



**BANCA D'ITALIA**  
EUROSISTEMA



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INTERNATIONAL TECHNICAL COOPERATION  
**NEWSLETTER**



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.

**T**he 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.

**T**he 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>

**2017 (1<sup>st</sup> Semester)**

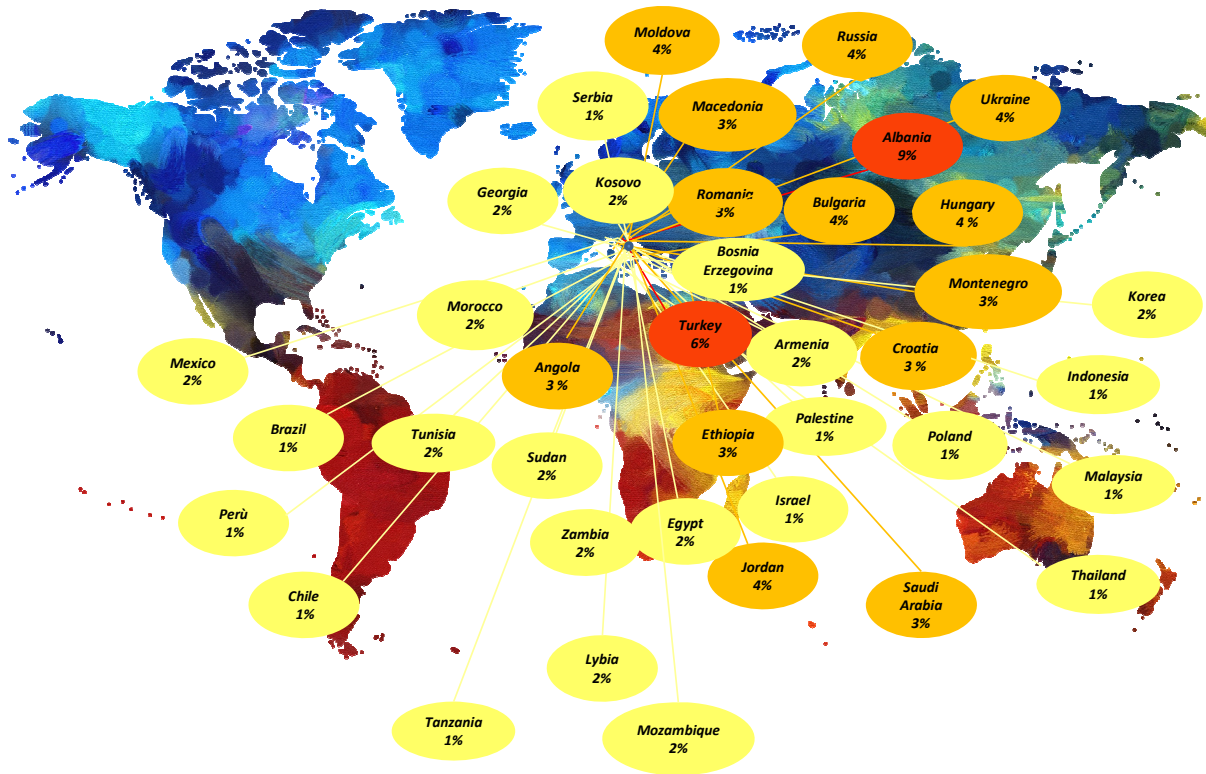
**Highlights**

**T**he activities in the first part of the year featured of two seminars, one workshop, six study visits, nine missions abroad (one of which financed by the European Commission through TAIEX funds), five videoconferences and five written consultations.

Activities in Rome involved a total of 105 participants from all over the world.

# Did you know that ...

In the first part of 2017, activities showed a slight concentration towards Albania and Turkey, with all the other countries accounting for smaller shares

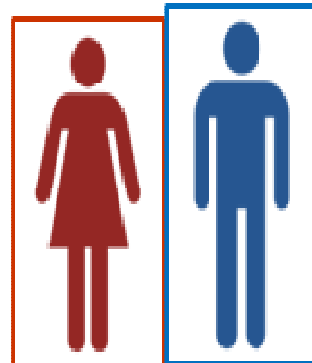


Videoconferences are increasing: an effective way to train and build relationships, less costly than traditional meetings... Thanks to technology!



49%

51%



Overall, participation was well balanced in terms of gender

## Seminars & Workshops

### **Seminar on ‘The Legal Function in a Central Bank: the Experience of the Bank of Italy’**

**(Rome, 22-24 March 2017)**

**Participants: 25**

Twenty-five lawyers from 25 central banks of emerging countries took part in the event, which enabled the participants to share their experiences moving beyond the scheduled topics.

