

The BCTL main mission consists in continuing to ensure and improve the quality of the services it provides to the Community, while maintaining a stable monetary system, as well as promoting a robust and functional financial system.

This mission is pursued by maintaining: a low and stable inflation rate, a secure and efficient payment system; credible functioning of all financial institutions, through the implementation of appropriate legal and regulatory standards and banking supervision; the financial education of the population; and conducting studies on the national economy, supported by rigorous and useful statistics.

Taking into account the BCTL's mission, this chapter provides an overview of the institution's mandates and functions, its governance structure and key activities carried out during 2022, as well as its 2023 action plan. The brief summary of annual activities also details the main initiatives developed throughout the year by each of the various functional areas of BCTL.

CHAPTER 03



3.1 Core Mandates and Functions

The BCTL is a legal person governed by public law, with administrative and financial autonomy and its own assets. The BCTL, its entities, employees and agents, enjoy independence and cannot receive instructions from external entities, and its Organic Law guarantees the necessary independence of the Central Bank vis-à-vis the Government.

As is common in most international central banks within the area of economic policy, BCTL's main objective is to ensure the stability of domestic prices. Other equally important objectives are the promotion and the maintenance of a financial system stability based on free market economy's principles, where there is appropriate competition. Having these objectives and principles as a guiding line, the Central Bank should also support the Government economic policies.

In order to achieve its objectives, the functions of the BCTL are, under the terms of the law:

- a)** Define and implement the country's monetary policy;
- b)** Define and adopt the exchange rate regime as well as the associated exchange rate policy;
- c)** Carry out operations in foreign currency;
- d)** Hold and manage the country's official external reserves;
- e)** Hold and manage the State's gold reserves;
- f)** Issue and manage the official currency of Timor-Leste
- g)** Collect and distribute statistical information regarding the areas within its competence, namely monetary, financial and balance of payments statistics;
- h)** Inform the National Parliament, the Government and the general public about the policies it implements;
- i)** Establish, promote and supervise the national payment system, in order to guarantee the efficient and safe execution of payments;
- j)** Regulate, license and supervise financial institutions operating in the country;
- k)** Advise the Government on matters within its competence;
- l)** Act as fiscal agent of the Government;
- m)** Participate in international organizations and meetings that concern the above-mentioned points;
- n)** Be part of contracts and establish agreements and protocols with national or foreign, public or private entities; and
- o)** Perform any other activities as defined by law.

Currently, some of these functions are not yet performed by the BCTL due to the adoption of the US dollar (USD) as the official currency of the country.

3.2 BCTL Organization and Governance

BCTL's highest authority is its Board of Directors, which formulates the institution's strategies and policies and oversees their implementation, including the supervision of the Bank's executive management and operational activities.

The Governor is the highest executive body of BCTL, or its Chief Executive Officer and is assisted by two Vice-Governors and a Management Committee composed of the Directors and heads of various departments of the Bank. At the end of 2022, the year of this report, the Board of Directors was composed by the Governor, two Vice-Governors and four non-executive members. The composition of the Board of Directors and the Management Committee are presented at the end of the chapter.

BCTL is internally organized into four main departments: Financial System Supervision; Banking and Payments Systems; Petroleum Fund Management; and Administration. Some Divisions and Units report directly to the Governor, namely the: Legal Unit, Internal Audit, Economics and Statistics Division, the Institutional Cooperation Affairs Unit, Human Resources Division (which previously belonged to the Administration Department) and the Financial Information Unit. The Accounting and Budget Division is dependent on the Deputy Governor responsible for the supervision of the financial system. The central bank is also in charge of the secretariat of the Advisory Board for the investment of the Petroleum Fund.

BCTL's Board of Directors continues to adopt the motto abbreviated by the acronym **TIMOR**, representing **T**ransparency, **I**ntegrity, **M**obilization, **O**bligation and **R**esponsibility, essential slogans in the day-to-day operations of the institution and of its employees.



Institutional Values

Transparency

We are a role model for society and for the institutions, our procedures and rules are clear and applied in a rigorous, universal and consistent way, both internally and externally.

Integrity

We exercise our business with honesty, high ethical and moral standards, respecting the confidentiality and legality in all actions and decisions involving our interests and resources.

Mobilization

We mobilize to provide the best service to the Timorese community, through the ability to consult, listen and learn so committed.

Ownership

We exhibit a sense of belonging and involvement, establishing as priority the objectives of the institution and showing availability to perform activities beyond the scope of our role.

Responsibility

We invest in expanding our technical and professional skills, deliver on the responsibilities that are assigned to us and that we proactively seek, through ongoing monitoring of the consequences of our decisions and actions.

BCTL has long adopted a code of ethics applicable to all employees, also covering appropriate guidelines in dealings with external entities to the Bank. The code of ethics includes strict rules on various aspects of the behaviour of those to whom it applies. Note, for example, the obligation of every Bank employee to perform its duties solely on the basis of serving the BCTL and general public interest, and not their individual interests, which includes not receiving instructions, whatever they may be, from entities other than the legally appointed structures of the Central Bank.

Bank employees are also, of course, forbidden to receive any remuneration from any persons or institutions who may be interested in influencing their decisions.

3.3 BCTL Activities in 2022

BCTL implemented several activities according to the plan defined in 2022, mainly those related to its mission to promote monetary and financial stability, develop the financial system and promote a secure and efficient payment system.

BCTL, in 2022, continued to preserve its mission to modernize the national payments system. In this regard, BCTL monitors the functioning of the implementation of R-TiMOR to serve the needs of the Government, mainly the Ministry of Finance and its sub-accounts. In fact, these services allow the Ministry of Finance and its sub-accounts to now have access to historical statements, prepare treasury management and project cash flows in real time. BCTL continues to make efforts to ensure necessary improvements to the R-TiMOR service system, maintaining coordination with the supplier and participants of R-TiMOR.

The BCTL, in 2022, continues to guarantee the full operation of real-time gross settlement systems (RTGs) in order to carry out financial transactions to meet the needs of the public, both the state and commercial banks. For this reason, BCTL also guarantees sufficient cash reserves. The Central Bank also continues to introduce new payment functionalities, namely taxes and B2W2B transfers. The functionality of B2W2B, in addition to enabling the payment of taxes, also allows any holder of a P24 card to transfer money from their bank account to a Mosan and T-Pay “e-wallet” account and vice versa

The BCTL Governing Board took several decisions throughout 2022, notably, among others, the approval of an instruction for the external auditors, the publication of the audit report and the annual report of insurers and insurance intermediaries in order to improve the audit program development procedures for the Insurance sector.

The celebration of the 8th anniversary of the National Savings Day, on November 29, 2022, took place at the administrative post of Baguia, municipality of Baucau. The program consisted of celebrating the 2nd anniversary of the “Campo Digital” program. This program was attended by members of the Governing Board of BCTL, representatives of SECOOP, MEJD, President of the Municipal Authority of Baucau, Commercial Banks, and ODTIs, and directors of primary and secondary schools.

In order to maintain relationship ties, in addition to institutional cooperation, and increase the sharing of information, BCTL through the Institutional Cooperation Affairs Unit (UACI) continues to exercise its functions in the development of cooperation with its counterpart and

other institutions, both national and international. Cooperation activities in 2022 have focused mainly on training, seminars and meetings, and technical assistance. Most of the cooperation activities between BCTL and its counterparts throughout 2022 were carried out in person with the easing of restrictions from the Covid-19 pandemic crisis.

These and other BCTL activities carried out in 2022 are described in more detail in the following section.

3.3.1. National Payment System

3.3.1.1. Interbank Clearing and Settlement System

During the period of 2022, the BCTL continued to act in a consistent manner, to always maintain sufficient cash reserves to meet the needs of cash payments requirement, both the State entities and commercial banks. In order to carry out the respective financial transactions, BCTL ensured the full functioning of the Gross Settlement in Real Time (RTGS) systems. Note that, in order to mitigate the impacts of the pandemic, in 2020 and 2021, it was not possible to determine the movements and amounts recorded in the Interbank Clearing and Settlement System (CEL) in Dili. Therefore, the activities of the Automatic Clearing House (ACC) system began to be processed directly by commercial banks and government. These activities continue in 2022, and commercial banks, however, only make credit notes and there is no clearing check by BCTL.

3.3.1.2. The SWIFT and R-TIMOR (RTGS) Systems

BCTL provides payment services to the public in two categories: domestic and international. Domestic payments are, in turn, of two types: High Value and Retail. International payments made from the country to the outside and vice versa, are always using the SWIFT system. Domestic payments, particularly with regard to retail payments, are directly processed in the automated clearing house (ACH), processing payments relating to salaries, veterans' subsidies, payments to suppliers, which, among others, are processed and transferred to commercial banks. Meanwhile, payments of large amounts, above 200 thousand USD, are always made through the RTGS. The RTGS system accepts all transaction amounts, on the contrary, the CCA system does not accept payments greater than 200 thousand USD.

Table 3.1

Domestic and International Payments
(Value in millions of USD, Quantity in 103)

	2021		2022		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
National Payments						
Automatic						
Clearing House	1,208.29	523,78	1,238.80	598,80	2.5	14.3
RTGS-FICT	14,73	4.015,63	18.21	5,561.73	23.6	38.5
RTGS-SCCT	76,49	1.206,87	92.16	1,565.51	20.5	29.7
Sub Total	1,299.52	5.746,27	1,349.17	7,726.04	3.8	34.5
International Payments						
Outgoing						
Transfer-SWIFT	1.32	1.088,85	1.4	1,638.6	6.1	50.5
Incoming						
Transfer-SWIFT	0.18	77,77	0.2	196.3	-4.4	152.4
Sub Total	1.50	1.166,62	1.58	1,834.88	4.9	57.3
Total	1,301.02	6.912,89	1,350.75	9,560.92	3.8	38.3

Source: BCTL

Table 3.1 shows the statistics on payments, both national and international, during the period 2022. With regard to national payments, 1.349 million operations were processed, corresponding to a total of 7.726 million USD, representing only an increase of 4 % in number and 34% in value compared to 2021, which compares with a growth of 108% and 140% in 2021 compared to 2020. Outgoing payments through RTGS continues to be the main driver of growth in operations, recording an increase of 38% in value compared to 2021. At the same time, there is a significant number of operations in ACH, with a weight of 92% in total operations in RTGS, but registers only a small value of its share, 9%. Due to the fact that the ACH only has to process small amounts of operations.

On the other hand, within the scope of international payment activities, 1,600 operations were processed, corresponding to a value of 1.835 million USD, which represented an increase of 5%, in terms of number, with an increase of 57% in value, compared to 2021.

The increase in the level of international activity in number and value transferred was mainly due to the increase in transfers sent abroad, with a weight of 89% of the total international payments made in 2022, increased by 6% and 50%, respectively,

Table 3.2 also presents data on international transactions, corresponding to transfer and receipt transactions carried out by commercial banks in 2022, therefore it only includes transactions carried out via SWIFT.



