



CHAPTER

**THE BCTL: MISSION AND MANDATES,
ORGANIZATION, GOVERNANCE AND ACTIVITIES**

3.1. Principal Mandates and Functions 82

3.2. BCTL Organization and Governance 84

3.3. BCTL Activities in 2019 87



Banco Central de Timor Leste's (BCTL) 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, a secure and efficient payment system and the 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 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 2019, as well as its 2020 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.





31

Principal Mandates and Functions

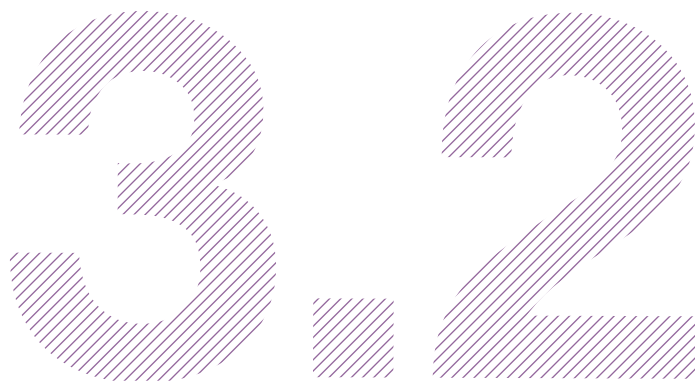
Banco Central de Timor Leste (BCTL) is a legal person governed by public law, with administrative and financial autonomy and its own assets. The BCTL, its entities, employees and agents, enjoy independence and cannot receive instructions from external entities, and its Organic Law guarantees the necessary 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 of a financial system based on market economy's principles, where there is appropriate competition, which works in favor of citizens and the economy in general. 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 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) To carry out operations in foreign currencies;
- d) Hold and manage the official external reserves of the country;
- e) Hold and manage the gold reserves of the State;
- f) Issue and manage the official currency of Timor-Leste --- at this time the country uses the US dollar as its currency;
- g) Collect and publish statistical information on the areas of its competence, notably 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 a secure and efficient domestic payment system;
- 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 focus on the above points;
- n) Be part of contracts and establish agreements and protocols with national or foreign entities, either public or private; 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.



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 management and operational activities of the Bank.

The governor is BCTL's highest executive body or its chief executive officer and is assisted by two Deputy Governors and by a management committee composed by the directors and heads of various Bank departments. At the end of 2019, the Board of Directors was composed of the Governor, two Deputy Governors and four non-executive members. The composition of the Board of Directors and the Management Committee is 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 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, the **O**bligation and **R**esponsibility, essential slogans in the day-to-day operations of the institution and of its employees.



T ransparency

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.

I ntegrity

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.

M obilization

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

O wnership

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.

R esponsibility

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.

INSTITUTIONAL VALUES

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 behavior 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 elements from any persons or institutions who may be interested in influencing their decisions.