The seminar was divided into five modules: following a general outline of the status of lawyers and the management of legal risk, the specific functions of counselling and litigation were illustrated.

[\[Read more on page 8\]](#)

### **Workshop on ‘Internal Control and Risk Management in a Central Bank’**

**(Rome, 6-7 April 2017)**

**Participants: 26**

In recent years central banks have been facing new challenges stemming from the financial crisis, which required them to take on new roles at national and international levels. They must ensure financial stability, supporting the economic growth of a country and contributing to the advancement of the economy, welfare and wealth of a system

of countries such as the Eurosystem. This requires a central bank to act on the basis of robust governance and procedures that allow it to manage risks properly. Essentially, central banks must do what they have preached for years to the financial community. [\[Read more on page 8\]](#)

### **Seminar on ‘Central Bank Communication in a Dynamic Environment’**

**(Rome, 5-7 June 2017)**

**Participants: 27**

As the external environment is more dynamic and complex, communication has become a strategic function that contributes to central banks’ goals and effectiveness. Being more accountable and transparent to the public is not enough. The international seminar on ‘Central Bank Communication in a Dynamic Environment’ provided a platform for discussion and the exchange of views open to all communication experts and practitioners within the central banking community of emerging economies. The second edition of the seminar – the first was held in 2012 – came after a period of turbulence in the economic and political arenas in which new issues in communication have emerged and played a significant role. [\[Read more on page 10\]](#)

*‘The seminars and workshops held by the Bank of Italy not only provided the opportunity for our representatives to learn and gain more knowledge but also expanded our networking in the central bank community’*

*The Bank of Thailand*

**2017****Forthcoming Seminars****Seminar on 'Balance of Payments Data Production According to BPM6: the Experience of the Bank of Italy'****(Rome, 12-14 July 2017)**

The ECB recently revised the external statistics data requirements pursuant to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). Against this background, the Bank of Italy has reengineered the process of balance of payments (BoP) data production according to the new international standards.

The seminar shows the methodology of data collection and production for the main BoP items adopted in Bank of Italy.

**Seminar on 'Monetary Policy Implementation and Liquidity Management'****(Rome, 22-24 November 2017)**

The turmoil in the money and financial markets has presented central banks around the world with unprecedented challenges. This seminar provides participants with an overview of the Eurosystem's response with a special focus on the Bank of Italy's experience.

Particular attention will be devoted to: the tools available to safeguard the effective conduct of monetary policy; the smooth provision of liquidity to market participants; the orderly functioning of financial markets; related financial stability issues; and the implications for central banks' asset and liability management.



*Seminar on The Legal Function in a Central Bank: the Experience of the Bank of Italy*

**2017****Forthcoming Workshops****Workshop on 'Financial Reporting and Operating and Accounting Systems: the Case of the Bank of Italy'****(Rome, 28-29 September 2017)**

Financial reporting for central banks is becoming more and more important. In recent years the financial crisis has increased the complexity of operations, their risks and the need for transparency, creating challenges for the accounting function. Well-structured operating and accounting systems help central banks achieve their objectives in a timely and efficient manner, allowing the smooth collection and processing of data for financial reporting purposes.

Focusing on the Bank of Italy's experience, the workshop will discuss the main objectives, duties and responsibilities of the accounting function. The manner in which the Eurosystem accounting rules have been implemented will also be discussed, together with the approach followed to build an integrated system where the operating procedures (i.e. payments, settlements, monetary policy operations) are linked to the accounting procedures, ensuring the timeliness and the accuracy of financial reports.

**Workshop on 'Macroprudential Analyses and Supervision'****(Rome, 19-20 October 2017)**

The global financial crisis has shown the need to develop and improve macroprudential analysis methodologies and tools in order to promote financial stability. The workshop will focus on some aspects of the methodolo-

gy and application of the Italian and EU framework for macroprudential analysis and supervision.

The programme includes: an overview of the Italian and EU framework for macroprudential supervision; macroprudential analysis tools, focusing on the risks associated to the real estate market; macroprudential policy tools: the countercyclical capital buffer and the reserve requirements for systemically important financial institutions; system-wide (macroprudential) stress tests.

**Workshop on 'Customer Protection in the Banking Sector - the Role of the Bank of Italy'****(Rome, 4-5 December 2017)**

After a general overview of the Italian customer protection regulation and the role of the competent authorities, the workshop will focus on the role of the Bank of Italy: the organization of the Directorate General for Financial Supervision and Regulation and the emphasis on customer protection; mission, duties and responsibilities on customer protection (transparency and correctness controls, financial education, administrative support to the alternative dispute resolution mechanism, complaints handling); key activities and the development of the control function (approach and tools).

Special sessions will be dedicated to the contribution of on-site inspections, the role of thematic inspections, enforcement tools, financial education, and the ADR mechanism. Some participants from other central banks will be asked to share their experiences in dedicated sessions.