Table 3.2 SWIFT Transfers Incoming and Outgoing

(Value in millions of USD, Quantity 10³)

	2021		2022		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Transfer Incoming						
SWIFT	39.7	355.5	29.2	176.4	-26.4	-50.4
Non-SWIFT	52.9	805.0	33.3	158.6	-37.2	-80.3
Sub Total	92.6	1,160.5	62.4	335.0	-32.6	-71.1
Transfer Outgoing						
SWIFT	33.3	906.5	9.2	221.2	-72.4	-75.6
Non-SWIFT	60.9	807.5	107.1	1,237.2	75.8	53.2
Sub Total	94.3	1,714.0	116.3	1,458.4	23.4	-14.9
Total	186.9	2,874.4	178.8	1,793.5	-4.3	-37.6

Source: BCTL

The number of external transfers received and carried out in 2022, via SWIFT, amounted to a total of 29 thousand and corresponded to a value of 176 million USD, which led to a decrease of 26% in number and 50% in value. On the other hand, transfers made via non-SWIFT reached a volume of 33 thousand, which corresponded to a value of 159 million USD, which showed a decrease of 37% and 80%, respectively. Meanwhile, transfers abroad totaled 116 thousand transactions, with a value of 1.458 million USD, which resulted in an increase of 23%, in terms of quantity, and a decrease of 15% in terms of the amount transferred. Transfers of this type via SWIFT were the ones that most contributed to explaining the decrease in activity, having reduced by 72% in volume and 76% in terms of value.

3.3.1.3. The P24 System

The P24 system makes use of the R-TiMOR interbank network, allowing the P24 to automatically settle the net value of each bank's transactions, on a daily basis, or 24 hours and 7 days. The implementation of electronic system of P24 has the main objective to reduce the use of physical money (species) to carry out citizens' daily transactions. P24 allowed people without bank accounts, or those who are far from banks, to have electronic means of payment, in addition to cash, which are accepted in local markets and stores, also allowing citizens to make bank transfers.

Table 3.3 summarizes the evolution of transactions carried out in the P24 system in the country during 2022.



Table 3.3 P24 System

(Value in millions of USD, Quantity 10³)

	Financial Transactions				Non-Financial Transaction
	Cash Withdrawal		Transfer		Balance Inquiry
	Quantity	Value	Quantity	Value	
2021	1,512.1	187.7	22.6	8.0	0.5
2022	2,640.5	329.4	14.1	7.7	1.1

Source: BCTL

The numbers fascinated the evidence of a continued significant growth of financial transaction activities in the P24 in 2022. In 2022, 2.6 million cash withdrawal operations (cash) were carried out through the P24 system, corresponding to a value of 329 million USD, which resulted in a 75% increase in volume and value, respectively. Regarding the level of transfers carried out in P24, 14 thousand operations were registered, totaling \$7.7 million, which corresponds to a decrease of 38% and 5%, respectively, in relation to 2021.

3.3.1.4. The Electronic Wallet System Service (E-Wallet)

The Mosan and T-Pay system are electronic money wallet (E-Wallet) services that allow its users to transfer funds, withdraw and deposit money in their wallets, top up mobile phone balances, make electricity prepayments and consult balance and transaction history report.

For prudential reasons, limits were imposed on the ‘Mosan’ system, stipulating a maximum account balance of USD 500 and a maximum depositable per day of USD 300. While the maximum transaction of ‘T-Pay’ is 300 USD per day and the maximum balance per account is 300 USD. Mosan and T-Pay Agents, which act as ‘points of transaction’, allow their customers to:

- Transfer and receive funds;
- Depositing and withdraw money;
- Make purchases (QR-Code), including charging mobile phones and electricity; and Register user/account and update customer information.

‘Mosan and T-Pay’ thus allows access to basic financial services to citizens of sucos and villages who live far from the main urban centers and to citizens who still do not have the possibility of accessing formal financial services in Timor-Leste.



Table 3.4 shows the statistics relating to transactions carried out by this service in 2022. The levels of use of the Mosan and T-Pay system registered, in 2022, a significant increase. The total number of transactions, therefore, was 4,940 thousand, corresponding to 61.6 million USD, registering an increase of 461% in relation to the transaction volume, as opposed to a decrease of 0.1% in its value, in relation to 2021.

Table 3.4 E-wallet Service Transaction

(Value in millions of USD, Quantity in 10³)

	2021		2022		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Transfer	374.2	49.82	427.67	45.59	14.3	-8.5
Cash-in	3.37	0.05	410.82	6.16	12090.6	11485.1
Cash-out	298.34	7.92	38.09	4.99	-87.2	-36.9
Top-up	8.50	0.25	3,124.10	3.06	36658.4	1129.9
Buy data	173.66	0.16	602.75	0.64	247.1	302.3
Payment Utility	21.88	3.46	336.13	1.17	1436.5	-66.1
Total	879.9	61.66	4,939.56	61.62	461.3	-0.1

Source: BCTL

3.3.1.5. Banking System

The statistics presented in Table 3.5 summarize the evolution of transactions in 'cash' (coins or notes) and other means carried out by commercial banks in Timor-Leste. The number of 'currency' transactions carried out in 2022 totaled 1.6 million, corresponding to 54% of the total number of transactions carried out, with a nominal value of USD 4,330 million. These numbers translate into a 25% increase in number and a 50% increase in value, compared to 2021. Transactions in means other than "currency", on the contrary, represented 46% of the total number of transactions in the country, or 1.4 million transactions, corresponding to an aggregate value of USD 4,973 million. These values represent increases of 53% in number and 186% in value, compared to 2021.

Table 3.5. Cash and Non-cash Transaction

(Value in millions of USD, Quantity in 10³)

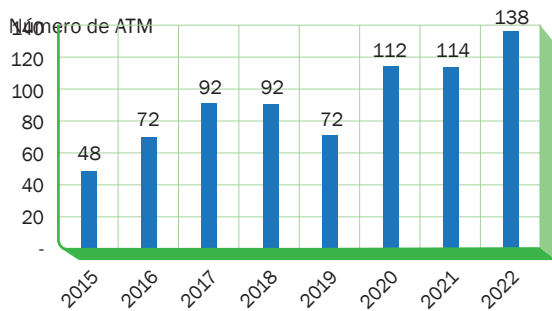
	2021		2022		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Cash Transaction	1,295	2,879	1,619	4,330	25.1	50.4
Non-cash Transaction	889	1,737	1,357	4,973	52.7	186.3
Total	2,184	4,616	2,976	9,302	36.3	101.5

Source: BCTL

BCTL wants the settlement of economic transactions to become progressively more efficient and effective, through greater usage of electronic means of payment and digital financial services. Consequently, BCTL continues to promote the substantial expansion of the network and range of automatic/digital payment services, that do not use banknotes/coins but make use of the national interconnection system for the expansion of payment services, stimulating the widespread use of credit and debit card and the mobile phone, as platforms for making payments.

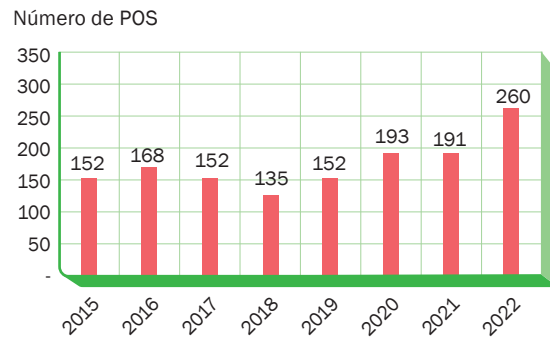
Graphs 3.1 and 3.2 describe the evolution of the number of payment terminals installed in the country, including automatic teller machines (ATM), which totaled 138 units in 2022 and 260 units of points-of-sale terminals (PoS). These values, when compared to December 2021, represent an increase of 21% for ATMs and 36% for PoS.

Chart 3.1
Automatic Teler Machines (ATM)



Source: BCTL

Chart 3.2
Automatic point of Sale (PoS)



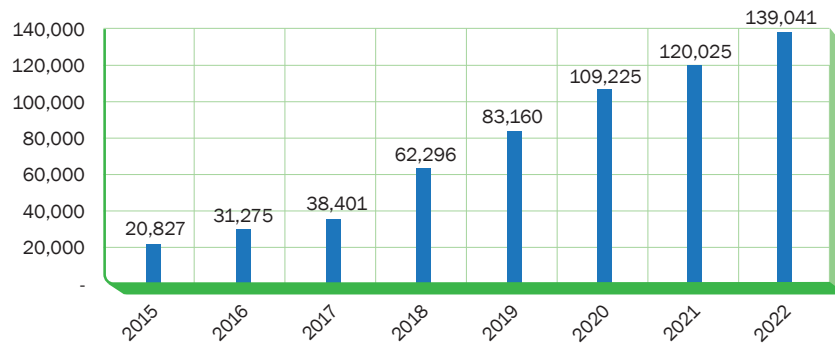
Source: BCTL

The evolution of bank cards issued in Timor-Leste can be seen in Graph 3.3. The number of active cards in circulation in the country totaled, in December 2022, around 139 thousand, which corresponds to an increase of 16% compared to the previous year, which resulted in an increase in their importance for the stock of national bank cards.



Chart 3.3

Number of Credit and Debit Card



Source: BCTL

3.3.1.6. Currency Imports and Exports

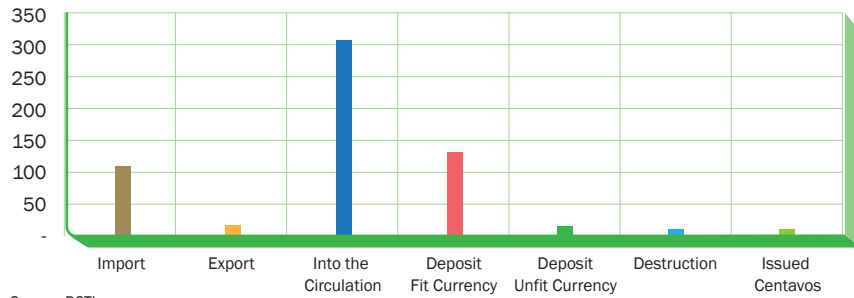
One of the fundamental functions of the BCTL is to manage the country's official currency. In this sense, the BCTL must ensure that the national economy has access to the necessary means of payment to support its economic agents' economic activities and the expected economic growth. BCTL, therefore, has an important role in protecting public confidence in the country's currency by: supplying and adequate level of banknotes and coins which, at all times, must satisfy public demand; and guarantee the physical integrity of the banknotes.

Since the country uses banknotes from another country and its own metallic coins, but are not manufactured in the national territory, supplying the national economy with physical means of payment (coins and banknotes) requires importing them and, in the case of banknotes, when they reach a very low degree of conservation, their re-export to the country of origin, the United States.