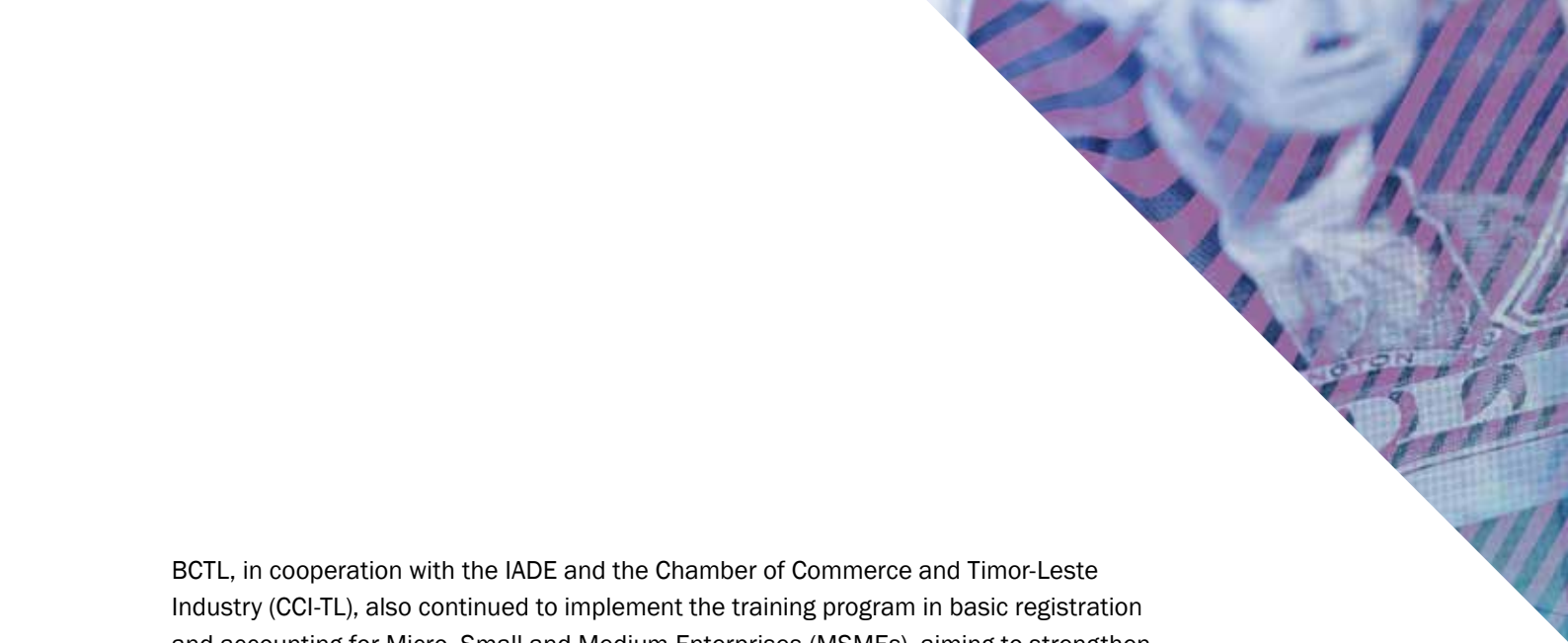
BCTL Activities in 2019

As part of the BCTL's mission to promote monetary and financial stability, the development of the financial system and the promotion of a secure and efficient payment system, the following set of activities and initiatives were planned and implemented in 2019.

Within the continued implementation of the Financial Sector Master Plan in Timor-Leste in 2019, BCTL continued to modernize the national payment system. In this regard, the Bank officially launched the P24 system, which is supported and embedded in the R-Timor system. Making use of the interbank network R-Timor, the P24 can automatically liquidate the net liabilities between banks on a daily basis. In 2019 a significant number of financial transactions was already recorded in this system, as its volume amounted to 7.9 million transactions with an aggregate value of \$3.6 million.

In August 2018, BCTL authorized 'Telemor Fintech Unipessoal Lda' to operate an electronic money wallet service (E-Wallet), under the brand 'Mosan Service'. This service, which has been in continuous operation for the last 2 years, is a digital financial service that allows its users to make transfers, withdrawals and deposits of cash in their wallets and other types of financial transactions. At the end of 2019, the company already had a network of 718 branches and 24,677 customers.

In the same context, the BCTL continued to implement in 2019 the financial literacy training program in primary schools of the country. In this regard, the Bank held a workshop to assess the progress in the implementation of the pilot program defined in the Memorandum of Understanding (MoU) with the Ministry of Education in 2016 and continued to implement the program "Training of Trainers", in collaboration with INFORDEP, so that teachers can continue training new teachers in all schools. The training covered in 2019 the districts of Aileu, Ainaro, Covalima and Bobonaro and a total of 82 teachers. By the end of 2019, the training has already covered nine municipalities of the country, including RAEOA and a total of 334 teachers.



BCTL, in cooperation with the IADE and the Chamber of Commerce and Timor-Leste Industry (CCI-TL), also continued to implement the training program in basic registration and accounting for Micro, Small and Medium Enterprises (MSMEs), aiming to strengthen their business management capabilities and access to bank financing.