**2018**

## Seminar & Workshop Catalogue Preview

**Workshop on 'Integrating the key variables in a changing organization: approaches and tools'**

**(Rome, 15-16 February 2018)**

**Workshop on 'Banknote circulation, the cash cycle and the Bank of Italy's monitoring of professional cash handlers'**

**(Rome, March 2018, *date to be defined*)**

**Workshop on 'Supervisory activities: IT tools for data management'**

**(Rome, 12-13 April 2018)**

**Seminar on 'Cybersecurity challenges for central banks'**

**(Rome, 16-18 May 2018)**

**Seminar on 'Current issues on liquidity and funding risk: the Bank of Italy's experience in analysis, measurement and surveillance'**

**(Rome, 20-22 June 2018)**

**Workshop on 'Sample surveys in central banking'**

**(Rome, 8-9 October 2018)**

**Seminar on 'Post-trading for monetary policy and investment operations'**

**(Rome, 12-14 November 2018)**

**Seminar on 'Payment systems and market infrastructures in the EU; policy, operation, oversight. The Bank of Italy's experience'**

**(Rome, 12-14 December 2018)**

**Workshop on 'Euro banknote production at the Bank of Italy - outstanding features'**

**(Rome, February 2019, *date to be defined*)**

The definitive 2018 seminar and workshop catalogue and more detailed information will be published soon on the Bank of Italy's website

## General Information

Participation in the 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.

Seminars usually last 3 days; workshops last 2 days at the most.

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

We usually accept only one representative from each institution.

Our seminars and workshops are as interactive as possible. Occasionally, selected participants are invited to deliver short presentations in order to stimulate discussion and debate.

## Contacts

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*The Bank of Italy's new conference centre*

## Seminars & Workshops (...continued)

**(Seminar on ‘The Legal Function in a Central Bank: the Experience of the Bank of Italy’, continued from page 3)** Given the high level of integration of the Bank of Italy into the federal system of the European Union and of the euro area, there was a special focus on the legal activity that is shared within EU institutions and central banks (e.g. monetary policy, banking supervision, bank resolution, and macroprudential supervision). A module on administrative support to legal activity completed the picture, with special attention devoted to the services related to the proceedings of web-based courts.

Some of the participants (the representatives of the Central Banks of Croatia, Ethiopia, Russia and Turkey) contributed to the event by speaking about their national experiences.

At the heart of the seminar was a speech given by the General Counsel of the Bank of Italy on soft law and its increased role in the globalization era.

Soft law acts identify best practices and try to influence the agenda of the regulated actors on issues not yet codified by the law.

Soft law acts are issued by technical bodies that are not connected to political institutions participating in the legislative process; thereby, soft law acts are not binding per se. Their strength derives either from being produced by the regulated entities themselves, or by the depth of the analysis underpinning them.



*Seminar on The Legal Function in a Central Bank: the Experience of the Bank of Italy*

In a globalized financial landscape, institutions such as the BIS, the IMF, the World Bank, the OECD and the WTO produce soft laws to ensure that the system can grow in sustainable way.

Still mainly centred on national processes, binding laws appear less and less suited to the multilateral reality and the globalized world.

Nonetheless, even soft laws are facing criticism, as the financial crisis generated economic and social difficulties that required clear political interfaces; right or wrong, a cause of those difficulties was identified in the distance between the soft law bodies and the local needs of the various parts of the world. Stemming from this is a tendency to reinforce at least the accountability mechanism of the soft law bodies and the challenge of providing clearer links with general political stances.

**(Workshop on ‘Internal Control and Risk Management in a Central Bank’, continued from page 3)** This new challenge is perceived as highly critical in the central banking community and the new trend that is emerging is to adopt standards and models which have proven to be successful. The Three Lines of Defence model (3LOD) is internationally recognized as one of the most effective systems to manage risks in an organization. It is based on the identification of specific roles and clear responsibilities within a three-layered system: in the first layer are risk owners, which are responsible for the implementation of internal control procedures; in the second layer are risk specialists who provide the organizations with methods, policies and advice on specific risks; finally, the third layer is internal audit.

The workshop offered the opportunity to share ideas and experiences about the model, pointing out the common challenges and barriers that emerged during its implementation. The pre-workshop survey highlighted how important this topic is for central banks. All the participating institutions are highly motivated and committed to do better in the field of in-

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*Workshop on Internal Control and Risk Management in a Central Bank*

ternal control and risk management, as confirmed, among others, by the presentations delivered by the representatives of the Bank of Mexico and the Saudi Arabian Monetary Authority.