Chart 3.4

TL: Currency Transaction in millions of USD in 2022



Source: BCTL

During 2022, BCTL imported 112.6 million USD banknotes, representing a 25% decrease compared to 2021, having placed a total of 316 million USD in circulation, including coins (centavos), which corresponds to down 16% compared to 2021. The amount put into circulation was higher than that imported, registering a difference of more than 196 million USD. The fact that the excess was due to inflows of deposits and the existence of reserves. It should also be noted that the 20-dollar bills continue to be the most used in transactions in the country, followed by the 10-dollar denomination. The \$20 and \$10 bills represented, respectively, 66% and 30% of total imports, 61% and 37% of circulation in the economy, and 52% and 43% of the total (re)deposited (“fit currency”) by banks with the central bank. Due to their frequent use, these two denominations register a very low degree of conservation, so that the (re)deposited amounts of “unfit currency” and their repatriation to the country of origin of these banknotes have had a significant weight, 31% and 38% of (re)deposits, and 33% and 28% of repatriations, respectively (Table 3.6).



Table 3.6. Coin Transaction and Movement

Denomination	Import		Re-circulation		Deposit		Weight 2022			Change (%)		
	2021	2022	2021	2022	2021	2022	Import	Re-circulation	Deposit	Import	Re-circulation	Deposit
100			1.300	3.800	1.300	2.800	0.0	1.23	2.22		192.3	115.4
50		3.200	1.150	1.950	1.050	1.850	2.8	0.63	1.46		69.6	76.2
20	97.280	74.240	177.200	187.400	109.547	66.531	66.0	60.75	52.67	-23.7	5.8	-39.3
10	50.560	33.920	85.810	113.090	53.050	53.808	30.1	36.66	42.60	-32.9	31.8	1.4
5	2.240	1.200	1.455	2.235	1.143	1.333	1.1	0.72	1.06	-46.4	53.6	16.6
Total	150.080	112.560	266.916	308.476	166.090	126.323	100	100	100	-25.0	15.6	-23.9

Source: BCTL

A total of 7.5 million cents coins were put into circulation during the year 2022, while new 1.6 million cents coins were issued. In 2022, the 200 cents coin recorded a total amount in circulation of 545 thousand cents or represents 7% of the total cents in circulation. This value continues to show a downward trend, representing a decrease of 46% in 2022, after a drop of -62.2% in 2021. On the contrary, the 100 cent coin registered an increase of 43% after having registered an increase of 54 % in 2021, thus reaching a value of 4 million centavos in 2022. While the 50 centavos denomination recorded a value in circulation of 1.9 million centavos, amounting to 26% of total coins in circulation, with an increase of 34% compared to 2021.



Box 1. Modernization of Timor-Leste’s Payment System

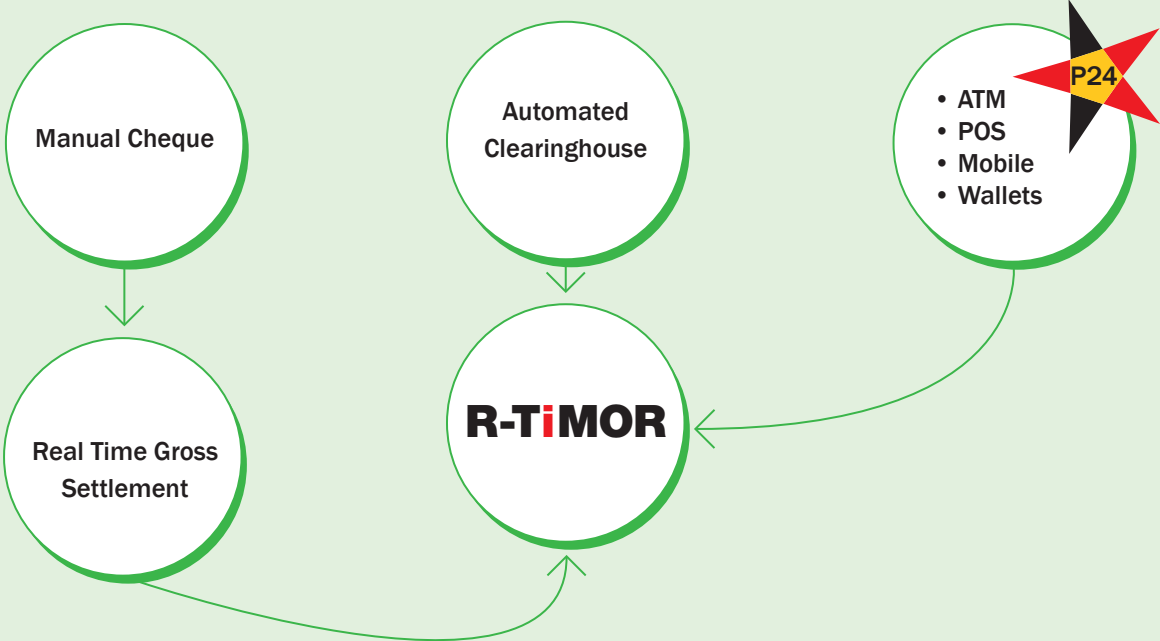
1.1 The R-TiMOR System

BCTL launched the R-TiMOR system in 2015. It is an integrated network system that allows participants to make electronic payments, in Timor-Leste, between individuals, companies, public institutions and other entities. The administrator of the R-TiMOR system is the Central Bank, as well as the provider of services to its members and participants. BCTL therefore continues to improve the quality of services provided by R-TiMOR in order to maintain an efficient and effective national payment system through ‘Direct Processing module (STP)’. In fact, STP has already been implemented and is currently used in all commercial banks and in the Ministry of Finance.

The number of participants in the R-TiMOR system is divided by direct and indirect participant. Until the end of 2022, the number of direct participants remained at 6 participants, while the number of indirect participants in R-TiMOR increased significantly by 25% to a total of 96 participants, compared to the previous year. Indirect participants consist of Autonomous Agencies, Municipalities and Special Funds. The system allows indirect participants to process their payments directly using the Government Resource Planning (GRP) system installed at their workplaces

The Central Bank continues to make efforts to ensure the necessary improvements to the R-TiMOR service system, maintaining coordination with the participants of R-TiMOR and relevant parties. The additional objective of this effort and coordination is to implement other necessary improvements to facilitate direct payments, carry out all types of payments to the State (taxes, tenders, etc.) from any bank participating in the R-TiMOR.

In 2022, BCTL, in cooperation with relevant parties, completed the Automatic Split of Tax Payments by automatize credit of taxes into the Government’s Consolidated Account per different types of taxes identified by taxes codes through the R -TiMOR. Compared to the previous approach, this initiative has eliminated manual intervention in the R-TiMOR system when cardholders carry out tax payments through ATMs.



1.2. The National Card and the Payment Switch Projects

SIBS International, from Portugal, was contracted by BCTL in 2017, they developed the National Card Project and the Payment System Interconnection, called “P24” (the “P” derived from the words ‘Pagamentu, Pagamento, Payment e Pembayaran’). The P24 system offers a wide range of financial services, which are always available 24 hours a day, 7 days a week.

By the end of 2022, most banks operating in Timor-Leste, Caixa Geral de Depósito (CGD), Banco Mandiri, Bank Rakyat Indonesia (BRI), and BNCTL joined this P24 system. With the integration of the ATM network of these Banks to the P24 system, customers of each bank are able to carry out transactions at the ATMs of other banks with the P24 logo.

BCTL, with the collaboration of these P24 participants, completed the interconnection of the “Mobile Switch” with the P24 system. Therefore, electronic wallets, the e-wallet, composed by Mosan (from Telemor Fintech Lda) and T-Pay (from Telin Solution Lda), can now transfer funds from bank accounts to electronic wallet accounts and vice versa (B2W2B).

Fully operationalizing the tax payment module with the P24 system allows taxpayers to pay their taxes through the P24 system. This important milestone in the development of the national payments system now allows P24 cardholders of all participating bank customers to pay their taxes electronically, through ATMs with the P24 logo, without the need to travel to their banks. It should be noted that the use of this payment system increased significantly in 2022, with the total number of tax payments reaching 19 thousand, registering an increase of 480%, with a total value of 2 million USD or an increase of 386% against 2021. As the P24 system is also interconnected with the Central Bank’s R-TIMOR settlement system, BCTL then credits the tax payment received through R-TIMOR to a government account at the Central Bank. It should also be noted that, for the service to work, the Banks will have to ask their customers to exchange their previous bank cards for the P24 network cards. It was later jointly announced by the BCTL and the Ministry of Finance in an official launching ceremony on 5 March 2021. Giving people access to these services is a key strategy of the Central Bank to modernize, strengthen and develop the financial sector to support economic growth and it is a key strategy of the Government to promote e-government to simplify and make government services more efficient going forward.

At the end of 2021, BNCTL in collaboration with BCTL, completed the integration of Union Pay International acquiring into the P24 systems. This integration allows international Union Pay card holders to carry out transactions at BNCTL ATMs and POS devices in Timor-Leste with the P24 logo. Since VISA has also been integrated into the P24 system, BNU Timor in collaboration with BCTL and service providers, has already implemented the use of the “contactless” payment method for its visa card and the issuance and operation of security protocols “ Visa 3D Secure”, fully compliant with Visa’s operational requirements.

In 2022, some commercial banks in collaboration with the Central Bank continue to coordinate with the P24 system provider to further improve, modernize and enrich the P24 by adding more features and services making the payment system services in Timor-Leste rich and efficient. The following are projects that are currently in progress and are expected to be completed in 2023:

- **Mastercard Acquiring**

BNU in collaboration with Mastercard, the BCTL and its service provider have achieved 92% development of acquiring the Mastercard and expect to be finalized in the near future. The completion of this project will allow international Mastercard cardholders to carry out transactions at BNU-Timor ATMs and POS devices in Timor-Leste with the P24 logo.

- **Tax Payment - Mobile Wallet & POS**

The BCTL in 2022 continued to upgrade the P24 systems to also enable tax payments through Mobile Wallet and POS devices. The project completion achieved 87% developments and is expected to be finalized in the first semester of 2023. Once completed, the customers will have many choices of channels when making payment of taxes. Clients of e-wallet (Mosan & T-Pay) will be able to make payment of taxes directly to the government's consolidated account through their mobile wallet and POS devices conveniently.

- **UnionPay Issuing (Contactless & 3D-Secure)**

BNCTL, upon the completion of the UnionPay Acquiring in 2021 where the UnionPay International card holders can now perform transactions in BNCTL ATMs and POS devices with the logo of the P24. The BNCTL has further collaboration with the BCTL and its service provider, initiated the UnionPay Issuing (contactless & 3D Secure) in 2022. The completion of this project will allow BNCTL to issue the contactless & 3D Secure UnionPay International cards to the interested BNCTL clients. This will facilitate the cardholders to perform transactions domestically and when traveling abroad. The 3D Secure once completed will facilitate the cardholders in conducting online financial transactions efficiently.

