Centre for Technical Central Bank Cooperation

Annual Report 2015
On 1 July 2015, the Bundesbank celebrated the 25th anniversary of the introduction of the Deutsche Mark in what was at that time the German Democratic Republic (GDR). The Bundesbank’s most pressing task after the fall of the Berlin wall was to introduce the West German currency in the GDR. This took place just over three months before German reunification. The citizens of the GDR had demonstrated in favour of German reunification. After the borders were opened, further demonstrations were held under the slogan “If the Deutsche Mark comes, we’ll stay; if it doesn’t, we’ll go to it”.

Global interest in the Bundesbank’s culture of stability – which had made the Deutsche Mark such a strong currency – continued to grow in the wake of these events. The Bundesbank’s Centre for Technical Central Bank Cooperation (TCBC) assisted central and east European countries and the states of the former Soviet Union in setting up market-economy central bank systems. As a next step, our activities focused on integrating many countries into the European Union. The TCBC today provides a platform for international dialogue with central banks that are outside the European Union and the group of traditional industrial countries. These days, the many national central banks together form a “world” that, in different ways, is facing the same issues – be it structural change in the financial markets, technological developments in payment transactions or challenges to financial stability in the low-interest-rate environment.

In 2015, the Bundesbank worked together with a total of 98 central banks worldwide. More than 3,400 central bank employees participated in the 240 training and consultancy activities we provided.

Next year, the Bundesbank will continue to do everything in its power to provide hands-on advice and assistance for all monetary and supervisory authorities seeking its support. We have found that working together in a spirit of dialogue is the best way to find practical solutions for issues and problems that arise.

As in previous years, this Annual Report aims to provide an initial overview of the Bundesbank’s wide range of activities in the area of technical central bank cooperation. I wish you pleasant reading and look forward to welcoming our guests from around the world in the coming year.

Carl-Ludwig Thiele
Member of the Executive Board
Deutsche Bundesbank
The Deutsche Bundesbank’s Centre for Technical Central Bank Cooperation (TCBC) supports central banks around the world in their efforts to set up and expand market-based central bank systems with a focus on stability. Our aim is to share our knowledge and experience, to foster expert and personal dialogue among central banks and thus to contribute to global monetary and financial stability.

The experts at the Centre for Technical Central Bank Cooperation and specialists throughout the Bundesbank cover the entire spectrum of business, economic and legal issues facing central banks today. Our expertise centres around the Bundesbank’s five core business areas – monetary policy, the financial and monetary system, banking supervision, cash management and payment systems – as well as the topic of good governance.
Our mission

Exchanging knowledge and experience
Our work focuses primarily on exchanging knowledge and experience in practical central banking business, and less on imparting theoretical knowledge. In dialogue with our partners, we examine specific local circumstances and needs as precisely as possible before jointly seeking to develop solutions to the questions and issues our partners face. The feedback we receive from this exchange of views is hugely important for the Bundesbank’s work.

Networking
Establishing and maintaining close personal relationships is the key to sound and rewarding international cooperation. The work we do with our partner central banks benefits from partnerships we have built up over many years with monetary and financial supervisory authorities around the world. This is our way of fostering dialogue among central bank personnel and creating expert networks worldwide.

Openness and respect
Our offering is open to central banks and financial supervisory authorities the world over. We cultivate frank and unforced debate, giving due respect to foreign cultures and systems. Our overriding aim is to promote the intercultural exchange of knowledge, experience, ideas and opinions and to strengthen mutual understanding and trust. We welcome any suggestions for our future work that result from this.

We would be delighted to work with staff from your institution here in Frankfurt or in your home country.
What we offer

We provide a wide variety of flexible services. Alongside our standardised international central banking courses, which are outlined in detail in our annual seminar brochure (www.bundesbank.de/tzk), we also offer activities tailored to suit the particular needs of our partner organisations. Besides running our own projects, we also take part in third-party-funded projects, most of which are financed by the EU. We are also increasingly involved in international activities, and work closely with regional cooperation partners.

International central banking courses

Our international central banking courses cover a wide range of central bank-related topics. Attended by up to 25 participants – all from different countries and institutions – they also provide an ideal platform to exchange views and opinions with international peers. Courses are held in English in the form of traditional seminars, workshops and expert panels. Seminars focus on core aspects of central banking and are mostly aimed at newcomers. Workshops look in greater detail at specific subject areas and are primarily for employees with the relevant expertise. Expert panels, meanwhile, are designed exclusively for highly experienced employees, who are asked to give a presentation during the panel. The various course formats help attract a broad group of participants, from junior central bank staff to specialists. In 2015, we hosted 32 international central banking courses with a total of 566 participants from 87 countries. An online registration form is available to register for courses at www.bundesbank.de/coursereregistration.

Bilateral projects

Bilateral projects are tailored to suit our partners’ individual needs and demands. They cover the full repertoire of central banking and usually take the form of seminars, study visits, conferences and consultancy services. If the expertise of more than one Bundesbank specialist is required, these projects can be hosted in Germany; if a larger audience is to be reached, they can be organised in the partner’s home country. In 2015, we ran 200 bilateral projects attended by 2,865 participants from 60 countries. A bilateral project can be requested using the form which can be found at www.bundesbank.de/request.

240 activities with 3,431 participants in total.
External projects

The Bundesbank supports EU-funded projects promoting close ties with beneficiary countries. These include the twinning and TAIEX projects funded by the European Commission and the ESCB projects coordinated by the European Central Bank. Beneficiaries include candidate countries and potential candidates for EU membership, as well as countries covered by the European Neighbourhood Policy. The Bundesbank has participated in these projects since 2004 and will continue to do so in the future. In 2015, the Bundesbank provided experts for eight projects in five countries.

International cooperation

For many years now, we have been liaising with higher education institutions across the world as a way of pooling resources in the sharing of international best practices in central banking. For example, Bundesbank experts deliver lectures as part of the cooperation with the South East Asia Central Banks (SEACEN) Research and Training Centre in Kuala Lumpur, Malaysia, and the Center for Latin American Monetary Studies (CEMLA) in Mexico. Contacts also exist with the Arab Monetary Fund (AMF), the West African Monetary Institute (WAMI) and the Central Bank of West African States (BCEAO).

54% of activities took place in Germany. 340 experts were involved.
Our team

Back (left to right):
Peter Spicka, Dr Thomas Goswin, Silke Frühklug, Jörn Flegler, Martina Harms, Beate Westerberg-Lutz, Jens Fuhrmann, André Sturm, Daniel Januschka

Middle (left to right):
Silke Schrupp, Ralf Hannemann, Dr Martin Pontzen, Lisa Bauscher, Christa Lampe, Irina Schatalow, Angelika Ißlei, Jan Eckert

Front (left to right):
Andrea Mink, Martin Dinkelborg (Director), Claudia Brune (Deputy Director), Dr Martine Niederkorn, Christoph Stute

Missing:
Birgit Engelmann, Dr Sonja Juko, Patrick Kauk, Sylvia Villwock
Memoranda of Understanding

For several years, the Bundesbank has been concluding Memoranda of Understanding (MoUs) with interested partner central banks. These are mutual declarations of intent to cooperate within the framework of technical central bank cooperation. In the year under review, MoUs were concluded with the South African Reserve Bank (SARB), the Banco Central do Brasil and the Arab Monetary Fund (AMF). The scope of the MoU with the SARB is to be expanded in the coming year to include elements of closer cooperation in the area of research.