The two-day workshop started with a short introduction on the implementation of the 3LOD in the Bank of Italy. Afterwards, some representatives of the second line of defence of the Bank gave a presentation about how they perform their role according to the model, which risks they are addressing and what the relation is with the other lines of defence, including the internal audit.

In this context, the key word is cooperation. The effectiveness of such a model relies on rigorous cooperation between the lines. Such cooperation may be achieved through progressive stages. In



*Workshop on Internal Control and Risk Management in a Central Bank*

the first stage, a common understanding of entity-wide risks is key. Afterwards, it is important to map what kind of information is produced and reported. A further stage may be exploring the possibility of streamlining such information flows to the Governing Board (i.e. vertically) and establishing a regular exchange of information horizontally (i.e. between the lines). One of the final objectives of this process is to draft an integrated report that includes financial and non-financial information. The latter is provided by players dealing with risks on a regular basis and at entity level (such as risk managers, compliance officers, ethics officers, business continuity managers, financial controllers, quality officers, and internal auditors). It is recognized that these types of reports provide the Governing Board with a snapshot of the Bank's risk status.

This is also a big challenge for internal auditors, who can add substantial value to this process thanks to their independence, their privileged point of view and their mission, which is to protect the organization and enhance the internal control system.

In the second day, all participants took part in a role play based on a real incident. Participants were grouped into 6 teams and assigned roles

according to the 3LOD model. The exercise required them to act and take decisions ... in cooperation with others, of course! This was extremely interesting because

even though the event and the topic proposed to the different groups were the same, each team pointed out different issues on the matter. As a result, we all agreed that in an organization, cooperation is both an important issue and a key factor of success.

The 3LOD can be the baseline for developing important concepts for organizations like central banks, such as the 'combined assurance' approach, where the assurance provided by each player regarding its own area of responsibility is combined to produce a single integrated report. This way, an overall opinion on the adequacy of the organization's risk management system can be provided as well.

However, the road to success is long and still under construction. It involves different steps which mainly rely on proper coordination between the lines and the adoption of a widespread risk-oriented approach within the whole organization.

**(Seminar on 'Central Bank Communication in a Dynamic Environment', *continued from page 3*)**

The 2017 edition featured four sessions and benefited from the insights and experience of Bank of Italy experts and guest speakers from the central banks of Morocco and Russia, the European Central Bank, and a senior editor of the business daily newspaper 'Il Sole 24 Ore'.

The first session was dedicated to the key issues in central bank communication that have emerged since the last edition. Long-term forces such as global-

ization and the web are well known for the dramatic transformations they ushered in, but new phenomena have arisen over the last few years: big data and privacy, the development of alternative media models, and citizens' growing anxiety stemming from economic uncertainty. Working with stakeholders through communication is increasingly important. Central banks attach great importance to building, maintaining, and protecting their reputations and credibility. Therefore, issues such as stakeholder management, new media monitoring, relationships with the traditional media, reputation, and risk management were debated by experts from the Bank of Italy, guests from the media industry, and colleagues from other central banks. During this session, participants discussed the most recent insights in the academic literature and how to apply them in daily practice. The session also included participation in a diagnostic test to see how each organization compared with the rest of the group in the fields of issue management and crisis communication and prevention.

The second session was dedicated to internal communication as a way to strengthen organizational identity and align the organization's goals with those of its employees. The growing popularity of digital technologies for internal communication has created the potential

for a more widespread circulation of information within the same organization and made cross-functional collaboration easier and more efficient, breaking down boundaries between functional areas



*Seminar on Central Bank Communication in a Dynamic Environment*

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and democratizing content creation. Real-life examples of how the intranet and corporate magazines can actually be used to promote alignment were discussed by the participants.

The third session provided the audience with an engaging collaboration platform for central bank experts to share knowledge and discuss topics related to the latest web developments and trends. The discussions focused on digital communication and social media strategies and elaborated on how the Bank of Italy deploys a range of media such as text, graphics, video, and animation to communicate information and insights to the wider public and manage effective relationships with stakeholders.

The concluding session had a more ambitious goal: expanding audiences beyond the traditional public in an external environment of growing scepticism and volatile public opinion. In a fast-paced 24-hour news cycle, organizations started to recognize the im-

portance of engaging the public in a continuous dialogue, which does not necessarily translate into a disintermediation of traditional media outlets, but recognizes the media industry's role as a gatekeeper of information and the need to widen the scope and outreach of communication activities. The fragmentation of the media and the increasing gap between credible information and entertainment have reduced the ability of the general public to contextualize the information it consumes and have made it more vulnerable to volatility and risks. Central banks recognize that a better-informed public, especially on financial and economic matters, is far more likely to make sound financial decisions and understand the role of central banks in a market economy.



*Seminar on Central Bank Communication in a Dynamic Environment*

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