1.3 National Program of Digital Village

The Digital Village Program is a National Program initiated by the Central Bank to promote the use of digital financial services in Timor-Leste. The Program also aims to expand, in the medium-long run, access points to integrated and interconnected financial services in rural areas, such as the use of digital media (Mobile, ATM and POS) to carry out financial transactions (payments, transfers and balance inquiries). The program's participants are the financial institutions that are interconnected with the electronic wallet systems within the P24 Network.

The objective of the project is to promote the knowledge and widespread use of these new technological tools in the daily financial activities of the population. The education and familiarization of the rural population with the development of the national payment system and with digital financial services is also one of the objectives of the program. In addition to these objectives, it is also intended to expand, in the medium to long term, the number of access points to integrated and interconnected financial services that will serve rural areas.

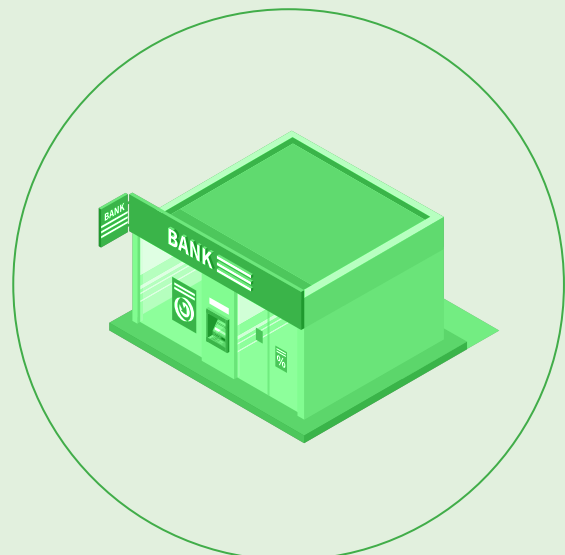
On November 29, 2022, the Central Bank celebrated the 8th anniversary of Savings Day at the same time celebrate the 2nd anniversary of "Campo Digital" program at the Administrative Post of Baguia, in the Municipality of Baucau, which had the participation of the members of the BCTL Board of Directors, representatives of SECOOP, MEJD, President of the Authority Municipality of Baucau, Commercial Banks, and ODTIs, and directors of primary and secondary school.

On December 20, 2022, the Central Bank also implemented the “Campo Digital” National Program at the Administrative Post of Baguia, in the Municipality of Baucau, preceded by the dissemination of information on digital payments and continued training of Fintech Agents and customers, in order to facilitate and streamline the payment of salaries at local Fintech Agents. This event was attended by the local authority, school principals, civil servants, veterans, companies, e-wallet agents and customers.

Geographical and road conditions in Baguia have contributed to the successful implementation of this program in Baguia. E-wallet agents are competing in providing basic financial transaction services to the communities in the area. Civil servants, PNTL, veterans and the communities trying to carry out financial transactions at e-wallet agents and merchants in Baguia. Since the implementation of the program in Baguia, they no longer need to go to the city of Baucau to simply carry out basic financial transactions unless other needs require them to go to Baucau. P24 cardholders, teachers, for example, every month they can collect their salary at e-wallet agents or at available POS merchants in Baguia.

At the end of October 2022, there were 4 Mosan agents and 2 merchants who were very actively providing financial services to customers. Customer monitoring program focused on those who subscribed at ATMs to allow B2W transactions. The Central Bank’s agent organized and mobilized e-wallet clients performing subscription HBMB at P24 ATMs in the city of Baucau and Dili. The system registered 1,834 transactions and with the total value of USD 21, 206 digital transactions.

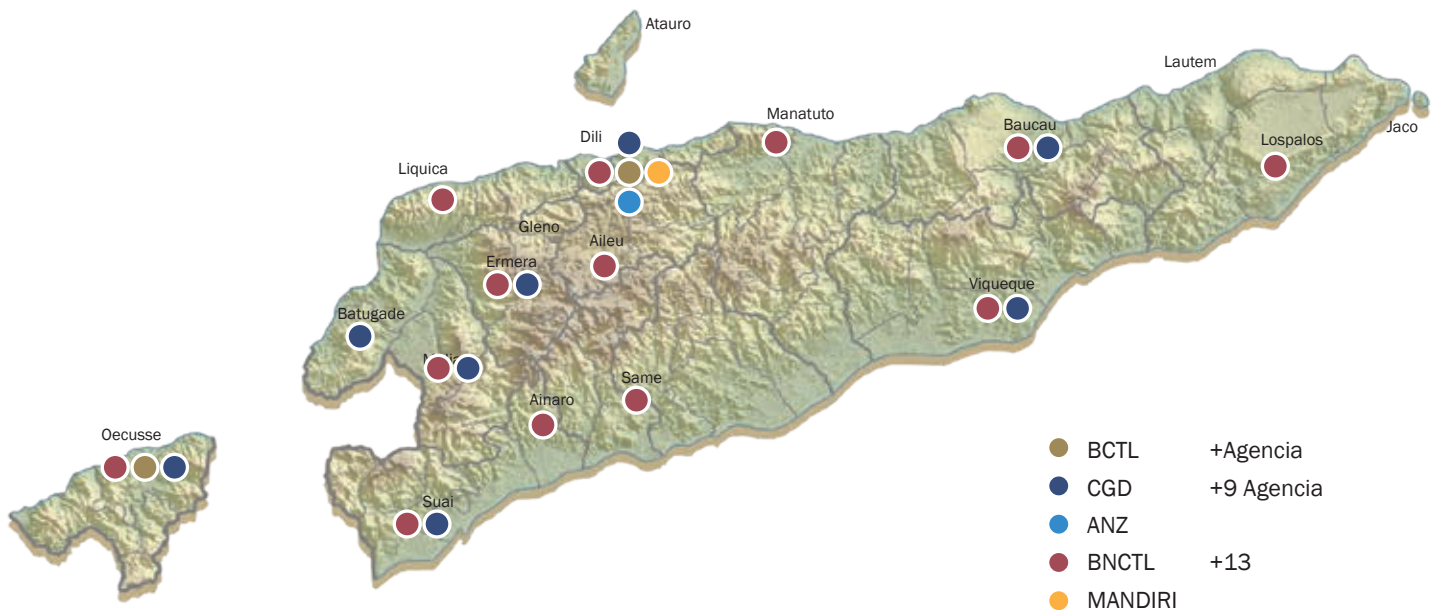
In 2022, in cooperation with local authority, the Central Bank realized the dissemination of information on digital payments continued in other administrative posts such as Administrative Post of Uatu-Carbau and Administrative Post of Uatu-Lari (Municipality of Viqueque), Administrative Post of Illiomar (Municipality of Lautem) and Administrative Post of Cai-Laco (Municipality of Bobonaro). The same as other administrative posts, the participants who attended this program were very enthusiastic which was evident from the questions asked, suggestions, criticisms and hopes for the future modern and efficient payments system. These programs have facilitated customers to access basic financial services in those Administrative Posts.



3.3.2. Financial and Banking Systems

3.3.2.1. Licensing and Supervision

Timor-Leste Financial System is composed by commercial banks, insurance companies, other deposit receiving institutions, money changers and money transfer operators (MTOs), and also several credit unions. The financial system has been stable and robust throughout the year, continuing to significantly contribute to national economic stability.



Articles 5 and 29 of Law No. 5/2011 and the Organic Law of the Banco Central de Timor-Leste grant BCTL the exclusive power to regulate, license and supervise all financial institutions. BCTL's Supervision Division is responsible for the licensing and supervision of banks, money changers, insurance companies or insurance intermediaries, other deposits receiving institutions and money transfer operators (MTOs) operating in the country.

During the 2022 financial year, no applications were submitted by this Division for consideration by the BCTL Board of Directors or approval for licensing, as there were no new applications. BCTL, through the Division of Supervision, continues to exercise supervision of financial institutions licensed by BCTL to ensure full compliance with the Laws and Regulations issued by BCTL. In addition, to promote and maintain the soundness and security of financial services, the Division worked during the year on the preparation of draft prudential regulations for the banking and insurance sectors.

Box 2. Financial Education Program in Timor-Leste

2.1. Financial Literacy Program in Primary Schools

BCTL continues to strengthen cooperation and coordination with relevant parties on Financial Literacy Programs. As an indication, for example, in March 2022, BCTL and the Ministry of Education, Youth and Sports of Timor-Leste (MEJD) held a meeting on the implementation of financial literacy in elementary school. Several representatives of national institutions participated in this meeting, such as the National Institute for the Training of Teachers and Education Professionals (INFORDEPE), directors of the Ministry of Education and directors of basic education schools in 9 municipalities such as

Aileu, Ainaro, Baucau, Bobonaro, Ermera, Lautem, Liquica, Manatuto and Manufahi. The objective was to discuss

the coordination and progress of the implementation of financial literacy in basic education. BCTL

distributed financial literacy module, whose level from 1 to 6 of elementary school, and books for trainers to teachers. Meanwhile, the Ministry of Education, Youth and Sports (MEJD), through the Directorate-General for Education and Teaching, distributed the circular letter, that serves as an instruction for public schools, to the participant in the meeting, to teach financial literacy in the respective schools.

In May 2022, BCTL in coordination with MEDJ, Executive Secretary of Education and Social Solidarity of the Special Administrative Region of Oé-Cusse Ambeno (RAEOA), and INFORDEPE organized the same meeting at RAEOA – Oecusse.



2.2. Training of Trainers to Directors of Elementary School

BCTL and INFORDEPE, during the period from 22 to 26 August 2022, organized the training of trainers program (TOT) for directors of elementary school in 4 municipalities (Dili, Viqueque, Atauro, and Covalima). A total of 40 participants from elementary schools participated in this training. BCTL continued to monitor the progress of financial literacy implementation through regular coordination with the MEJD general directorate of education and teaching, and also conducted direct interviews with some elementary school teachers that implement financial literacy program in their respective schools. In order for this monitoring service to be effective, BCTL created a social media communication group, composed of BCTL, MEJD, and teachers, which facilitates and obliges teachers to send regular reports on the progress of implementation of teaching the financial literacy program in schools.



2.3. Financial Literacy Program to SECOOP

Based on the memorandum of understanding between BCTL and the Secretariat of State for Cooperatives of Timor-Leste (SECOOP) signed in 2021, which defined BCTL's support to SECOOP in defining and carrying out training in financial education for cooperatives and support in the preparation of support materials for training activities in financial education for cooperatives, BCTL therefore, in 2022, conducted a financial literacy training program for SECOOP trainers, comprising training in financial planning, financial savings and protection, including insurance products, and awareness of how digital payments work. Directors, heads of departments and employees took part in this program in a total of 18 people, 7 male and 11 female. SECOOP trainers in this training are required to share and teach their counterparts at municipal and administrative post level.