Relations between the Centre for Technical Central Bank Cooperation and the Banco Central do Brasil date back many years. The signing of the MoU by board members in Brasilia takes this relationship to the next level. For example, in the year the MoU was signed three events were organised for our colleagues in Brazil on topics such as central bank governance and public relations. The MoU with the AMF was signed in Abu Dhabi in mid-October. The Centre for Technical Central Bank Cooperation has been working with the AMF since back in 2010, primarily in the areas of monetary policy and financial stability. This intensified cooperation with the AMF, which serves as a geographical hub, helps to strengthen dialogue with Arab League countries.

We thus formalised our cooperation with two more G20 countries in 2015. On the one hand, the stronger demand for a formal exchange of thoughts and experiences within the central bank family has not been confined to the European Union (EU) and the group of traditional industrialised countries. On the other hand, by focusing our activities on regional hubs (primarily in Latin America and Africa thus far) we are taking account of more recent geopolitical developments and striving to optimise the way we deploy our resources.
Monetary policy
In 2015, weak global growth and low inflationary pressure in many places presented challenges for monetary policy worldwide. In the euro area, monetary policy was eased further against the backdrop of continued low inflation and concerns about economic consolidation. In this context, the asset purchase programme announced by the ECB in January sent tremors around the world, triggering monetary policy responses in other European countries (Switzerland, Sweden and Denmark). In emerging markets, growth concerns were coupled with apprehension about the abrupt capital and exchange rate movements which the tightening of monetary policy in the United States was expected to unleash.

The prevailing macroeconomic environment and monetary policy developments offered a variety of theoretical and practical points of departure for events in the Centre for Technical Central Bank Cooperation’s core business area, “Monetary policy and the economy” – from analysis of the macroeconomic environment, fundamental strategic and operational problems, and the scope of monetary policy to specific responses by central banks.

Key issues in the field of monetary policy and the economy in 2015

**Monetary policy environment:**
What key problems does the macroeconomic environment present for monetary policy?

**Monetary policy strategy:**
What monetary policy alternatives exist to boost economic momentum and avert risks to price stability?

**Monetary policy interaction:**
What effect does other central banks’ monetary policy have on a central bank’s own monetary policy objectives?

**Effectiveness of monetary policy:**
How can monetary policy decisions be implemented in a targeted and effective way?

**Correlation between monetary policy and financial stability:**
What challenges do selected financial market developments present for monetary policy implementation?

**Monetary policy communication:**
How can central banks communicate their monetary policy objectives and measures appropriately in the current environment?
International central banking courses

The workshop Implementing monetary policy, which was once again offered on two dates due to strong demand, aimed to provide information on the Eurosystem’s monetary policy framework. It focused primarily on the development of non-standard monetary policy measures and their practical implementation within the euro area. Of particular interest for participants was the quantitative easing programme announced by the Eurosystem in January. Participants were also given the opportunity to discuss with Bundesbank experts the challenges of liquidity analysis, questions relating to the design of individual monetary policy instruments and the specifics of the collateral framework. It was clear from these discussions that there is interest in a more in-depth review of specific aspects of monetary policy implementation. In response to this, the Centre for Technical Central Bank Cooperation plans to offer a range of subject-specific expert panels in 2016 to facilitate a more detailed exchange of information on selected technical issues.

At the suggestion of previous course participants, the seminar Monetary policy and the financial system was offered as a two-week course for the first time this year. The event is geared to central bank employees with little previous knowledge of monetary policy. The first week, which was held at the Bundesbank’s University of Applied Sciences in Hachenburg, covered general principles and policy issues relating to monetary policy, which were explored through presentations, case studies and group discussions. In the second week, participants were able to familiarise themselves with the specifics of the euro area’s monetary policy and financial system. Based on the overwhelmingly positive feedback from participants, the Centre for Technical Central Bank Cooperation plans to retain the new seminar format and offer this as a two-week course once again in 2016.

The expert panel Central bank transparency and monetary policy communication facilitated an open exchange of opinions among communication experts about the objectives, channels and limits of central bank communication. In his opening address, guest speaker Professor Ottmar Issing shared his personal experience – based on his many years serving on the Executive Board of the Bundesbank and the Governing Council of the ECB – of central bank communication and how it has evolved. Further highlights included an expert exchange of opinions with a spokesperson from the Czech National Bank, which received an award for central bank transparency in 2015. Special insights were offered by the panel discussion with two media representatives. This was complemented by presentations by the other participants, which provided a variety of ideas and practical examples of central bank communication at work.

Bilateral projects

The Centre for Technical Central Bank Cooperation ran a total of 28 seminars, workshops and expert panels in the field of Monetary policy and the economy. As always, the programmes were tailored to the specific requests and requirements of the partner central banks. The spectrum of topics covered ranged from general questions on monetary policy strategy to specific aspects of monetary policy implementation and how these interact with developments in the financial system. Depending on country-specific problems and interests, emphasis was placed on presenting and discussing operational techniques, while, in other cases, the focus was on discussing fundamental monetary policy and macroeconomic issues. The Bundesbank’s experience as well as developments in the Eurosystem remained the cornerstones of all programmes.

At the request of the National Bank of Georgia, a two-day seminar was held on specific questions
relating to the collateralisation of monetary policy operations and the development of a collateral framework. Due to converging interests, the event was also attended by employees from the central banks of Armenia, Macedonia and Montenegro. The discussions with experts from various areas of the Bundesbank focused, among other things, on issues relating to the formulation of selection criteria, processes and methods for assessing creditworthiness, pricing, and techniques for collateral mobilisation. These expert discussions in Germany gave rise to additional bilateral follow-up projects, as part of which a Bundesbank expert travelled to Georgia and Armenia on several occasions to offer further on-site technical support.

Within the scope of a large-scale training event for around 100 employees from the People’s Bank of China, the Centre for Technical Central Bank Cooperation developed a tailor-made seminar programme which primarily addressed the development and implementation of an operational monetary policy framework. In view of recent developments in the Chinese financial system, the central bank’s role in financial crises and various types of macroprudential instruments were also discussed.

An expert discussion with a high-ranking member of Indonesia’s central bank, Bank Indonesia, sought to provide a concise introduction to monetary policy issues. The meeting served as an individual preparation for new tasks and thus contributed, among other things, to improving the understanding of fundamental monetary policy considerations.

**International cooperation**

In the monetary policy and the economy business area, a regional seminar on Implementing monetary policy was held for the first time in cooperation with the Arab Monetary Fund (AMF). This seminar provided an overview of selected operational aspects and offered a platform to discuss the instruments and functioning of monetary policy with a wide circle of central banks from the Arab region. It also explained the distinguishing features of the Eurosystem. In light of the positive feedback, the cooperation with the AMF will be continued in this field in 2016.