The commemoration of the 5th anniversary of the National Savings Day in 2019 was held at the Administrative Office of Maliana, in the Municipality of Bobonaro, during which poetry and discourse competitions were organized for students of 10 primary schools from Maliana. This contest took place on 26 and 27 November and the winner received his symbolic prize on 29 November at his school, an event that was also part of the celebration of National Savings Day.

The BCTL launched in 2019 the Credit Guarantee Scheme (CGS) for Small and Medium Enterprises (SMEs), which is already operational to receive requests by interested companies.

In order to continue to improve and strengthen its institutional collaboration and cooperation, the BCTL created in 2019 the Unit for ‘Institutional Cooperation Affairs’, based on the Decision of the Governor No. 121/2019 of 27 February 2019. This new Unit, whose organizational importance is equivalent to a Department, will manage the institutional cooperation with partner organizations at the national and international levels in the areas of technical assistance, training and other forms of cooperation, and promote coordination with other Central Banks and other financial institutions.

Finally, in order to deepen the relationship with their relevant institutions, the BCTL organized two key meetings in 2019: the XXIII Conference and 16th General Assembly of the CPLP’s Association of Insurance Supervisors (ASEL) and the launch of the Financial Inclusion Initiative.

Major BCTL activities conducted over 2019 are described with greater detail in the following section.

3.3.1. National Payments System

3.3.1.1. Interbank Clearing and Settlement System

During the period covered by this report, the Central Bank continued to act in a consistent manner so as to always maintain sufficient cash reserves to meet the cash payment requirements of state entities and commercial banks. Also in this context, BCTL assured the permanent functioning and execution of interbank financial transactions through the Clearing House and Real Time Gross Settlement (RTGS) systems. Table 3.1 summarizes the transactions recorded in Dili's interbank clearing and settlement system (CEL).

The CEL system operated steadily in 2019, having processed 15,200 transactions, corresponding to a value of \$92.7 million. However, these numbers represent a significant reduction of -21.6% in terms of quantity and -18% in value compared to 2018. These decreases thus reinforced the falls already recorded in 2018, which, though minor, were -12.5% and -15.8% respectively compared to 2017.

Table 3.1 Dili Clearing House Transactions
(Value in million USD, Quantity in 10³)

Month	Cheques 2018		Cheques 2019		Variation (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
January	1,645	11,060	1,385	9,415	-15,8	-14,9
February	1,708	10,531	1,220	5,540	-28,6	-47,4
March	1,791	10,163	1,347	7,076	-24,8	-30,4
April	1,726	9,262	1,266	6,784	-26,7	-26,8
May	1,538	9,086	1,369	8,239	-11,0	-9,3
June	1,602	9,937	1,273	7,118	-20,5	-28,4
July	1,706	9,839	1,393	8,793	-18,3	-10,6
August	1,608	9,408	1,152	6,810	-28,4	-27,6
September	1,483	7,269	1,213	7,410	-18,2	1,9
October	1,626	9,638	1,228	9,163	-24,5	-4,9
November	1,371	8,012	1,136	7,713	-17,1	-3,7
December	1,518	8,947	1,175	8,611	-22,6	-3,8
Total	19,322	113,152	15,157	92,673	-21,6	-18,1

Source: BCTL

3.3.1.2. SWIFT and R-Timor (RTGS) Systems

BCTL payment services are subdivided into 1 of 2 categories: Domestic or International. Domestic payments, in turn, can also be 1 of 2 types, depending on their size: Large Amount or Retail. International payments from the country to the outside and vice versa are always made through the SWIFT system. Domestic payments, especially retail payments, are directly processed in the automated clearing house, two times per day. These payments include salaries, subsidies to veterans, payments to suppliers, which, among others, are processed and transferred to commercial banks. Payments of large sums, above USD 200,000, are always made through the RTGS.