2.4. Financial Literacy Program for Youth

Financial literacy for young people was defined in the 2016 – 2020 National Financial Literacy Strategy. Therefore, in 2022, BCTL organized the implementation of the financial literacy program for 4 secondary schools in Baguia, Baucau municipality, namely Escola Secundária Geral (ESG) Publico Buawa, Lavatari, ESG Publico Baguia, ESG Private Taur Matan Ruak, Osso-Huna, and ESG Católica Pe. João De Deus Pires, SDB Baguia. This program ran from October 12 to 15, 2022, with a total of 243 students participating. Materials provided during school visits are the roles of BCTL, roles of financial institutions, importance of financial planning, budget planning, identification of aspects of needs and wants, advantages of having a bank account, identification of money fake and the introduction of various types of digital payment systems in Timor-Leste.



2.5. National Saving Day and “Campo Digital” program



PROGRAMA NASIONAL BA EDUKASAUN FINANSEIRA

“Poupa Agora Diak Ba Futuru”



The celebration of the 8th anniversary of the National Savings Day in Baguia, municipality of Baucau, consisted of commemorating the second anniversary of the digital field. This event was attended by members of the BCTL Board of Directors, representatives of SECOOP, MEJD, President of the Baucau Municipal Authority, Commercial Banks, and ODTIs, and directors of primary and secondary schools. Mr. Abraão de Vasconcelos, BCTL Governor, in his speech highlights that the digital field program in Baguia has been successfully implemented. He added that this will serve as a reference to carry out the same program in other places. BCTL organized pre-celebration activities for the National Savings Day and Digital Field from 25th to



30th of July in Baguia, at 7 primary schools, namely Ensino Básico Central (EBC) public Lavateri, Ensino Básico Filial (EBF) Larisula, EBC Publiku Baguia, EBC S. João Baguia, EBC PribaduSatilus, and EBC Publiku Ossu-Huna. Raising awareness about the importance of knowing about money in circulation and counterfeit money, how to make simple financial planning, the importance of saving money and digital payment systems in Timor-Leste are the subjects of the program. About 639 students participated in the program. In addition, BCTL organized an awareness program on digital payment - namely in daily transactions, withdrawals, transfers, and payments - for the population in the Administrative Posts of Baguia, Uatu-Carbau, Uatulari and Iliomar during the year 2022.

2.6. Launch of the Second National Financial Literacy Strategy 2023-2027

BCTL officially launched its second National Strategy document for the 2022-2027 Financial Literacy Program on the day of the celebration of the 8th National Savings Day. This second National Financial Literacy Strategy aims to bring together the various stakeholders to work more efficiently, expand target groups, align program content and achieve greater impact. It highlights the importance of digital literacy as part of financial literacy, as many services are offered through digital channels. The development process of the second cycle of the National Financial Literacy Strategy began with the evaluation of the action plans implemented in the first strategy document. The status of each action plan, the challenges faced and the results achieved provided valuable data for developing a more effective plan for the next five years. The first survey, on the demand side of the financial sector, provided evidence of the level of financial literacy, awareness of concepts, use of available financial services, and common financial behaviors and their reasons. The survey result emphasizes the need for a more holistic approach to promoting financial literacy in the country. A wide range of stakeholders were identified and collaborated with the development of the document. The Central Bank conducted interviews to collect information on financial literacy initiatives and discuss the main themes of the strategy.



2.7. “Há’u-Nia Futuru” Saving Account

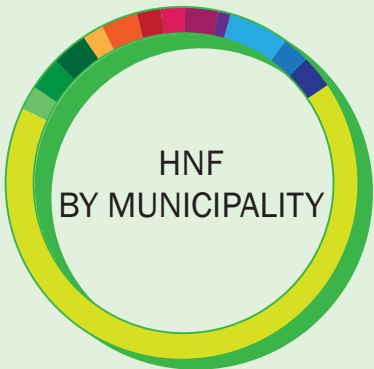
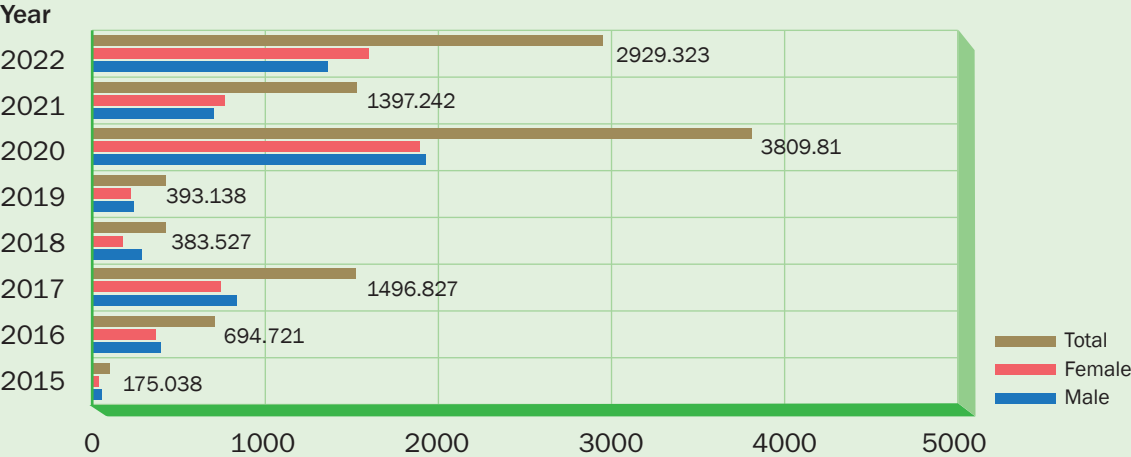
CHILDREN’S SAVINGS ACCOUNTS “HA’U-NIA FUTURU”

The Ha’u-nia Futuru savings program was developed for children up to the age of 17, with the main objective of promoting the formal financial inclusion of children and families. Every month, banks provide BCTL with reports on the progress of Hau Nia Futuru savings program in order to monitor its development. The benefits of these savings are that children only need one dollar (US\$1) to open an account, there are no administration fees and they benefit from an annual income of 1.5%. To open this account, only the birth certificate and the parents’ ID cards are required.

From the start of the program until the end of 2022, the amount invested in Ha’u Nia Futuru accounts was valued at USD 11.3 million, registering a growth of 31.4% compared to December 2021. Annual data show that in 2022 the volume applied increased by around 357% to 4,457 children’s accounts, with the amount applied increasing by 110% to USD 2.93 million, against the USD 1.397 million invested in 2021. funds saved in this account are concentrated in the capital Dili (67%). The smallest expression was recorded for the municipality of Ainaro, which represents only 1% of the total account. At the end of 2022, there were 24,352 customers, 50.1% male children and 49.9% female.

HNF SINCE THE BEGINNING

(000 USD)



Municipality	Percentage
Dili	66.6%
Ermera	2.1%
Liquiçá	3.2%
Lautém	3.3%
Manufahi	2.0%
Manatuto	3.2%
Oecusse	2.2%
Viqueque	2.2%
Aileu	3.0%
Ainaro	1.1%
Baucau	5.6%
Bobonaro	2.5%
Cova Lima	3.0%

3.3.2.2. Insurance Companies

In 2022, it continued to exist with two insurance institutions in Timor-Leste: Sinar Mas (SMI) and Federal Insurance Timor (FIT). For the time being, within the period, the BCTL granted a definitive license to the insurance company Sinar Mas to manage the life insurance business in the country. Information for this branch of life insurance would be available in 2023. The sector thus recorded yet another evolution in the set of services offered in the country and in the offer of general insurance to the various sectors of activity.

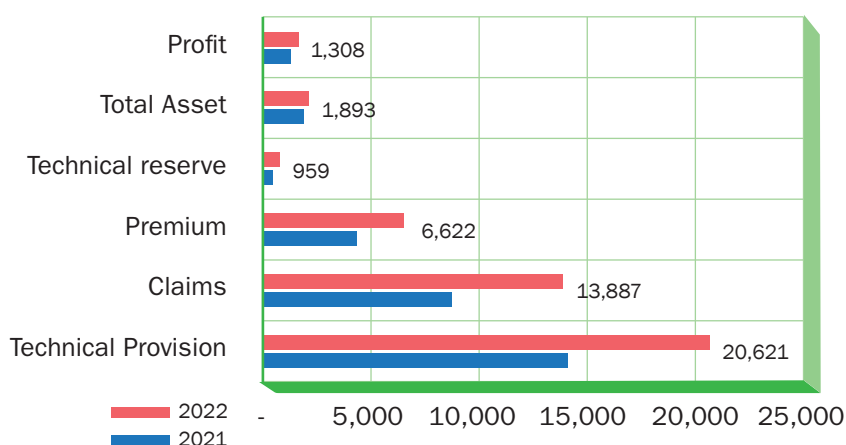
General insurance recorded total assets of USD 20.6 million in December 2022, accounting for a growth of 45.4% compared to 2021. In the same year under review, total liabilities increased by 57.88%, amounting to 14 million USD at the end of the year, of which a large part corresponds to technical reserves and other liabilities. The sector's equity also increased by 24% to USD 6.5 million, largely due to current and past results. The sector's consolidated result increased in 2022, recording an increase of 18% - compared to a decrease of 15% in 2021 - to USD 1.3 million, mainly due to the increase in revenues from technical results and investments. Premiums grew 57% to USD 6.6 million compared to USD 4.2 million in December 2021. Much of this was due to personal accident, motor vehicle and property (fire). On the other hand, the number of policy issues grew by 28.5% to 11,659, most of which with the contribution of personal accident and motor vehicle insurance policies. Meanwhile, the same complaint also increased by 10% to 78.

Chart 3.5 illustrates the evolution of the main measures for evaluating the annual performance of the insurance business in Timor-Leste.

Chart 3.5

Insurance Performance

Em milhares de USD



3.3.3. Petroleum Found Management

According to the framework defined by the Petroleum Fund Law - Law no. 9/2005, subsequently amended in 2011 - the Central Bank is the institution responsible for the operational management of the Fund. According to this legislation, the Ministry of Finance is responsible for defining the overall investment strategy of the Petroleum Fund and the Central Bank is responsible for the operational implementation and specific management of the investments and mandates that implement that strategy.

At the end of 2022, the Fund's capital value amounted to USD 17,414 million, down 11.4% from the previous year. Annual oil revenues - taxes and royalties - amounted to USD 1.106 million, resulting in a significant increase of 54% compared to 2021. On the other hand, PF's withdrawals destined to finance the General State Budget were estimated at USD 1.404 million. The Fund's management expenses, both external and internal, amounted to USD 19.5 million in 2022.

With regard to financial performance during the year, the Fund accumulated gross income of USD 2,025 million, which corresponds to approximately 11.6% of the Fund's value at the end of 2022 (USD 17,414 million). The breakdown of this income allows us to observe that the income arising from the receipt of interest and dividends totaled 1.7% of the value of the Fund (1.4% in 2021), while the capital gains recorded during the year were -13.3%, resulting in a decline from the substantial 2021 capital gains, valued at 4.3% of the Fund's value.