At the request of the Moroccan central bank, Bank Al-Maghrib, the Centre for Technical Central Bank Cooperation, in cooperation with the Bundesbank’s Communications Department, developed a programme for a regional seminar on Central bank transparency and monetary policy communication. This seminar, which was held at Bank Al-Maghrib’s training centre in Rabat and also attended by central bank employees from other northern African countries, was specifically designed to be extremely interactive, as requested. As part of a facilitated group discussion, the degree of transparency at participating central banks was compared and development opportunities were discussed. Building on this, participants worked together to compile and present key elements of central bank communication in a group workshop. The special features of monetary policy communication via press conference were also simulated in a practical role-play exercise.
External projects

In the area of monetary policy, the Centre for Technical Central Bank Cooperation is working with the Banque de France as part of a comprehensive two-year EU twinning project in Tunisia. This project essentially seeks to advise the Central Bank of Tunisia on how to optimise the implementation of its monetary policy in various respects and make it more efficient. Two initial visits to Tunisia were made in 2015. Discussions at the Central Bank of Tunisia and with representatives of the banking sector served to take stock of the situation at that time. Building on these observations, an employee from the Centre for Technical Central Bank Cooperation conducted an in-depth problem analysis and compiled specific recommendations for action for the Central Bank of Tunisia. Further support will be provided for the internal discussion and implementation of the recommendations in 2016. To this end, a staff delegation from the Central Bank of Tunisia plans to visit the Bundesbank in Germany.

German monetary union of 1990 – a historic example for the Korean Peninsula?

Bilateral activity in South Korea: German Currency Union 1990, 8 to 9 September 2015

Much has been said and written about the German monetary union of 1990. There is no lack of background studies or critical commentaries. All the more surprising, therefore, was the request from the Bank of Korea (BoK) (South Korea) in autumn 2014 for a more in-depth dialogue on the issue of monetary union. Upon further enquiry, we discovered that our colleagues in South Korea had been interested in Germany’s monetary and economic union of 1990 for some time. At the request of the BoK, an initial workshop attended by individuals with first-hand experience of the events was held in Seoul in December 2014.

In summer 2015, a BoK delegation travelled to Germany to continue the discussion. This visit provided the opportunity to present in detail – in some cases – differing opinions to senior executives from this period. And it emerged that the debate over the right path to a shared economic and monetary area is still extremely fraught. In his opening remarks, Professor Wilhelm Nölling, who is now 82 years old and was President of the Land Central Bank in Hamburg in 1990, deftly addressed the problems associated with setting an exchange rate.
discussed at length. Examples of specific individual services were used to explain how various authorities worked together under difficult circumstances.

Despite intensive discussions and the sending of additional materials, further questions cropped up after the delegation’s visit, prompting another specialist visit in autumn 2015. It became apparent that the BoK staff had analysed our papers and statistics in great detail. Indeed, some of their questions went into the very minutiae of the data and the alignment of procedures. This will certainly not be the last of our discussions with the Bank of Korea. It shows, however, that the achievements of German economic and monetary union – especially the dedication of our colleagues in East and West Germany at that time – are held in very high regard internationally to this day. Such events are very rare, which makes Germany’s experience in this area all the more valuable.

The developments on the path to an economic and monetary union were also examined, giving our South Korean guests a clear picture of the different viewpoints. The contributions were followed by clear statements and lively discussions. Specialists also fleshed out the overall picture of the economic and logistical challenges which faced the Bundesbank in the spring of 1990. Despite the objectivity of those taking part, the emotional attachment of the speakers was clear for all to see, including our South Korean guests.

The discussions also offered background information on the financing of the monetary union and stabilisation of the financial system in the former GDR, as well as the technical and logistical challenges. The swift transition of an entire country to another system was not just a burden for the ostensibly stronger partner. The implications beyond just the figures and statistics were also addressed. Cooperation between colleagues in both German states was
Financial and monetary system
Central banks have a vested interest in properly functioning financial systems, as the financial system, and banks in particular, play an important role in the transmission of monetary policy impulses. A stable financial and monetary system is important for the Bundesbank not least because individual financial market participants’ liquidity needs can suddenly soar during a crisis. Such liquidity bottlenecks can spread rapidly, particularly if systemically important market players are affected.

In recent years, microprudential supervision and regulation have been increasingly complemented by a macroprudential perspective of the stability of the financial system as a whole. The extent to which individual institutions are high-risk, and their compliance with regulatory capital buffer requirements form the foundation of microprudential supervision, which is designed to safeguard the stability of individual institutions. But safeguarding financial stability goes beyond this. It involves ensuring that the financial system is able to perform its key macroeconomic functions at all times – particularly in periods of crisis and upheaval.

International central banking courses

In the area of financial stability, events on Financial stability, systemic risk and macroprudential policy have become the standard channel for presenting the latest developments in the field of financial stability. While the seminar explores a wide variety of current issues – from the use of macroprudential instruments and development of stress indicators and crisis indicators for the financial system to the role of the shadow banking system, insurance sector and financial market infrastructures – the workshops focus to a greater extent on practical applications.

This year, the spotlight fell on the development and use of the macroprudential toolkit, the challenges presented by the low-interest-rate environment for banks and insurers, and developments on real estate markets from the perspective of financial stability.

The expert panel on Recovery and resolution of financial institutions addressed the new European

Key issues in the field of financial and monetary system in 2015

Monitoring systemic risk
Can the failure of one market participant (or a group of market participants) compromise the functional viability of the entire financial system? Are individual market participants very large – that is to say, too big to fail – or too closely interlinked with other market actors, meaning they are too connected to fail?

Can many smaller market participants collectively engender systemic risk given that they are exposed to similar risks – are they too many to fail?

Objectives of macroprudential oversight and regulation
To identify and contain risks and misguided incentives. To ensure sufficient resilience in the financial system as a whole.
rules for the recovery and resolution of credit institutions. Since the onset of the financial crisis in 2007, governments looking to preserve financial stability have repeatedly been forced to use public funds to bail out credit institutions that run into difficulties. In an effort to prevent such bail-outs going forward, and also to facilitate the resolution of more complex banks without resorting to tax resources, policymakers joined forces at the global level to define a set of key attributes for resolution regimes. In the EU, two legislative projects were rolled out to put this initiative into practice – first, the Bank Recovery and Resolution Directive, a piece of legislation which applies across the entire EU, and second, the Regulation governing the Single Resolution Mechanism. As well as discussing the implementation of this legislation in individual EU countries, the expert panel also benefited greatly from learning about other countries’ experience in the field of restructuring credit institutions.

Bilateral projects

In conjunction with Bank Indonesia, a five-day workshop entitled Financial stability diagnostic in emerging markets was organised in Indonesia at the end of October. The workshop explored current issues relating to financial stability, macroprudential policy, Basel III and stress testing. Participants applied their new-found knowledge in exercises and case studies – for instance, on drafting financial stability reports and analysing real estate markets. More than 40 experts from the region took part in the course and also shared their own insights into various aspects of financial stability.

