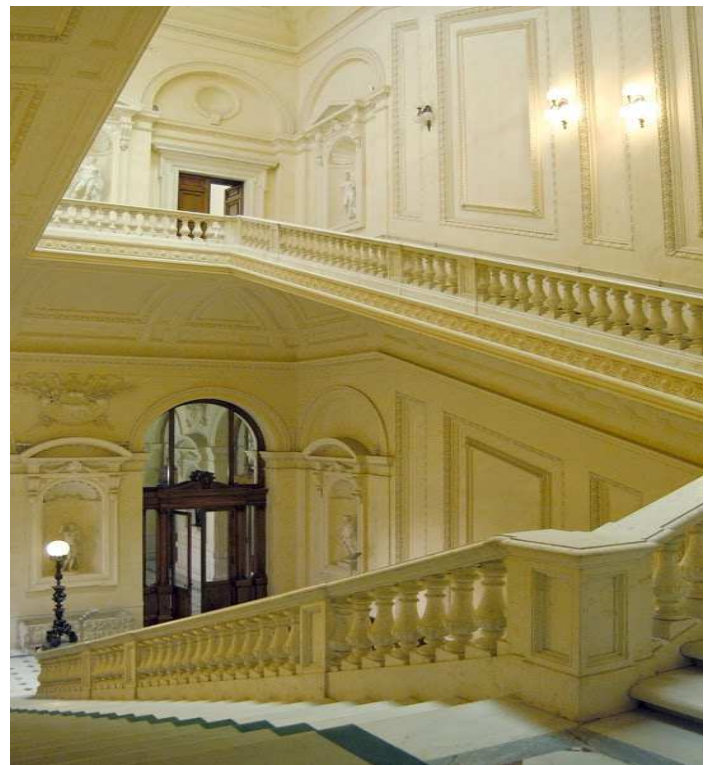
Italy

<https://www.bancaditalia.it>

Tel. +39 0647921

Fax +39 0647922681

E-mail: bdi.cooperation@bancaditalia.it



Palazzo Koch - Staircase

Seminars & Workshops (...continued)

(Seminar on “Accounting, Budgeting and Tax Issues: Activities, Controls and Risk Monitoring System”, continued from page 2)

The first part was dedicated to i) the impact of financial independence on the effectiveness of monetary policy actions and ii) the differences between international financial reporting standards and Eurosystem accounting rules, tailored to the specific needs of the ECB and NCBs. Two concrete examples of accountability and independence were also presented and discussed: i) the Bank of Italy's annual accounts and ii) the autonomy gained by the Banco de México in 1993 that greatly contributed to the economic stabilization of the country.

The second part dealt with accounting control, describing the governance of accounting controls in the Bank of Italy and highlighting the roles of both the Board of Auditors and the External Auditors. The three lines of defence in the Bank's accounting control system were then presented and analysed. Special attention was paid to the IT controls in the operating-accounting system and to the objectives and methodologies characterizing the second line of defence.

On the second day, presentations were given on expenditure related activities, compliance controls on procurement, and management control at the Bank of Italy.

The first part was dedicated to compliance with European and national law and to the Bank of Italy's rules on public procurement. The focus was on the intricate legal framework (to prevent corruption and lack of

transparency), the various phases of the procurement process, the selection procedures for providers, and the measures adopted by the Bank to improve efficiency. The Bank of Italy's approach towards business travel was presented as a successful case of improvement in the procurement process.

The second part illustrated the new control model for expenditure, which is based on the promptness of verification by means of ICT tools, the flexibility of the checks themselves (depending on risk severity and frequency) and the integration of different kinds of controls (preventive on legitimacy, subsequent on compliance and procedure).

The third part was dedicated to management control, highlighting the importance of increased efficiency in fostering the Bank's credibility. Participants were provided with an overview of the main tools of management control (budget and cost accounting), with speakers detailing the Bank of Italy's practices to monitor its own economic performance in terms of cost efficiency.

The third day of the seminar focused on issues linked to tax liability and the Bank of Italy's functions. Owing to its historical background and its legal form, the Bank of Italy must follow the general tax rules but with some exceptions. However, tax exemption regimes for central banks are common in the EU area.

Withholding tax aspects of monetary policy and investment operations were also discussed in this framework; when foreign securities are used as collateral or purchased



Seminar on Accounting, Budgeting and Tax Issues

by the Bank of Italy, transactions may simultaneously be subject to many foreign legislations and the related risks need to be managed properly. A description of the tax risk management system adopted by the Bank of Italy followed. Factors which trigger risks are connected with the Bank's organizational structure and to the complexity of national rules; mitigating actions and reporting processes were illustrated.

An overview of tax compliance processes (and organizational aspects) was given in conclusion. VAT implications for Eurosystem projects were mentioned as well. The session was enriched by a speech by an expert from the Bank of Morocco, which is subject to corporation tax, indirect taxes and withholding tax. The debate focused on the similarities between the tax pattern of the Bank of Italy and the Bank of Morocco.