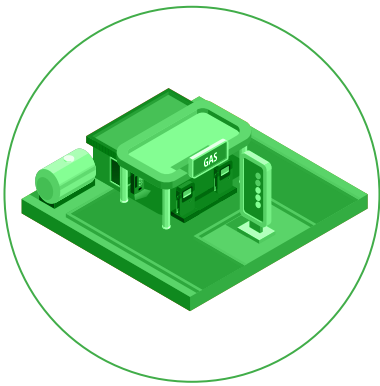
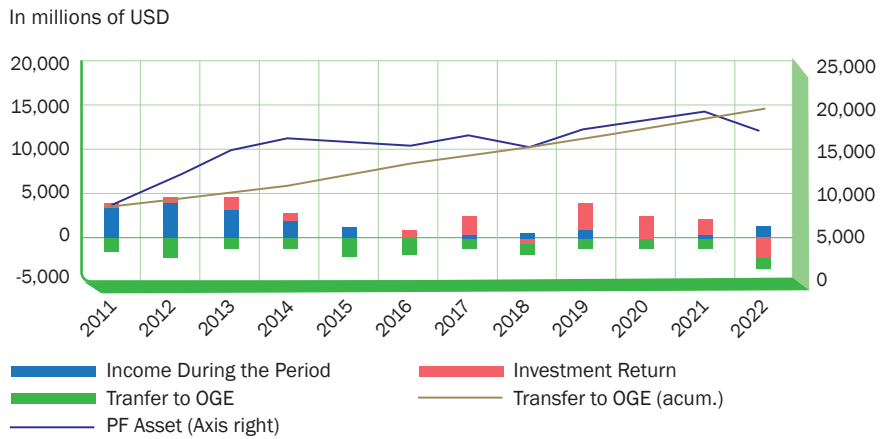


Chart 3.6
Petroleum Fund Asset Evolution

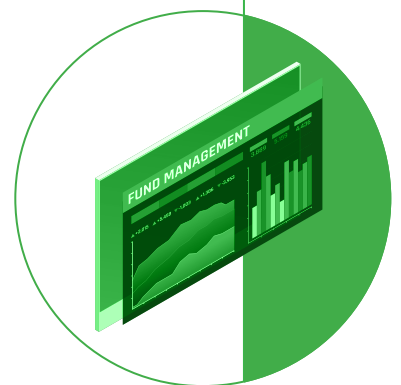


The Petroleum Fund, in 2022, continues to invest in the segmentation of the liquidity portfolio and in the growth portfolio. The liquidity portfolio is invested in highly liquid securities with maturities of less than 3 years, in order to cover the expected withdrawals to finance the State Budgets projected over the next 3 years. The growth portfolio is mostly invested (65%) in fixed income securities and global company equities (35%).

In 2022, the performance of the liquidity portfolio in investment in the financial market registers a loss of -0.65%, and investments in growth portfolios register a

The negative performance of the investment portfolio in the financial market during the year was mainly due to the impact of the rise in interest rates, and the negative sentiment of investors about the global economic situation. The main world economies maintained their high interest rate levels to avoid new inflationary pressures. Central banks' determination to keep inflation under control by raising interest rates had a significant impact on investor sentiment. The rise in benchmark interest rates led to a rise in interest rates on global sovereign bonds, particularly US Treasury bonds in which the Petroleum Fund is substantially invested. The normalization of the pandemic situation substantially affected the resumption of world economic activities and, in turn, the evolution of financial markets in 2022, but the development of the political crisis in Ukraine and Russia allowed the start of a new, more negative dynamic for the situation economic. With the political instability in Ukraine and Russia, the effect of the slowdown in growth and the rise in inflation was brought to the entire world economy, due to restrictions on the supply of energy by Russia, and the decrease in the confidence of economic agents, with the increase in investor uncertainty, had repercussions on the prices of financial assets.

At the end of 2022, the composition of the Petroleum Fund's investment portfolio is mostly invested (84.25%) in the growth portfolio, and 15.75% in the liquidity portfolio. The investment composition of the liquidity portfolio was 12.14% invested in US Treasuries with maturities of 3 months, and 3.61% invested in US Treasuries with maturities of 1 - 3 years. In relation to the growth portfolio, 56.48% is invested in fixed portfolio, being 39.54% in US Treasuries between 3 - 5 years, 8.46% in US Treasuries between 5 - 10 years, and 8.49% in the global Treasury bond market of developed countries, excluding the US. While, the remaining 27.77% of the investment portfolio is invested in the equity portfolio. The 10-year interest rates of US Treasury bonds increased by 2.4% in 2022, Similarly, interest rates on other countries' sovereign bonds also increased sharply in 2022. The 10 years European rates rose 2.75%, and Japanese rates for the same term were up 0.35%. These rises in interest rates are mainly due to increasing inflationary pressures, which is why the Central Banks introduced their



contractionary monetary policy, they were forced to raise interest rates in order to bring the values of inflation rates to more stable values.

With the restrictive policies of the monetary authorities, the global stock market showed some losses in the period of 2022. The global stock market index (MSCI World) depreciated 19.5% in 2022, led by the US, which fell 24% in the period, with the European index depreciating 12%. This evolution strongly followed the performance of the Asia Pacific markets, which registered a loss of -19% in the year.

3.3.4. Institutional Strengthening

BCTL continues to develop and strengthen the Timorese financial system and modernize banking supervision. The most relevant actions, carried out in 2022, regarding the institutional strengthening of the Bank are highlighted below:

- The BCTL Governing Board granted Sinar Mas the insurance company a definitive license to manage the life insurance business in the country.
- The Governing Board approved the establishment of rules and regulations for the actuarial function and the appointment of the appointed actuary. The regulations and rules were established with a view to maintaining adequate supervision of the risk management and control systems of the management bodies of life insurance companies and certain general insurance companies and the fulfillment of their attributions in actuarial matters.
- In order to improve the procedures for developing the audit program for the Insurance sector, the Governing Board approved an instruction for the external auditors, the publication of the audit report and the annual report of insurers and insurance intermediaries.
- The Governing Board adopted the change of name TELEMOR FINTECH, Lda.
- To regulate the procurement and contracting procedures carried out by BCTL, the Governing Board approved the contracting regulation. This regulation aims to ensure the definition of principles and rules that must be followed by BCTL services and units in the acquisition of goods, services and execution of contracts.
- In the construction process of the New Headquarters of the Central Bank of Timor-Leste, the Governing Board approved a normative regime for the provision and contracting of the technical and economic feasibility study and a preliminary architectural study. This regime was instituted in view of the need to ensure the installation and development of the Bank's Headquarters in Dili and the need to carry out a survey of technical, economic and architectural information, which allows identifying and describing the current situation in view of

real needs and in view of perspectives for the future evolution of the institution in order to consider the competent and qualified alternatives to study and propose alternatives that allow to enhance the mission of the Central Bank.

- The Governing Board of the BCTL continues emphasis to introduce policy to bring financial sector reached out the risk identification by adopting the requirements established by IFRS and BASEL III since 2021. This is to ensure the stability of the financial system of Timor-Leste as mandated under Law 05/2011 on Organic Law of BCTL. The prudential standards on the capital and liquidity that being developed by the Basel Committee on Banking Supervision (BCBS) is the international standard setter for banks which are relevant to compiling with IFRS. Therefore, BCTL started with the enforcement of the implementation IFRS by entering in force the Instruction No.11/2021 on the Implementation of International Financial Reporting Standard. This Instruction requires Banks and ODTIs licensed to operate in Timor-Leste to keep correct and complete books and records of accounts and prepare annual financial statements and reports in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB). In complementary the enforcement of IFRS, BCTL has endorsed the Instruction on Credit Risk Management, Instruction on Audit, Publication of Auditor's Opinion and Annual Report and Instruction on the Credit Risk Classification and Provisioning. Moreover, BCTL prepared several draft instructing such as on Liquidity Risk Management, Liquidity ratio and Indicators, Regulatory Capital, Chart of Account (CoA) in line with IFRS and Instruction on Reporting of Financial Statements.
- The Governing Board also approved the financial literacy strategic plan for the year 2022 - 2027.
- Following the cooperation established with the Griffith University of Queensland in Australia, in 2022, three joint research works were carried out, one of which was published.

3.3.5. Employees and Training Programs

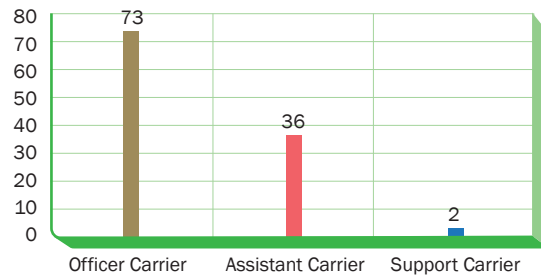
At the end of the 2022 period, BCTL had 104 employees, which represented a marginal increase compared to the 103 in 2021.

For 2023, BCTL intends to recruit around 7 (seven) new employees to fill the official career positions in the departments of the Financial Intelligence Unit (UIF), Petroleum Fund and Technology Division.



The 7 candidates expected for the year 2023, plus the current BCTL employees until the end of 2022, which are distributed across the various professional categories, are shown in Graph 3.7.:

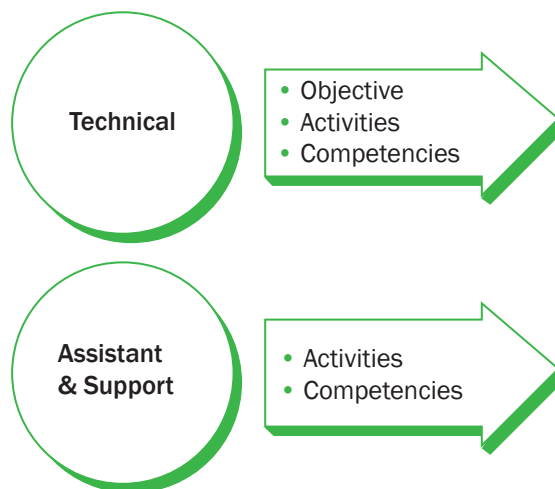
Chart 3.7
Professional Categories



At the end of the year, BCTL evaluates the performance of its employees. The system used to carry out this evaluation is called the Performance Improvement System (PIS). The result of the evaluation throughout 2022 shows that the majority of employees were able to achieve the objectives established at the level of the institution and the respective departments and divisions.

The Performance Improvement System (PIS) is implemented by the various Departmental managers, with the aim of valuing the work of the respective employees and analyzing their contributions towards achieving the BCTL objectives, which were annually planned by each department and division.

The dimensions used in assessing the performance of employees have remained unchanged during the year, as shown in the diagram below, namely: Objectives, Activities and Skills for employees in the technical career professional; and Activities and Skills for employees in the Assistant and Support professional careers.