The seminar Indicators for real estate sector analysis, which was held at the Bank of Thailand at the end of November, addressed specific issues relating to the analysis of financial stability in real estate markets. The main focus was on the development of an analytical framework for measuring and observing developments in real estate markets, the suitability of specific indicators for this purpose, and the role of macroprudential policy in relation to developments in real estate markets. The seminar was complemented by contributions by experts from the Bank of Thailand on the current challenges in regional real estate markets and offered all participants the opportunity to take part in an informed exchange of expert knowledge which stood to benefit their own analytical tasks.

International cooperation

A joint seminar on Financial stability and macroprudential policy was held in cooperation with CEMLA and the Central Bank of Uruguay in Montevideo at the end of October. The seminar included contributions on financial stability analysis, bank restructuring and stress testing. In a case study, participants practised assessing financial stability themselves in a fictitious economy using stability indicators, stress testing and macroprudential instruments. The interactive course, with around 30 participants from across the region, was rounded off by contributions from the Central Bank of Uruguay on financial stability and the institutional basis for financial stability in Uruguay as well as current status reports on financial stability in the participating countries.

External projects

Aspects of financial stability were also on the agenda of an EU-funded ESCB programme designed to provide technical support for the Central Bank of Montenegro. The Bundesbank was involved in drawing up a needs analysis which aimed to assess how the financial stability analysis of the Central Bank of Montenegro can be improved further still. The project was completed in March 2015 with the presentation of the needs analysis report.
Old wine in new bottles?

International central banking course: Financial stability and macro-prudential policy, 22 to 26 June 2015

Most macroeconomic issues we discuss these days have come up before in one form or another. Financial stability, however, is a new policy area – or at least it has only had an explicit policy mandate since the onset of the financial crisis. But are the measures we are taking really so new? Or are they merely the same measures in different packaging – in other words, old wine in new bottles?

A group of experts from 21 countries met in Frankfurt to discuss these issues at the end of June 2015. The emphasis was on recent developments in Europe and Germany. The establishment of the European Systemic Risk Board was an important building block at the European level in establishing a credible framework for the identification and mitigation of systemic risk. Germany has transferred its national macroprudential mandate to the country’s Financial Stability Committee.

The contributions of participating countries focused on the design of the macroprudential toolkit and the relationship between monetary policy and financial stability. One contribution examined the vast experience amassed by Turkey in the last ten years in the use of macroprudential instruments. Another analysed the relationship between monetary policy and price stability from the perspective of the South African Reserve Bank. The institutional separation of micro- and macroprudential oversight was explored using Indonesia as an example. Besides general presentations of macroprudential frameworks (eg Tanzania), country-specific aspects – such as dollarisation in Ecuador – were also addressed. Finally, participants examined current key issues, such as the restructuring of credit institutions.

How a particular vintage of wine turns out often only becomes clear after a few years, with many external factors playing a role. It is not much different for macroprudential policy. Every decision about a particular measure is subject to a considerable degree of uncertainty. Whether or not evasive action has been taken and whether the objective of a measure has been achieved is often only clear with hindsight.

At the same time, it is important to engage in dialogue about the measures we can use to make financial markets more stable – and, in doing so, to consider what challenges lie ahead of us. This seminar, with informed contributions from – in some cases – high-ranking experts from all over the world, provided impetus for this.
Banking supervision
The creation of a European banking union is one of the most important reforms in Europe since the introduction of the euro. The Single Supervisory Mechanism has been up and running in the euro area since November 2014, and in 2016 the Single Resolution Mechanism will come into full force.

Key elements of the reform agenda for the global financial system were either implemented or set in train by the resolutions adopted by the G20 in Brisbane at the end of 2013. Banks’ resilience has been improved by elevated quantitative and qualitative capital requirements under the Basel III framework. Common standards for the leverage ratio, funding requirements and the amount of liquidity to be held, as well as reforms to remuneration practices, are likewise helping the banking system to become more resilient.

IT security is becoming an increasingly important issue. Cybercrime threats are on the rise worldwide and growing increasingly complex as attackers become more and more professional. Nowadays, digital banking is much more than just online banking. It involves video consultations, digital credit brokerage and the integration of social media into banking business. There would appear to be no end to the developments in this area.

**Key issues in the field of banking supervision in 2015**

- One year of European banking supervision: lessons learned
- Current status of banking regulation: too much or too little reform?
- IT security and expectations of banking supervision
- What does digitalisation mean for the banking sector?
International central banking courses

Recent developments in Europe in connection with the creation of the Single Supervisory Mechanism also feature in the range of seminars offered by the Centre for Technical Central Bank Cooperation. The special seminar Towards a European banking union: the Single Supervisory Mechanism for banks provided insights into the institutional and methodological principles of the Single Supervisory Mechanism and the future Single Resolution Mechanism. An expert panel on Stress testing was also included in the programme for the first time. Experts from the Bundesbank presented recent developments in the area of stress testing at the Bundesbank and in Europe. Participants from 15 countries worldwide reported on their research and preparatory work in this field. The result was a high-calibre exchange of expertise which continued throughout the year as part of a number of follow-up projects with individual countries.

The seminars Banking supervision under the Basel framework (basic/advanced) and On-site banking supervision have been part of the standard courses offered by the Centre for Technical Central Bank Cooperation in the area of banking supervision for many years now, and they are continuously modified to keep pace with regulatory progress. This year’s seminars on the Basel framework focused on recent developments in the supervisory review process and the prudential treatment of systemically important institutions. The main difference between the basic and advanced seminars is that the advanced seminar also covers the advanced Basel approaches to credit, market and operational risk. The on-site banking supervision seminar focused, among other things, on the review of the ICAAP and the examination of IT risk.

Bilateral projects

In the last year, the Centre for Technical Central Bank Cooperation has seen increasing demand in the area of banking supervision for bilateral cooperation in Latin America. It has received requests from central banks with responsibility for microprudential oversight, from financial supervisory authorities and from CEMLA, the Center for Latin American Monetary Studies. The majority of requests related to the implementation of Basel II and Basel III, the early warning system for banking supervision and the related sanction mechanisms. Also of great interest was the issue of bank restructuring, for which the Single Resolution Mechanism and national authorities are jointly responsible within the European banking union.

A three-day seminar was held in Lima in Peru, for example, covering not only general banking supervision issues, but also the supervisory treatment of securitisation positions. Although securitisation positions in emerging markets’ financial markets still play a relatively minor role on bank balance sheets compared with industrialised countries, the Superintendencia de Banca y Seguros del Perú (the body responsible for financial supervision in Peru) expects these financial instruments to play an increasingly important role in the business activities of Peruvian banks in future. The seminar began by providing a detailed overview of the common types of securitisation and how they work, as well as the accounting treatment on both sides of the bank balance sheet. Particular emphasis was placed on how the capital backing for risk cover is determined from these positions under the Basel regime. The seminar also looked at the expectations of German supervisors, within the scope of the supervisory review process (Basel II, Pillar 2), with regard to the risk management of banks active in this area.
When representatives of FEDECACES, an umbrella association for the cooperative sector in El Salvador, visited Germany, the Munich Regional Office provided support in the form of a presentation on the Bundesbank’s supervision of credit cooperatives. Here, the treatment of institutions in recovery in the cooperative sector was discussed in detail. The visit, which included representatives from Mexican and Cuban supervisory institutions, was organised by DRGV and once again demonstrated foreign organisations’ interest in the supervisory approach used by the Bundesbank.