Table 3.2 International and Domestic Payments

(Value in million USD, Quantity in 10³)

	2018		2019		Growth %	
	Quantity	Value	Quantity	Value	Quantity	Value
National Payments						
Automatic Clearing House	77.65	103.55	90.27	107.97	16.2	4.3
RTGS-FICT	5.23	3,625.27	15.62	3,625.27	198.6	0.0
RTGS-SCCT	70.07	1,995.87	70.70	9,372.06	0.9	369.6
Sub Total	152.95	5,724.69	176.58	13,105.30	15.4	128.9
International Payments						
Outgoing Transfer-SWIFT	2.18	1,162.84	1.83	1,196.96	-16.1	2.9
Incoming Transfer-SWIFT	0.41	308.91	0.20	144.47	-52.0	-53.2
Sub Total	2.59	1,471.75	2.03	1,341.43	-21.8	8.9
Total	155.54	7,196.44	178.60	14,446.73	14.8	100.7

Table 3.2 shows the statistics of payments, both national and international, during the reporting period. With regard to national payments, 177,000 documents were processed, corresponding to a total of \$13 million, an increase of 15.5% in number and 129% in value, compared to 2018. The remarkable growth of such payments versus last year was due to the usage of the R-Timor system (RTGS) to make national payments for the complete duration of 2019, as it was only implemented in last half of 2018. On the other hand, international payment activities processed 2 thousand operations corresponding to a value of \$1,341 million, which represents a decrease of -22% in terms of number and -9% in terms of value, compared to 2018. The decline in international activity level was due to the fall in incoming transfers, which fell -52% in number and -53% in value.

Table 3.3 below exhibits the summary of international transactions undertaken by commercial banks in 2018, including both inflows and outflows.

Received external transfer operations via SWIFT in 2019 amounted to a total of 25.7 thousand and corresponded to a value of \$971.6 million, which yielded a reduction of -5% in number but a rise of 182% in value. Transfers abroad totaled 17,600 transactions, corresponding to \$1,449 million, which resulted in a decline of -19.6% in terms of quantity, but to an increase of 44%, with respect to transferred amounts.

Table 3.3 SWIFT Incoming and Outgoing Transfers

(Value in million USD, Quantity in 10³)

	2018		2019		Growth %	
	Quantity	Value	Quantity	Value	Quantity	Value
Incoming Transfers						
SWIFT	27,0	344,6	25,7	971,6	-5,0	181,9
Non-SWIFT	7,8	144,4	10,7	182,2	37,5	26,1
Sub Total	34,8	489,0	36,4	1153,7	4,6	135,9
Outgoing Transfers						
SWIFT	21,8	1007,4	17,6	1449,2	-19,6	43,9
Non-SWIFT	61,1	371,7	62,4	629,0	0,5	69,2
Sub Total	83,9	1379,1	80,0	2078,2	-4,7	50,7
Total	118,7	1868,1	116,3	3231,9	-2,0	73,0

3.3.1.3. P24 System

With the implementation of the P24 system in 2019, the main elements of the National System of Timor-Leste Payments are now fully operational. The P24 system makes use of the R-Timor's interbank network, allowing P24 to automatically liquidate the net value of transactions between banks on a daily basis.

Table 3.4 summarizes the evolution of the first transactions made in the P24 system in the country. Although the system was only fully operationalized at the end of 2019, it has already recorded a significant number of 1,216 million cash withdrawal operations, corresponding to an amount of \$142 million. In terms of electronic transfers of funds, P24 executed 7.9 thousand operations and moved \$3.6 million.



Table 3.4 P24 System

(Value in million USD, Quantity in 10³)

	Financial Transaction		Non-Financial Transaction		
	Cash Withdrawal		Transfer		Balance Inquiry
	Quantity	Value	Quantity	Value	
Jan/19	58,838	7,385	0,42	0,181	0,036
Feb/19	82,067	9,674	0,536	0,195	0,033
Mar/19	96,166	11,116	0,691	0,224	0,028
Apr/19	97,878	11,278	0,65	0,236	0,034
May/19	104,515	11,951	0,727	0,314	0,031
Jun/19	101,076	11,602	0,603	0,295	0,038
Jul/19	110,652	12,940	0,792	0,391	0,034
Aug/19	104,689	12,179	0,627	0,329	0,034
Sep/19	104,573	12,225	0,689	0,324	0,032
Oct/19	114,832	13,265	0,833	0,382	0,031
Nov/19	105,262	12,208	0,649	0,346	0,032
Dec/19	135,762	16,433	0,707	0,364	0,054
Total	1216,310	142,257	7,924	3,582	0,417