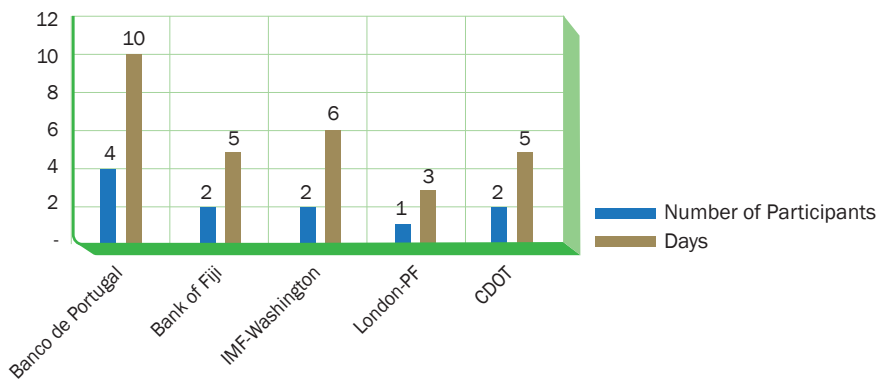
With regard to the development of skills and knowledge of its employees, BCTL continues to allocate an adequate amount each year for the fulfillment of its training program, which includes training in technical skills assigned to its employees, held both in Timor-Leste and abroad. In addition to these training courses, BCTL continues to grant scholarships to its employees to attend master’s and doctoral courses abroad.

One of the BCTL employees who received the scholarship in 2020 was only beneficiary of it in 2022 at Macquarie University, due to Covid-19.

Due to the pandemic situation, many of the training or work visits abroad planned for 2022 were not carried out in person at the beginning of the year, but managed to participate in person after the middle of the year. Graph 3.8 shows the presence of BCTL employees in training activities, seminars or conferences abroad.

Chart 3.8

Training, Seminar and face-to-face Conferences



3.3.6. Institutional Partnerships

The Institutional Cooperation Affairs Unit (UACI) carries out its functions related to BCTL's cooperation with other institutions, both at international and national level. The objective of establishing institutional cooperation is, in addition to strengthening relationship ties, also to increase the sharing of specific information in the areas of central banks.

In addition to the natural cooperation with the central banks of the Community of Portuguese Speaking Countries (CPLP), the BCTL also continued its cooperation program with other central banks, namely: Bank of Indonesia, Banco Negara Malaysia, Reserve Bank of the USA and Australia, SEACEN, STI-Singapore, APRA and Central Banks of the Pacific Islands, and Monetary Authority of Macau. This cooperation included participation in meetings, seminars, conferences and courses in the form of virtual and face-to-face organized by the various cooperating entities. Due to restrictions related to the Covid-19 pandemic in 2021, most activities were not carried out, or were carried out partially and virtually. In 2022, these actions continued and were mostly carried out in person. Participation in cooperation programs in 2022 saw a significant increase, both in training actions, seminars and meetings, and in the sharing of information in key areas. In fact, these cooperation programs in 2022 were satisfactory in relation to 2021. One of the international cooperations was the establishment with Griffith-Queensland University, Australia, the development of joint areas within the scope of economic and financial research projects. The result of this cooperation was the publication of a research working paper in 2022.

Regarding cooperation at the national level during the year 2022, BCTL continued to strengthen cooperation with relevant entities to promote public access to the financial sector. It stood out, in 2022, for maintaining cooperation with the National University of Timor-Leste (UNTL), providing internships to finalists of the Faculty of Law.

The BCTL also maintains, in 2022, the role of host of high-level meetings, mainly of the central banks of the CPLP, in the case of a biennial meeting. The holding of this meeting, in addition to maintaining cooperation ties, at the same time enables joint reflection on specific topics of action in matters of common interest.

Box 3. BCTL Plan Implementation in 2022 and Action Plan for 2023

3.1. 2022 Plan Implementation

The most relevant BCTL programs carried out in 2022 were as follows:

1. In order to reinforce the regulatory framework, in 2022, the Central Bank authorized the entry into force of instruction no.14/2021. Through this instruction, financial institutions included in insurance companies must report monthly and quarterly reports through BSA. BCTL at the same time introduced instruction no. 11/2021 on IFRS implementation. In addition to these, it approved two instructions for insurance companies as requirements for the actuarial function and acting appointment, and the requirements for acting externally.
2. As part of the improvement of the financial inclusion program in Timor-Leste, in 2022, BCTL continued to work together with SECOOP in carrying out training on financial literacy for youth, mainly in remote areas. In addition, it held a regular celebration of the 8th National Savings Day, in order to reinforce the financial inclusion programs in the field.
3. To strengthen the Financial Inclusion program, in 2022, BCTL updated the 2016-2020 financial literacy program strategic plan, and launched the new 2022-2027 financial literacy plan, as the new roadmap for program implementation during 5 years. During the year, BCTL together with MdEJD and INFORDEPE distributed the new version of the financial literacy manual and guide to trainers/trainers in 105 EBC/EBF in 13 municipalities and RAEOA. In this way, trainers will continue to disseminate financial literacy programs in their schools with the new manual.
4. To promote digital financial service in Timor-Leste, in 2022, BCTL continued to implement the second Campo Digital Program at administrative posts. This program establishes the public campaign about electronic transaction uses that has existed in Timor-Leste. BCTL has also appointed an agent at the Baguia administrative post to carry out regular monitoring of the campo digital program in that area. The Program also propagated in the Uatucarbau and Uatulari administrative post, municipality of Viqueque, in the Ilhomar administrative post, municipality of Lautem and in the Cailaco administrative post, municipality of Bobonaro.
5. As part of the improvement of the digital payment system, in 2022, the Central Bank managed to complete the interconnection of the Union Pay International System (UPI) and the BNCTL system. This development allows the holder of the international UPI card to carry out transactions at the BNCTL ATM throughout Timor-Leste. With this development, it also permits activating the interoperability of the POS machine between the holder of the BNU and BNCTL card and also allows the BNCTL and CGD P24 card to carry out transactions at any POS with the P24 logo in the country. In addition, it also completed the installation of Mobile Switch in the Disaster Recovery (DR) data center.
6. In relation to institutional strengthening and capacity building, in 2022, the Central Bank continues to authorize and finance technical staff to participate in technical capacity development programs such as conferences, trainings and workshops through a website or in person, organized by international and national partners. In addition, it also implemented scholarship programs for technical staff to continue their study at the master's level.

3.2. The Strategic Priorities for 2023

The strategic priorities for 2023 continue to reflect the guidelines of the financial sector development master plan and the plan for the national payments system.

Development of the Inclusive Financial Systema.

- a. To ensure the quality of service in financial institutions, in 2023, BCTL will introduce the sanctioning regime for financial institutions that violate applicable laws and regulations. It is a sanctioning regime that can ensure the administrative process initiated by the BCTL. In addition, it will develop an administrative procedure based on BCTL's disciplinary power to apply disciplinary measures to workers. This administrative procedure aims to ensure transparency, including the right of the interested party to exercise their right to participate in the administrative process.
- b. In order to adopt the international standard IFRS and the fundamental principles of Basel III in guaranteeing financial integrity and stability in Timor-Leste, in 2023, the BCTL will: finalize instructions on opening, treatment and closure of deposit and credit accounts, finalize instructions on plan of account, finalize instruction applicable to banks on liquidity ratio and indicators, finalize instruction on liquidity risk management, finalize instruction on regulatory capital and leverage ratio, finalize instruction on risk-weighted assets to define procedure for calculation of regulatory capital of asset retention power (Capital Adequacy Ratio), finalize instruction on capital management for operational risk and finalize instruction on capital requirements for market risk.

In addition to these instructions mentioned above, BCTL will also: finalize the revision and update of the instruction of money transfer service providers (MTO), in order to accommodate the existing evolution, including the services provided by the fintech company, finalize the instruction on consumer protection in the financial service to have its own regulation to protect the consumer's right under the services of the financial institution and in the last finalize the instruction on the plan of accounts to the insurer to standardize the system of plans of accounts that was in force in the general insurance company and life insurance based on the international standard of IFRS 9.

- c. BCTL will also introduce a framework on oversight in the payment system to adopt the international standard based on relevant law, regulation, instruction and rules. The creation of a framework refers to the basis for the central bank to carry out the oversight service to payment systems such as R-Timor, P24, PSP and SWIFT.
- d. To facilitate the application of licensing to any type of financial service in Timor-Leste, in 2023, BCTL intends to develop an online application platform through the BSA system, with the aim of ensuring effectiveness and efficiency in the licensing process.
- e. To enhance integrity and accessibility in the financial sector, BCTL will conduct training on AML/CFT matters for fintech companies, and will prepare the APG mutual evaluation process in relation to financial activities and show that the necessary information and data are in the right position.

- f. BCTL will develop the format of the financial indicator in the financial report, which allows to demonstrate the statistical format of the financial indicator in the quarterly report, based on data and reports provided by banks and ODTI including insurance companies. The objective is to demonstrate to the public, through the BCTL website, in each quarter the consolidation of financial indicators, such as: Loans-to-Deposit Ratio (LDR), liquidity ratio, non-performing loan ratio (NPL), solvency ratio (Ratio capital adequacy), solvency margin and other.
- g. In addition, to demonstrate the transparency and outcome of the financial inclusion program effort, BCTL will publish the 4th Financial Inclusion Report for Timor-Leste.

Promotes the Digital Payment System and Improvement of Service to the Public.

- a. To promote the digital payment system and improve service to the public, in 2023, BCTL commits:
 - Complete more integrations of key features into the P24 system, such as fee payment via mobile wallet and POS and other key features.
 - Will recycle modules at the ATM, which allow the public to deposit money through the ATM.
 - Will carry out the acquisition of BAM functionality, which will allow banks to monitor transactions and other activities related to commercial aspects.
 - Will collaborate with acquirer banks to finalize the MasterCard and UPI certification process.
 - Will support and collaborate with the tax authority to continue the process of integrating the SIGTAS V-3 into the P24 system, which will allow efficient payment of taxes to the government. In addition, it will collaborate with the customs authority to initiate the process of integrating ASYCUDA to facilitate the government's TilesSW program, which will allow for a more efficient in import tax payment process. It also plans to continue supporting and collaborating with EDTL in the field of facilitating purchases electricity credit at any time through the existing system.
- b. The central bank through the campo digital program will continue the public campaign on the use of existing electronic transactions, which will allow the public to make more efficient payments and know how to use existing financial transaction capabilities. And it also intends to extend the campaign to raise awareness of the official currency of Timor-Leste in the campo digital program. In 2023 BCTL will continue to carry out the campo digital project in administrative posts in municipalities such as: RAEOA, Atauro, Covalima, Ermera and Baucau. Thus, it will increase the community's knowledge in the indicated areas, which will allow for increasing awareness of the uses of the existing digital payment system in Timor-Leste.
- c. In order to improve the public service at the BCTL counter, the central bank will set up the currency (centavos) exchange machine in some public spaces, to facilitate customers to exchange currencies more efficiently.

Promoting Financial Inclusion.