A seminar on Prudential on-site inspections, which was designed as a follow-up to the seminar which took place in the previous year, was also held in Asunción in Paraguay. The previous seminar provided an introduction to risk-oriented supervision (off-site reviews) according to Basel II, Pillar 2. Because prudential on-site inspections play such a crucial role in the supervisory review process, however, the follow-up seminar fleshed out the remainder of the current supervisory approach. The fundamentals of inspection activities, inspection objectives and results, and the procedure for on-site inspections conducted by the Bundesbank were discussed in detail. The seminar was completed by an overview of the supervisory requirements for institutions’ stress test programmes, which must be an integral part of banks’ risk management systems.

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International cooperation

Mexico City hosted an international conference organised by CEMLA in conjunction with the Regional Director of the German Cooperative and Raiffeisen Confederation (DGRV) in South America. The topic was the Development of the cooperative sector in Latin America. Participants from South and Central America included not only supervisors and regulators, but also representatives of credit cooperative associations and umbrella associations, as well as some representatives of individual credit cooperatives. Among the speakers were two experienced banking supervisors from the Bundesbank, who used their presentations to outline the significance of credit cooperatives and their associations in the German banking sector and highlight the development and special features of supervisory approaches for cooperative institutions. The main focus was on the existing supervisory approach, which is set to become even more risk-oriented in future. The key changes to the supervisory structure, ie the Basel III regulations and the establishment of the banking union on the institutional side, were also discussed.
Europe’s Single Supervisory Mechanism (SSM) for banks was launched on 4 November 2014. The SSM is a significant step towards creating a more level playing field for supervisory practices across Europe and the first pillar of the banking union project. The second pillar, the Single Resolution Mechanism (SRM) for banks in Europe, is scheduled to come into force in 2016.

This seminar was offered for the first time in 2015 and is geared primarily to supervisory experts from EU member states outside the euro area, as well as from EU candidate countries and potential candidate countries. Geographically, the SSM applies only to those member states whose currency is the euro. Member states outside the euro area are able to opt into the SSM within the framework of close cooperation.

The seminar offered a comprehensive overview of the bodies and institutional structures of the SSM. The tasks of the Joint Supervisory Teams (JSTs) were analysed to shed light on the practicalities of supervising significant institutions. The supervisory review and evaluation process and the procedure for on-site inspections were presented from a methodological perspective. A key element of the preparatory work for the SSM was the comprehensive assessment of significant credit institutions. Participants therefore received first-hand accounts from experts who were involved in the comprehensive assessment, i.e. in assessing the quality of bank assets and the stability of institutions in stress tests.

High hopes surround the launch of the SSM. By shifting the perspective away from a national approach towards an overarching European view with a uniform administrative practice, the SSM regime has the potential to improve the competitive environment in Europe’s banking market. It is crucial – and this was also the unanimous view expressed at the seminar – that national and European supervisors work together. After all, the SSM is akin to a network in which national authorities and the ECB cooperate under the leadership of the ECB.
Cash management
In Germany, euro banknotes are the sole unrestricted legal tender. The Bundesbank, just like many other central banks around the world, is responsible for ensuring an efficient and smooth supply of cash, also in the event of disruptions to the cash cycle as well as in emergencies and times of crisis.

As part of this mandate, the Bundesbank’s branches processed almost 15 billion banknotes in 2015 with a value of over €450 billion. This is done in a highly efficient manner, thereby enabling the Bundesbank to ensure the exemplary quality of the banknotes in circulation in Germany. Within the framework of our TCBC training courses on the topic of cash management, we enable our participants to gain an insight into the organisation of cash processing at the Bundesbank, among other things. Which processes have we defined, which machines and applications does the Bundesbank use and how do we ensure security in this sensitive area? These are just a few of the topics that our partner central banks are interested in learning about.

Demand for cash is particularly strong in emergency situations and in times of crisis, be it as a means of payment, for example if the technical infrastructure were to be destroyed in the event of a natural disaster, or as a store of value. In this respect, cash is the most liquid means of payment; furthermore, banknotes are central bank money. This is particularly significant in times of heightened uncertainty when the general public wishes to physically hold cash that has been issued by a central bank, instead of just holding claims against a commercial bank. To date, the Eurosystem has issued banknotes with a total value of over €1 trillion. It therefore goes without saying that combating counterfeits is an important topic for the Bundesbank.

Key issues in the field of cash management in 2015

What role does the Bundesbank play in the national cash cycle in terms of cash processing?

How does the Bundesbank ensure a smooth and efficient supply of cash?

What machines and applications does it use?

What challenges are currently being faced in combating counterfeits?
International central banking courses

The seminar entitled Cash management and combating counterfeit money gave participants the opportunity to exchange views at length with the speakers on the development of private cash recycling. In addition to the cash processing performed by the Bundesbank, private cash handlers are also allowed to process banknotes and coins and to put them straight back into circulation provided they meet certain criteria. Private banknote recycling is based on an ECB decision on the authenticity and fitness checking and recirculation of euro banknotes. A discussion was also held on how the range of tasks in the area of cash management is evolving. The central bankers learned, for instance, that the Bundesbank carries out worldwide system tests on manufacturers’ banknote processing machines. The study commissioned by the Bundesbank on the payment behaviour of Germans at the point of sale met with particular interest among the participants.

While cash is still the most frequently used means of payment in Germany for day-to-day transactions, overall a slow change in payment habits is taking place, with a growing number of consumers preferring to pay by payment card than in cash. However, as yet there has been no identifiable loss of economic importance for cash. Cash is a traditional, reliable instrument for the settlement of payments and for storing value that is firmly established among the general public. It is also a sign of the trust placed in the single currency.

The focus of the expert panel on the Current challenges for cash management was on the development of the Bundesbank’s largest and most modern cash processing centre in Dortmund. The Bank’s new “superbranch” is scheduled to begin operations in the summer of 2019. At this new “superbranch”, a total of up to 16 cash processing machines will be in operation to check banknotes for authenticity and fitness for circulation, and the cash management know-how of five of the Bank’s previous branches will be pooled at a single location. It was also interesting for the participants to learn how the physically demanding task of cash processing is to be made easier at the new cash centre. For example, the workplace will be designed to meet the very latest ergonomic standards. This will include the use of driverless transport vehicles, for instance, for moving the cash within the building. The Bundesbank’s decision to introduce a new generation of cash processing machines in the next few years, which will go a long way towards meeting the Bank’s objective of boosting cash processing efficiency, also met with interest. As in previous years, the participants took the opportunity to hold presentations on current developments in the cash cycle in their home countries. These presentations often serve as a good starting point for lively group discussions. More often than not, these exchanges of opinions and different views lead to participants returning to their home countries with a whole range of new ideas for their daily work.