Source: BCTL

3.3.1.4. Mosan Service (E-Wallet)

In August 2018, the BCTL authorized 'Telemor Fintech Unipessoal Lda' to test the operation of an electronic money wallet service (E-Wallet) under the brand name 'Mosan Service'. This system consists in a digital financial service that enables its users to make transfers of funds, withdraw and deposit money in their wallets, top-up mobile phones balances, make electric utility prepayments (still being implemented) and check the balances and historic transactions. The Telemor Fintech was also authorized to extend the e-wallet transfer system (Mosan) to users who have not yet formally enrolled in the service. In 2019, the BCTL granted the formal and final authorization to 'Telemor Fintech Ltd' to operate the Mosan system.

For prudential reasons, BCTL imposed limits on the Mosan system, so that the maximum balance of each account was set at \$500 and the depositable maximum per day is \$300. At the end of 2019, the company already operates a network that includes 718 branches and 24,677 customers in several municipalities, including RAEOA and expects to have branches in all Timor-Leste's Sucos. 'Mosan''s agents, which act as 'access points', allow customers to:

- Transfer and receive funds;
- deposit and withdraw money;
- register users/accounts and update customer information.

The 'Mosan' service thus allows access to basic financial services to citizens of sucos and villages who live far from major urban centers and citizens who do not have the possibility of access to formal financial services in Timor-Leste. Table 3.5 summarizes the statistics on transactions for this service in 2019. In its first year of steady operation, the number of transactions reached 585 thousand, corresponding to an aggregate value of \$6.4 million. Given the future network expansion and substantial growth, it is expected that these values and volumes will grow materially in the coming years, thus contributing to raise financial inclusion in our country.

Table 3.5 'Mosan' Service Transactions

	Quantity (000)	Value (000 USD)
Transfer	37	4420
Cash-in	27	987
Cash-out	3	512
Top-up	517	470
Buy data	0,381	0,697
Total	585	6389

Source: BCTL

3.3.2. Banking System

Table 3.6 shows the evolution cash (coins or notes) and other 'non-cash' based payments, made by commercial banks in Timor Leste. As can be seen, the number of cash transactions in 2019 totaled 10.5 million, or 97% of total transactions with a nominal value of \$ 2,202 million. Activity thus recorded a decrease of 39% in terms of number and an increase of 3.2% in terms of value, compared with 2018. Non-cash-based transactions represented were only 322 thousand, representing 3% of total transactions and growing 1% versus 2018. However, these corresponded to a value of \$3,064 million, or about 58% of the total. In terms of global transactions, the volume of transactions fell 38%, but their value rose 12% over 2018.

Table 3.6 Cash and Non-cash Transactions
(Value in million USD, Quantity in 10³)

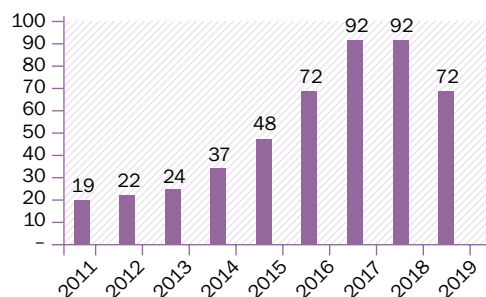
	2018		2019		Growth %	
	Quantity	Value	Quantity	Value	Quantity	Value
Cash Transactions	17,130	2,134	10,502	2,202	-38,7	3,2
Non-cash transactions	309	2,536	322	3,064	4.0	19,5
Total	17,440	4,697	10,824	5,266	-37,9	12,1

Source: BCTL

BCTL plans and is consistently working towards assuring that the settlement of transactions in the economy becomes progressively more efficient, through the increased usage of electronic payments and digital financial services. Consequently, the BCTL continues to prioritize the substantial expansion of the network and range of digital payment services that do not use cash, but that make use of the National Switch System for the expansion of payment services, encouraging the widespread use of debit and credit cards, as well as the mobile phone as a platform for making payments.