It is the first time that the Bank of Italy has held a seminar on these topics. The decision came after a number of requests from potential beneficiary countries to receive information on accounting and controls practices. The seminar brought together 25 participants who highly appreciated the initiative and asked for further seminars on related topics in the near future. The seminar was held in the Bank of Italy's new conference centre in Rome.

(Seminar on “The Evolution of Payment and Securities Clearing and Settlement Systems in the EU. The Banca d'Italia Experience” continued from page 2) The first day focused on payment infrastructures for retail and gross payment services and euro reserve management. Our experts described the main features of the TARGET2 (T2) platform for large-value payments and the soon-to-be launched TARGET2-Securities (T2S) for securities settlement in central bank money. Participants were also shown how the Bank of Italy's TARGET2 national service desk and collateral management experts are closely interconnected in their operational activities. As for retail payments, the Single Euro



Visit to the SSP Operation Room

Payments Area (SEPA) has enabled payments in euros from a single bank account since February 2014. The Bank of Italy plays a major role as the operator of the domestic platform for retail payments and the national clearing procedure, which are SEPA compliant. The Euro Reserve Management Services (ERMS), which are provided to international central banks and monetary authorities, were also illustrated. In this field, the Bank of Italy offers the whole range of services: custody and settlement, investment, and payment services. With the aim of illustrating a different approach, the Central Bank of Israel's representative presented Israel's latest electronic payment instruments, highlighting the opportunities in terms of efficiency, the challenges in terms of safety and the central bank's role in promoting and regulating them.

The second day was dedicated to the development and management of the TARGET2-T2S Single Shared Platform (the Eurosystem's financial markets infrastructure) focusing on the role of Bank of Italy as service provider. Presentations dealt with the key facts of the successful management of large scale projects in a multicultural environment: clear strategic vision, appropriate governance and efficient organization. The different T2S project phases were outlined: user requirements definition, drafting of the specifications, development, internal testing, Eurosystem acceptance test, user testing and migration. Insight was also given on

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

the day-to-day activities to ensure the smooth running of the system according to the Service Level Agreement. To complete the overview of the financial markets infrastructure of the Eurosystem, the catalogue of services was illustrated. Participants enjoyed a visit to the Single Shared Platform Operation Room, where a short conversation took place with the other part of the team at the Bundesbank via the permanent videoconference system, a sort of virtual bridge between the two teams. An overview was also given of technological solutions within the T2 and T2S Business Continuity framework, and the result was reported of the business continuity test held in 2014 in preparation to the T2S go-live. The closing session described the technical monitoring solution developed by Bank of Italy and a virtual demo of the tool and its usage in a simulated incident condition was provided. Presentations were supplemented by the description of the expert from Banco Central do Brasil on the Brazilian payment system, the new legal framework for payment schemes, payment institutions and financial market infrastructures.

On the third day, the seminar focused on the oversight responsibilities of the Bank, embracing payment systems and instruments, financial market infrastructures and their technical service providers. Presentations described the evolution of retail payment services in Europe and the forces at stake. In this context, the experts explained the key role of the 'innovation' factor in the European arena, driven by increasing competition and rapid technological progress.



The seminar group posing in front of the new Bank of Italy's Conference Centre

They provided a picture of the most recent payment services offered by banks/non-banks and the activities carried out by 'oversight function', both at national and European level. Specific focus was devoted to the security of payment services, with reference to the SecuRe Pay Forum. In addition, progress under way in Europe was also illustrated, in particular in relation to the revision of the Payment Systems Directive (PSD2) and the Interchange Fees Regulation. The distinction between systemically important payment systems (SIPS) and non-systemically important ones was illustrated, with speakers focusing on the sharing of responsibilities within the Eurosystem and the approach followed at international level. Experts described the responsibilities of the Bank of Italy in relation to financial market infrastructures, i.e. central counterparties, central securities depositories and their technical services providers. Within this framework, the Bank of Italy's main goal is stability. Speakers highlighted the rapid progress at European level in this field, with T2S as one of the major factors of change.

The seminar was attended by 26 participants from all over the world; we also had the pleasure to host, for the first time at our seminars, representatives from the Central Banks of Indonesia and Mozambique. Such a multicultural environment provided a stimulating and lively climate. Moreover, participants had a chance to see some of the most

innovative technological tools supporting the Eurosystem's operations in the field of payment and securities settlement systems.

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



BANCA D'ITALIA
EUROSISTEMA

Directorate General for Economics, Statistics and Research

Via Nazionale, 91
00184 Roma—Italia
Tel. +390647921

www.bancaditalia.it

 [Youtube.com/bancaditalia](https://www.youtube.com/bancaditalia)

 [Google.com/+BancaditaliaEurosistema](https://plus.google.com/+BancaditaliaEurosistema)

 [@UfficioStampaBI](https://twitter.com/UfficioStampaBI)

This issue has been prepared by:

Donatella Bernabucci, Giovanni Candura, Miriam Di Battista, Paolo Di Traglia, Francesco Massimi, Giandomenico Messina, Luigi Pieretti, Pietro Steconi, and Pietro Tiberi.

Thanks also to Giovanni Cifoni for his contribution.