The expert panel on Combating counterfeit money by the National Analysis Centre in Mainz is aimed at participants who already have specialist knowledge. Building on the insights gained from the last expert panel, this time it was decided that greater importance should be attached to conveying practical knowledge, in addition to theoretical considerations. The practical issues of counterfeit classification and the technical analysis of banknote counterfeits during hands-on exercises met with great interest among the participants. The number of participants is deliberately kept small as this ensures an intensive dialogue between participants and the experts at the National Analysis Centre. One change to the programme for 2016 will therefore be to extend the expert panel by one day, making it a total of four days, in order to allow more time for practical exercises.
The workshop entitled **Combating money laundering** boasts a diverse group of speakers, so it provides an excellent insight into the different perspectives with regard to the issue of money laundering in Germany. This year, alongside specialists from the Bundesbank, the Federal Financial Supervisory Authority (BaFin), the Frankfurt Public Prosecutor’s Office as well as from the Federal Criminal Police Office, we also had the pleasure of welcoming representatives from international financial institutions to partake in the discussions with the participants about the problems involved in and the possible solutions to money laundering. It was particularly interesting for the participants to talk to the representative from BaFin about the Fourth Money Laundering Directive and the new Regulation on information accompanying transfers of funds (Geldtransferverordnung), both of which came into force only this year. At the same time, comprehensive risk analyses, additional requirements for the obligated parties and stricter provisions in the penalty regime also aim to foster convergence of national regulations within the EU. During the discussion with the public prosecutor’s office, participants were, however, also made well aware of the fact that despite the increase in the number of reports on suspicious cases, this is not always an indication of the quality of the reports, which does not make the prosecution process any easier. Owing to the keen interest that was shown in the workshop, the course on Combating money laundering will be repeated next year. Based on the feedback that we received at the end of the session, participants will be given more time next year for their own presentations.

### Bilateral projects

This year, the Centre for Technical Central Bank Cooperation saw growing demand for bilateral cooperations in the area of cash management from Central Asia and Eastern Europe. The requests from the central banks were primarily focused on the provision of assistance in the planning and building of new cash processing centres in the respective countries. There was also demand from our partner central banks for workshops and seminars about the cash cycle to be held in the respective countries themselves.

The **National Bank of the Kyrgyz Republic** in Bishkek is now planning to build a new **cash processing centre**, for instance. The project will be accompanied by the Swiss National Bank (SNB) and the Deutsche Bundesbank within the framework of their technical central bank cooperation work. As part of this project, numerous consultations took place this year in the Kyrgyz Republic, Switzerland and Germany. Now that a concrete roadmap for the construction of a cash centre has been developed following a number of workshops and visits to Bundesbank and SNB branches, major steps have been taken towards building a new cash centre in Bishkek. Other central banks, such as the National Bank of Ukraine and the National Bank of Kazakhstan, are now also toying with the idea of building new cash centres of their own, and they can benefit from the specialist knowledge of the Bundesbank’s experts, who have already helped plan and build similar cash centres in Botswana and Georgia.

Seminars and workshops on **cash management** at the Bundesbank were held throughout the year at the central banks in Belarus, Romania and Algeria, for instance. In each case, our experts tailored the cash management-related issues to the needs of the specific country. The main common topic of interest was the role that a central bank should play in the cash cycle. The workshops also provide the opportunity to discuss topics such as ways to increase efficiency in cash processing and to exchange different views and opinions on how to prevent crises.
Payment systems
With the introduction of the Single Euro Payments Area (SEPA) in 2014, a harmonised European framework was put in place for the processing of electronic payments. Cross-border euro credit transfers and direct debits can now be effected conveniently, quickly and inexpensively among 34 countries. It therefore comes as no surprise that many of our partner countries are also showing an interest in this system. What is more, TARGET2 (Trans-European Automated Real-time Gross settlement Express Transfer system) and the integrated cross-border securities settlement system T2S (TARGET2-Securities), which was launched this year and which the Bundesbank helped to develop, have also attracted major interest around the world. Our payment systems experts have used seminars and consultancy services to competently present background information and explain processes and technical details to interested parties. Moreover, current developments have coloured discussions among participants and Bundesbank experts. With respect to payment systems, new technical capabilities have emerged alongside a shift in consumer interests. Under the umbrella of digitalisation, smartphones, in particular, are acquiring ever greater significance as a means of making payment. Payment services are no longer necessarily provided by banks in the classic sense of the word as fintech companies offering various digital payment methods have been making inroads into the market. Payment procedures are therefore becoming more and more complex. Central banks are in a position to help shape the future of payment systems, both as a regulating body, a user and a provider.

Key issues in the field of payment systems in 2015

What clearing and settlement services are offered by the Bundesbank? What schemes does it use to effect clearing and settlement?

What role does the Bundesbank play in payment systems oversight? What does its role in this regard entail?

What challenges are posed by the digital structural change in payment services?
addressed. Owing to the growing impact of digitalisation in the realm of payments, greater importance will be attached to this aspect when deciding the content of future seminars.

Bilateral projects

As part of a new bilateral project with the Bank of the Lao PDR, two Bundesbank representatives travelled to Vientiane to give a three-day seminar. The seminar entitled Payment systems concentrated on individual and retail payments in the European payments landscape. Following a brief introduction to the basic concepts underpinning payment operations and an overview of the various players involved in European payment systems, the 35 participants from different sections of the Lao central bank gained a penetrating insight into the workings and setup of TARGET2, learning about the milestones reached thus far in shaping SEPA migration. At their request, they were also provided with an explanation of cheque clearing at the Bundesbank. The seminar generated a lively debate about the role of a central bank with regard to payments, the organisational structure of any given central bank’s payments department and the possible parallels that could be drawn between the efforts made up to now to harmonise payment systems in the Eurosystem and the imminent payment-related challenges facing Laos in view of the ASEAN initiative.

In collaboration with Bank Indonesia and the Central Bank of Montenegro, a seminar spanning several days was held in Frankfurt dealing with key aspects of payment systems. A presentation on the latest technological developments occurring in the field of retail payments also aroused a great deal of interest.
International cooperation

As part of our cooperation with CEMLA, we also put together a seminar on Payment systems which was hosted by the Banco Central del Paraguay. The presentations dealing with recent developments in the area of payment and settlement systems policy and the oversight of these systems were made by two colleagues from the Payment and Settlement Systems Department together with its Head and were attended by 33 representatives from twelve Latin American and Caribbean countries. Apart from providing an overview of the landscape in which the systems operate and of the legal regulations governing payment operations in Europe, the presentations covered developments relating to TARGET2 and TARGET2-Securities as well as the challenges posed by innovations in the field of payment systems. In addition, the Head of the Bundesbank’s Payment and Settlement Systems Department and the Deputy Governor of the Bank of Jamaica moderated several panel discussions in which seminar participants shone a light on current payments-related topics in their respective home countries.

In October 2015, the Central Bank of Armenia organised a conference entitled Experience of regulation and assessments of payment systems, development of retail services. The aim of this event was to provide the member states of the Eurasian Economic Community (EurAsEC) with a platform for sharing best practices in the field of payment systems. This conference was also attended by a Bundesbank expert who gave participants an additional insight into Germany’s experience in this area as well as lessons learned in this regard by the Eurosystem as a whole.