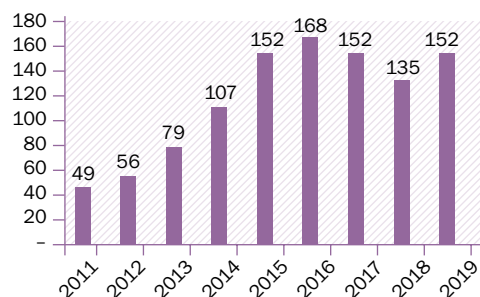
Charts 3.1 and 3.2 depict the evolution of the number of payment terminals installed in the country, which include the automatic teller machines (ATM), totaling 72 units in 2019 and the 152 Point-of-Sale (PoS) payment units. Compared to December 2018, this represents a 22% decrease for ATMs, while the number of PoS fell 13%.

Chart 3.1
Automatic Teller Machines (ATM)
Number of ATM



Source: BCTL

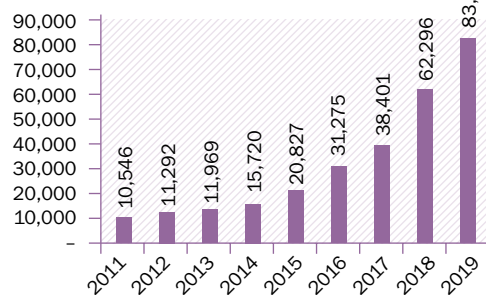
Chart 3.2
Point-of-Sale (PoS)



Source: BCTL

The evolution of bank cards issued in Timor Leste can be seen in chart 3.3. The number of cards in circulation in the country in December 2019 totaled around 83 thousand, corresponding to a further 33% increase compared to 2018, when cards had grown 62%. As for the composition in terms of debit and credit cards, there was no major change, with the two types of cards registering almost identical increases. The number of debit cards increased 35% compared with the 32% increase observed in 2018. Despite the slowdown in bank card number growth, the existence and widespread use of cards continues to show a rising trend, confirming the effective interest of bank clients in these means of payment and the modernization and increasing digitization of our financial system.

Chart 3.3
Contas Bancarias
Number of the cards



Source: BCTL

Box

Progress on Financial Inclusion Strategy

Financial Literacy Program

In February 2019, the BCTL organized a ‘workshop’ to assess the progress in the implementation of the pilot program of the Memorandum of Understanding (MoU) with the Ministry of Education, signed in 2016. The ‘workshop’ concluded that the financial literacy program’s implementation in schools is crucial and it is essential that this program should be included in the national education curriculum.

The BCTL also continued to implement the ‘Trainers training program’ in partnership with INFORDEP to prepare teachers, principals and vice-principals of primary schools and expand the initiative in order to extend the program to all public primary schools. The training program was implemented in nine municipalities, including RAEOA, and formed already 334 teachers over the past three years. In September of 2019, the BCTL, in cooperation with the Federation of Credit Hanai-Malu Cooperatives (FCCHM) organized a training for instructors in financial literacy, which aims to extend the training program to all municipalities, including RAEOA.

During the year, the BCTL also held several training sessions for boards of private companies, in partnership with the Institute for Business Development (IADE) and the Chamber of Commerce and Industry of Timor-Leste. These sessions administered training modules in basic accounting and analysis for Micro, Small and Medium Enterprises (MSMEs) throughout the country. This initiative, which seeks to strengthen the management capacity and access of companies to bank loans benefited directly, in 2019, 71 MSMEs from various sectors, such as services, trade, construction, livestock, agriculture, finance and small industries.



National Financial Inclusion Strategy Progress Assessment

In April 2019, BCTL formally released the report entitled “Financial Inclusion Report 2018 - Measure, Strategize and Innovate”. The report, based on detailed and updated data on the supply side (information from commercial banks and other financial service providers), analyzed the current state of the financial inclusion process and the progress made by the country since 2016. The report highlighted the increase 36% in access points, the supply of new types of financial services, especially the new electronic money wallet services, the progress in terms of the implementation of the National financial inclusion Strategy and the various relevant activities already organized to promote financial inclusion. The theme of the report “Measure, Strategize and Innovate” summarizes its purpose, which is to update the understanding of the factors influencing financial inclusion and to make recommendations for future policy guidelines and promote innovation. BCTL plans to carry out further research in the near future and produce an equivalent report, but focusing rather more on the demand side, as a way to conduct a comprehensive assessment of the financial inclusion process.