- a. Based on the action plan described in the NSLF 2023 document, BCTL will define a financial competence matrix for women, children and Micro, Small and Medium Enterprises (MSMEs), and develop a specific program and module for women, as well as carry out a campaign about the benefit of a financial plan.
- b. The central bank plans to develop the online financial literacy training platform to improve the financial literacy program and expand the program coverage towards the target set in the national financial literacy strategy document 2022-2027. This platform will include a module on financial literacy so that the recipient of this program will have the essential knowledge, skills and competencies for better financial management.

- c. BCTL will continue to work together with INFORDEPE and MdEJD to implement the financial education program in public elementary school. Those involved will continue with regular activities such as: meetings at least quarterly to discuss the progress of the program's implementation in the 1st and 2nd cycle of elementary school and follow-up activity of the program's implementation in schools in 13 municipalities and RAEOA. Additionally, there is an expectation of expanding the financial literacy program in elementary school of the 3rd cycle. BCTL will also collaborate with MdEJD and The Asian Foundation to conduct research on the benefits of the financial education program in Timor-Leste.
- d. BCTL continues to regularly celebrate National Savings Day and including the campo digital program, identifying schools that participate in financial literacy activity, and targeting the campo digital program at the designated administrative post. The priority of activities in commemorating the National Savings Day are: an educational competition activity for elementary school students and the distribution of a brochure to promote the transfer of money to the HNF account via E-wallet or Multibank.
- e. In support of private sector development, BCTL, in cooperation with CCITL and IDE, will provide MSMEs with basic accounting training, including credit guarantee scheme and digital payment system. The recipients of this program are women, adults and cooperatives from productive areas such as: commerce, fishing and agriculture. The program will allow participants to better manage finances in their daily activities. In addition to these, the program also aims to increase participants' knowledge about financial literacy, business planning, savings and wealth protection from risks through insurance products.
- f. To increase access to credit by the private sector, mainly MSMEs, in 2023, BCTL will work together with the legal advisor to review and update BCL Circular No. 79/2019 on the implementation of a credit guarantee system for MSMEs.

Strengthens Research and Statistics Capability

- a. BCTL will conduct a study on Central Bank Digital Currency (CBDC). CBDC is a non-monetary currency, but in general as another form of "digital" currency, which is created by central banks, and has the same function as conventional currency, thus fulfilling the function of a unit of account, store of value and means of payment. There are some benefits regarding the creation of CBDC such as: it reinforces monetary and financial stability, increases financial inclusion and improves the payment system. Thus, BCTL concludes that it is important to create and adopt CBDC in the economy of Timor-Leste.
- b. BCTL will also continue to carry out economic research projects and studies on issues related to the main functions of BCTL and statistics published by the Bank. These works should preferably focus on the following topics:
 - Continue carrying out research on the quantification and impacts of emigrant/immigrant remittances from the perspective of the demand for this type of service and the respective effects on the domestic economy. This research project will be jointly developed with Griffith University.
 - Determining factors of inflation in Timor-Leste, also will collaborate with the University of Griffith.
 - It will also carry out the study on "Factor that affects credit and its implication in the economy of Timor-Leste".
- c. To improve compilation and ensure timely publication of balance of payments and monetary statistics, BCTL intends to establish an automatic system of balance of payments and monetary statistics.

- d. In 2023, BCTL will also start a new phase of establishing central balance sheet statistics. Data as an economic and financial information center for non-financial companies in Timor-Leste. There is importance as sources for: economic analysis, investigation of financial stability, supervision in the financial system, risk assessment and management.

Strengthens Management and Investment Capacity

The central bank has sufficient capacity in asset and investment management. However, it needs to continue to strengthen through strategic study in the relevant operational aspect, to ensure sufficient currency management, promote digital banking services, and increasingly strengthen asset investment management to provide the most efficient services to customers, guarantees the management of the petroleum fund and other relevant funds that delegate their operational management to the central bank.

In 2023, BCTL will support the study on the government's treasury title and reform operational investment management, to promote the study of the Pooled Found strategy approach to facilitate the implementation of efficient long-term investment management and to ensure the investment activity of the Petroleum Fund. Additionally, it intends to carry out the investment in treasury management as long as market conditions allow.

Institutional Strengthening and Development of Internal Capabilities

In order to strengthen the administrative activity and management of BCTL, in 2023, the central bank plans to carry out technical and physical capacity building activities and policies as follows:

- a. The Central Bank will start the construction process of the new building.
- b. The Central Bank plans to establish the "Central Bank Institute" to provide training to bank staff in banking & finance, supervision, economics, investment and accounting.
- c. Central bank plans to purchase new accounting system or "Core Banking System (CBS)" to switch to T1 accounting system, so the system can better serve services more quality and efficiently. The system will elaborate the key activities as follows: Banking operation, treasury operation, government securities registration, currency operations, payment system operation, R-Timor system, accounting operation, settlement confirmation operation, provisioning, petroleum fund, special fund, human resource management and security & control system.
- d. In order to improve technical capacity and knowledge, the Central Bank will take full advantage of training programs (seminars, workshops and conferences) offered by entities such as the Central Bank of the CPLP, SEACEN, BI, BdP, BNM, IMF, ADB, World Bank, Reserve Bank of Australia & South Pacific, AFI, PFTAC and participate in programs offered by the Malaysia Institute of Insurance and BSA training. In addition to participating in these events, the central bank also continues to contribute as a member of the commission in AFI, APG and ASEL.

The Central Bank will continue to provide opportunities to its employees in a master's and PhD scholarship program.

Main Governing Bodies of the Central Bank of Timor-Leste (BCTL)

Board of Directors

The Governor

Abraão de Vasconcelos

Deputy-Governors

Nur Aini Djafar Alkatiri

Venâncio Alves Maria

Non-Executive Members

Maria Madalena Brites Boavida

Aicha B.U. Bassarewan

Francisco da Costa Guterres

Benjamin Cortereal



Management Committee

The BCTL Management Committee includes all those responsible for the Bank's main organizational areas, as indicated:

The Governor

Abraão de Vasconcelos

Deputy-Governor

Nur Aini Djafar Alkatiri

Deputy-Governor

Venâncio Alves Maria

Accounting Division Director

Fernando da Silva Carvalho

Administration Division Director

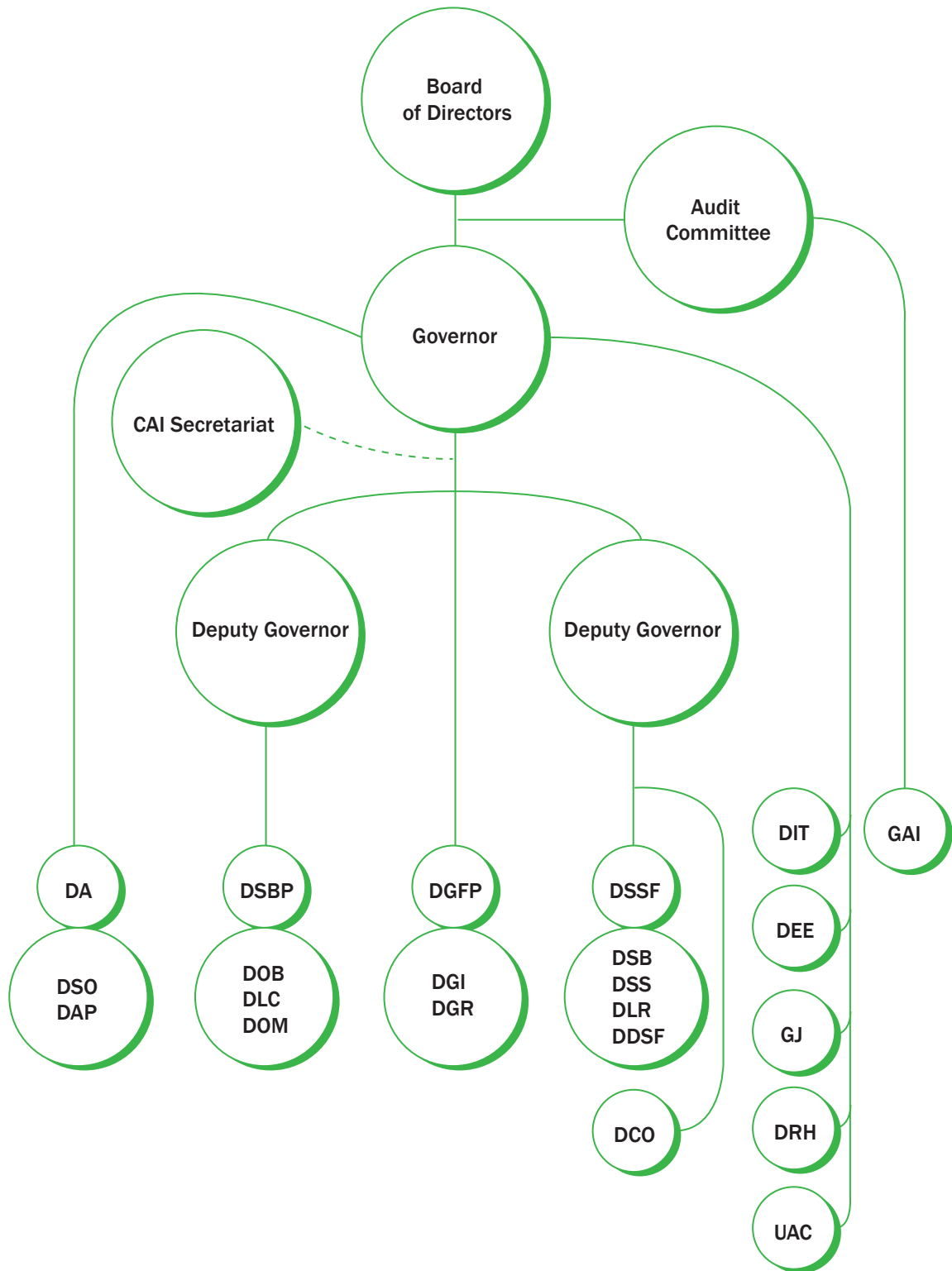
Maria Ângela de Sousa Soares

Institutional Cooperation Affairs Unit Director

Raquel G. Da Costa



BCTL Internal Organization in December of 2022



Subtitle:

- CAI** Investment Advisory Committee

- DA** Administration Department
 - DSO** General Services Division
 - DAP** Provisioning Division

- DSBP** Department of Banking and Payment Systems
 - DOB** Banking Operations Division
 - DLC** Settlement and Confirmation Division
 - DOM** Operations Division currency

- DGFP** Department of Petroleum Fund Management
 - DGI** Management Division and Investment
 - DGR** Management Division and Risk

- DSSF** Financial System Supervision Department
 - DSB** Banking Supervision Division
 - DSS** Division Insurance Supervision
 - DLR** Licensing and Regulation Division
 - DDSF** Financial System Development Division
 - DCO** Accounting and Budget Division

- CE** Audit Committee
 - GAI** Internal Audit Office

- DIT** Information Systems Division
- DEE** Division of Economics and Statistics
- UJ** Legal Unit
- DRH** Human Resources Division
- UAC** Institutional Cooperation Affairs Unit