In December 2015, the Bundesbank dispatched two speakers to support the regional workshop on Payment and Settlement Systems in Port-au-Prince that was also organised by CEMLA (together with the Central Bank of Haiti). In order to present as wide a pool of practical experience as possible, additional input was provided by experts representing the central banks of Finland, Jamaica and Mexico. Participants in the workshop included not just representatives of the Bank of the Republic of Haiti but also experts from the central banks of Suriname and Jamaica. A discussion forum allowed attendees to share ideas and information on aspects of risk management, the operation of RTGS systems and payments systems oversight. Using practical examples, they exchanged details of their experience in modernising national infrastructures. This met with particular interest on the part of participants as the Central Bank of Haiti is only just embarking on this process.
Good governance
Good governance is more than just the action of governments; it also involves state actors and central banks. Because the promotion of good governance is a long-term and complex process, the focal issues in this area in 2015 were similar to those of previous years.

In addition to the creation of governance structures in the form of regulations and frameworks, these included issues which contribute indirectly to good governance, such as controlling issues, internal auditing, accounting, strategic planning, human resources management and information technology management.

International central banking courses

Seminars on good governance have become an integral part of our international central banking courses. As well as the seminar on Central bank governance in the narrower sense, these include activities on Controlling at central banks, IT auditing and Internal auditing. At the five-day seminar on Central bank governance, various key aspects, such as the code of conduct, audit of annual accounts and strategic planning, were presented and discussed. Owing to the growing importance of this topic with respect to the credibility and transparency of central banks, we plan to continue to offer these activities going forward. Efficient management is vital, especially with regard to the credibility of public institutions. With this in mind, another five-day seminar exploring issues relating to Controlling at central banks was offered. Here, both the function and the instruments used at the Bundesbank – including strategic and operational planning, organisational analyses and HR controlling – were presented and discussed. Information technology is playing an increasingly important role at almost every level, and central banks are no exception. From the perspective of good governance, it is therefore extremely important for internal audit to examine the technologies used. In the expert panel, participants compiled and discussed audit methods and approaches. In the internal auditing field, the main focus was on internationally recognised audit standards (IIA). Because

Key issues in the field of good governance in 2015

What instruments are required and used by central banks to ensure good governance in the narrower sense (eg internal rules and regulations) and in the wider sense (eg human resources management)?

What contribution do these instruments make to improving or maintaining the reputation of central banks?
most central banks already recognise and apply these standards, the Bundesbank plans to offer specialist expert panels in future to facilitate the exchange of experience at a deeper level in selected audit-related areas. In addition to the above-mentioned expert panel on IT auditing, the Bundesbank will therefore offer expert panels on “Cash-related processes at a central bank – risk coverage by the internal audit function” and “Design and application of a risk-oriented/risk-centric audit approach – best practices in 2016.”

Because credibility and transparency are integral parts of good governance, the Bundesbank has also been offering an expert panel on Procurement for a number of years. This topic is extremely important for central banks, especially in the context of the efficient allocation of funds. This course addresses not only processes for conducting procurement transactions (e.g. tendering procedures) and their technical (IT) implementation, but also contract management. The Bundesbank’s procedure for outsourcing services to third parties is also presented.

An expert panel on Accounting was offered in September 2015. The new IAS 9, which was adopted in July 2014 and sets out new regulations for the accounting of financial instruments, was presented. The new standards affect both the accounting of banks and central banks and the requirements for banking supervision. Unlike the regulations which have applied to date, the new standards give reporting entities greater discretionary leeway in the way they recognise and measure financial instruments. During the expert panel, participants from 16 countries had the opportunity to present the status of implementation in their respective banking sectors and the effects on banking supervision in their central banks.

The broad range of topics that fall under the umbrella of good governance includes Human resources management (HRM). This year’s HRM workshop was very much geared to practical requirements. Working in several groups, participants had the opportunity to discuss the implementation of HR policy measures in their central banks and identify problematic areas. These were discussed with the entire group and Bundesbank experts, and complemented by practical case studies based on the Bundesbank’s experience. The discussions served to highlight the importance of communication when implementing HR policy issues. Ensuring transparent procedures, and informing and involving all relevant departments within an institution on a timely basis, also play an important role. Course participants therefore returned to their institutions with a raft of ideas on how to improve internal communication channels based on the experience of the Bundesbank and other participating central banks.

Bilateral projects

In October 2015, two experienced colleagues from the Bundesbank’s Audit Department carried out a two-week external assessment of the internal audit function of the National Bank of the Republic of Belarus (NBRB) in accordance with IIA standards. An extensive analysis of documents prior to the assessment helped to reduce the burden on the NBRB. The final analysis was conducted on-site in Minsk and supplemented by interviews at the management and board levels. Ultimately, the assessment confirmed that the internal audit function of the NBRB complies in full with the relevant international standards. The few additional proposals made by the Bundesbank were gladly taken on board. The visit provided an opportunity for a mutually beneficial exchange of experience on all aspects of the procedures for annual and individual audit planning, as well as risk assessment in the internal audit unit.

A seminar on Governance and operational risk management was carried out with the Central Bank of Nepal. In addition to fundamental discussions about governance, the specialist topics presented and discussed included operational risk management at
central banks and business continuity management. An intensive exchange of experience was encouraged between the various topic blocks.

**Strategic planning** is a key element of good governance as it provides the guidelines for the future development of institutions. A three-day seminar on this topic was held with the Banco Central do Brasil in Brazil. Topic blocks included the strategic planning framework (vision and mission), and the development and implementation of specific objectives as well as measures for their implementation. The course was used as a platform for intensive discussion between the two central banks.

The Republic of Serbia is currently in the process of joining the EU. Since 2005, more or less all enterprises within the EU have had to comply with the [International Financial Reporting Standards](https://en.wikipedia.org/wiki/International_Financial_Reporting_Standards) (IFRSSs) when preparing their annual financial statements. In view of Serbia’s planned EU accession, commercial banks in Serbia – as well as the country’s central bank – have some catching up to do in this regard. This affects not only the central bank’s accounting processes, but also the fundamentals of banking supervision. One of the main problems for the Serbian financial market is its fairly manageable size. This makes it difficult to ensure reliable and neutral pricing. IFRS 13 offers an interesting approach to determining meaningful prices on the basis of market data. Participants also debated how the central bank can support necessary developments.

We received requests from various countries relating to IT topics which overlapped in many respects. After these had been bundled based on subject matter by experts from the Bundesbank’s IT Department, the following seminars were held. Central bank employees from Indonesia, Montenegro and Azerbaijan were interested in “IT process management”. In this context, they not only learned about the Bundesbank’s view, but also about the approaches in all participating countries. This was viewed in a very positive light by the attendees. Participants from Serbia, Macedonia, Montenegro and Mongolia took part in an IT seminar on issues relating to “Application development” and “IT systems for several business areas”. In a further seminar, participants from Serbia, Macedonia and Montenegro, which formed a very homogeneous group, discussed “IT service management” and “IT security” with their Bundesbank counterparts.