Credit Guarantee System (CGS) for SMEs and Training

In July 2019, BCTL launched the Credit Guarantee Scheme (CGS) for Small and Medium Enterprises (SMEs), which is already operational to receive requests from interested institutions (creditors). The CGS is a digital online platform to streamline processes. BCTL has already received requests from the BNCTL to cover loans to SMEs under the CGS. ‘Bank Rakyat Indonesia’ (BRI) and Bank Mandiri also launched their CGS certification processes. During the year, BCTL also promoted public sessions to disseminate the existence and relevance of this system in combination with the Financial Literacy program for SMEs, explaining the application process and other CGS processes. In this context, BCTL has already established various partnerships to promote the Program in Dili, but also, and especially, in the various other Municipalities.

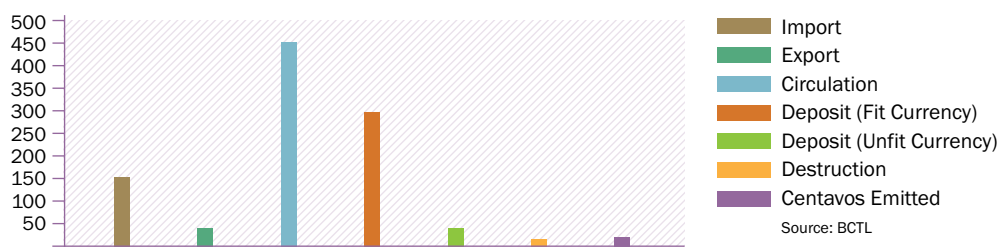
3.3.1.4. Currency Imports and Exports

One of the fundamental functions of the Central Bank is to ensure that the national economy has access to the necessary means of payment to support the current economic activities and expected growth, of its agents. In this regard, the Central Bank effectively protects the general public confidence in the country's currency, through the supply of banknotes and coins that, at all times, must meet the demand of the public; and ensuring the physical integrity of the notes and coins.

As the country uses notes from another country and its own coins, which are not manufactured in the country, the supply of immediate means of payment (coins and banknotes) requires their import and, in the case of banknotes, when they reach a degree of very low quality, their re-export to the country of origin, the United States.

Chart 3.4

TL: Currency Transaction in million USD



During 2019, CCTL imported \$145 million in US dollar bills, representing a major increase of 89% compared to 2018, and issued into circulation a total of \$434 million, including coins (centavos). In fact, the amount placed in circulation is greater than the imports due to the existence of deposits and reserves of cash. Note also that 20 USD bills continue to be those most used in transactions in the country, representing 55% of total imports, 67% of the circulation in the economy and 71% of the total (re) deposited by banks with the central bank (Table 3.7).

Chart 3.7 Coin Transactions and Movements

(value in million USD)

Denomination	Import		Re-circulation		Deposit		Peso 2018			Growth %		
	2018	2019	2018	2019	2018	2019	Import	Re-Circulation	Deposit	Import	Re-Circulation	Deposit
100	4,800	4,800	10,560	7,200	1,960	4,801	3,3	2,8	1,7	0	-32	145
50	6,400	8,800	16,800	11,700	0,900	4,450	6,1	4,4	2,7	38	-30	394
20	44,160	80,000	249,201	286,361	191,681	218,391	55,3	65,7	67,1	81	15	14
10	18,240	46,880	96,290	116,260	69,967	76,510	32,4	25,4	27,2	157	21	9
5	2,800	4,160	6,425	5,170	2,601	2,626	2,9	1,7	1,2	49	-50	1
Total	76,400	144,640	379,276	426,691	267,109	306,779	100	100	100	89	13	15

Source: BCTL

As for coins, the 200 cents denomination, first issued in September 2017, registered a total circulation in 2019 of 2.7 million cents. This represents an increase of 39% over 2018, with the value of this denomination in circulation to continue to exceed the value of denominations of 100 and 50 cents. These two last coins recorded a value in circulation of 1.84 million and 1.40 million cents, respectively in 2019. These values, which amounted to 27% and 20% of the total circulating 'centavos', resulted in an increase of 19% and 13% respectively compared to 2018, thereby recovering partially from the falls of -44% and -31% recorded in 2018.