In connection with internal reorganisation processes at Banco del Paraguay (BdP), staff from that central bank have been making fact-finding trips to the Bundesbank’s Central Office and Hanover Regional Office and Branch since 2013 with a view to evaluating the suitability of the Bundesbank’s HR management instruments for supporting changes at BdP and allowing BdP to benefit from the experience the Bundesbank has gained from its restructuring process. This led to the request for Bundesbank staff to be made available for an exchange of ideas with BdP’s executive board. In spring 2015, two representatives of the Bundesbank were made available to the governor and the other members of the BdP executive board for an intensive discussion of specific issues relating to change processes in central banks. The Bundesbank’s HR management system meets the target requirements which are being developed for BdP in many respects; interest in the Bundesbank’s experience was therefore strong. The discussions were rounded off in Asunción by a meeting with the project group responsible for the change process under the management of the general manager of BdP.

**International cooperation**

Following the first Human resources management seminar to be offered by CEMLA in conjunction with the Bundesbank in 2013, which received a very positive response, this format was repeated in May 2015. The seminar, which was geared to HR managers, was offered in Bogotá after the meeting of the CEMLA HR Committee at the Banco Central de la Republica.
Colombia. With 45 participants from 22 Latin American central banks, it was very well received. During the 2 1/2-day seminar, two Bundesbank speakers covered all facets of the design, restructuring and use of HR management instruments and also discussed reorganisation and staff adjustment issues in central banks. The keen interest which the Bundesbank’s HR management expertise attracted was evident not only during the plenary discussions, but also in the numerous informal discussions among managers on the fringes of the seminar.
On the road to resilience

International central banking course, ad hoc expert panel:
IT service continuity,
9 to 11 April 2015

We all know the importance of being resilient on an individual level and we each have our own personal strategies for creating that resilience. But what strategies do we need to develop for our large-scale central bank operations? How shall we prepare our business and emergency management to withstand a crisis and guarantee a rapid and complete recovery? Linking the risks to the organisation’s strategic objectives also becomes a challenge, along with a heavy focus on the availability of IT services, as business processes depend more and more on information technology.

Most likely, central banks all over the world face the same issues and may be that one has a proven method of dealing with emergency situations. But how does everybody know about this if people responsible don’t have a suitable forum to share their experiences with others and benchmark different strategies of IT service continuity? Bringing together representatives from countries with differing risk profiles and sharing best practices would start to close the gap.

In the framework of technical central bank cooperation, the Deutsche Bundesbank called for presentations and invited six experts from four continents to Frankfurt. Even the deputy governor of the Bangko Sentral ng Pilipinas didn’t want to miss the opportunity to join this high-calibre expert panel. Since Typhoon Haiyan
made landfall through the Philippines in November 2013, IT service continuity has become a top-management matter here. In a vivid exchange of information, the team lively discussed how central banks of every size and domicile can benefit by building a well-defined road to resilience.

Even the best laid strategies and plans, with all probable contingencies accounted for, can go pear-shaped in the blink of an eye. Or, as Sir Winston Churchill once put it:

“However beautiful the strategy, you should occasionally look at the results”.

The quote simply implores us to check the results we are getting in the real world, not just assume the results will be according to the textbook. There are always unexpected factors, and everybody’s favourite, the unintended consequence.

In order to demonstrate the IT service continuity strategy for the TARGET-Single-Shared-Platform (TSSP) is effective and the IT service continuity plan can be relied upon at any time, the audience was invited to attend an official IT service continuity test. My colleague Anja Belkaid conducted the test and based on her planning, the IT service recovery team managed the relocation of the TSSP within the contracted 60-minute timeframe. The test was also a practical approach at pursuing the noble cause of reducing disaster vulnerability with the pragmatic strategy of partnering in business. However, strong relationships don’t blossom overnight and they usually can’t be planted in the middle of a crisis.

All participants agreed that testing close to reality as possible is the only reliable approach for checking the functioning of the IT service continuity plan. It also has the implication that you will use the information gathered to adjust the strategy and get things back on track if needed. For IT service continuity professionals, this final stage of the cycle is probably the most exciting and rewarding. The question to be considered here is how we make exercises relatable and engaging to ultimately prove that all the previous steps have contributed to this very moment.

IT service continuity helps central banks address dramatic large-scale disasters and macro-level risks, but it also aids the critical yet mundane activity of running a lean business. IT service continuity can uncover alternate ways of accomplishing objectives and promotes a strategically flexible culture. IT service continuity is on everyone’s mind more frequently, and embedding this culture continues slowly but steadily.

Arno Jebramzik CBCI
Outlook
From a geographical perspective, we expect to see our activities pick up in Latin America and the Middle East in the coming year, a view that is in keeping with the German government’s foreign policy guidelines. Preparations are under way for the conclusion of MoUs with further G20 countries. Existing MoUs which are about to expire will be extended in the course of the year. We will strive to enter into new EU partnership projects, particularly with central banks in western Balkan countries. The first steps have already been taken. We will also continue to endeavour to find the right solution for requests for tailor-made training measures from all partner institutions.

We have modified our existing courses to reflect recent developments in central banking, raising the number of international central bank courses on offer in the coming year by more than one-third to 40. And we will do our utmost to cater for the increasingly frequent requests for ever more specialised topics through ad hoc expert panels. We are confident that this approach will enable us to reach an even wider circle of interested experts. At the same time, our door will remain open to short-term advisory sessions next year. By special request, we plan to offer tailor-made executive training measures next year. These are intended for newly appointed board members in our partner central banks. On request, we will offer short, intensive training sessions, usually lasting three days.

The Bundesbank will continue to be an outward-looking and solution-oriented partner for central banks and supervisory authorities worldwide in the coming year.
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<td>AMF</td>
<td>Arab Monetary Fund</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>BaFin</td>
<td>Federal Financial Supervisory Authority</td>
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<td>BdP</td>
<td>Bank of Paraguay</td>
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<td>CEMLA</td>
<td>Center for Latin American Monetary Studies</td>
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<td>DGRV</td>
<td>Deutscher Genossenschafts- und Raiffeisenverband e.V.</td>
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<td>EBA</td>
<td>European Banking Authority</td>
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<td>GDR</td>
<td>German Democratic Republic</td>
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<td>HRM</td>
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<td>Internal Capital Adequacy Assessment Process</td>
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<td>International Financial Reporting Standard</td>
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<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>JST</td>
<td>Joint Supervisory Team</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>NAC</td>
<td>National Analysis Centre</td>
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<td>NBRB</td>
<td>National Bank of the Republic of Belarus</td>
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<td>RTGS</td>
<td>Real Time Gross Settlement</td>
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<td>SARB</td>
<td>South African Reserve Bank</td>
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<td>SEACEN</td>
<td>South East Asian Central Banks Research and Training Centre</td>
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<td>SecuRe Pay Forum</td>
<td>European Forum on the Security of Retail Payments</td>
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<td>SEPA</td>
<td>Single Euro Payments Area</td>
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<td>SNB</td>
<td>Swiss National Bank</td>
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<td>SRM</td>
<td>Single Resolution Mechanism</td>
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<td>SSM</td>
<td>Single Supervisory Mechanism</td>
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<td>TAIEX</td>
<td>Technical Assistance and Information Exchange Instrument</td>
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<td>TARGET</td>
<td>Trans-European Automated Real-time Gross Settlement Express Transfer System</td>
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