Box

Timor-Leste Payment System Modernization

1. The R-Timor System

The R-TiMOR application launched in 2015 is a center of an integrated network of systems that enable payments to be made electronically in Timor-Leste between any two individuals, companies, other entities, and Government organizations through R-TiMOR participants.

After the effective implementation of the R-TiMOR in 2015, the Central Bank continues coordinate with the service provider and the R-TiMOR participants to enhance the services to facilitate and ensure efficient and effective payments system through Straight Through Processing (STP) aiming enable payments are executed in efficient and effective manner.

Following the launch of interface between the Ministry of Finance's GRP (Government Resources Planning) system and the Central Bank's R-TiMOR (Rede Transferénsia iha Momentu Reál) system in early 2018 to enable the Ministry of Finance to create and make single customer payments electronically in GRP which are transferred directly in real time through R-TiMOR to credit the vendor and other beneficiary accounts in commercial banks.

In July 2019, the BCTL improved the R-TiMOR services by introduced a new payment feature namely Own Account Transfer (OAT) to enable transfers funds between Ministry of Finance and its sub accounts efficiently.

The BCTL further continues to coordinate with the R-TiMOR provider and the participants for further necessary enhancements to facilitate straight through bulk payments, payments of the taxes through any participant bank.

2. The National Card and Payment System Switch Projects

As reported in previous years, in March 2017, the BCTL engaged SIBS International to supply and implement a National Card and Payment Switch. The switch, designated "P24" (the "P" associated with the words Pagamentu, Pagamento, Payment and Pembayaran) in twenty-four hours will offer a full range of payment services.

The P24 launched in December 2018 where BNU and Bank Mandiri ATMs were integrated during the first stage enabled customers of each bank can perform transactions in other bank's ATMs.

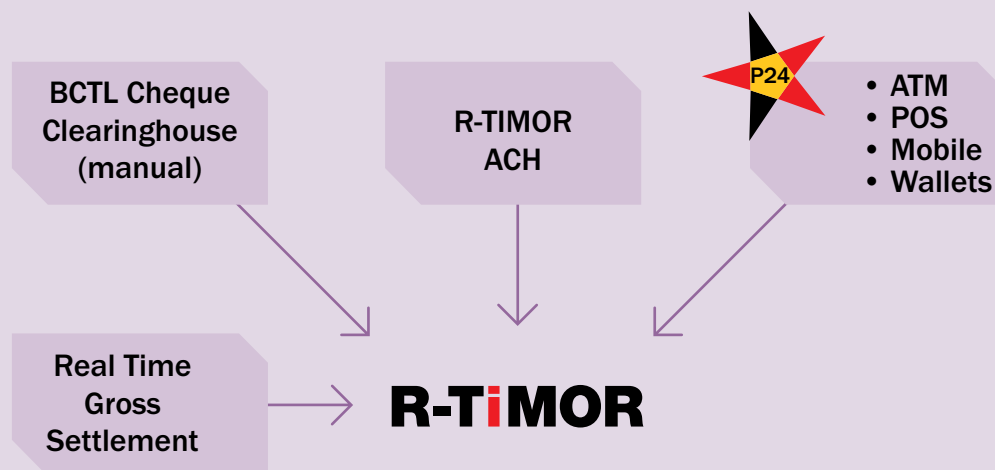
BNCTL further joined in December 2019 and BRI has also joined in early February 2020 where one of ATMs of both banks already integrated in the P24 system so that the P24 card holder can perform transactions in any ATM machine with P24 logo. Both BNCTL and BRI are in progress of mass production and once completed will convert most of their ATMs in P24 that will facilitate the card holders to perform transactions efficiently in any ATM with P24 logo.

As reported last year that the BCTL authorized Telemor Fintech Lda in 2018 to trial e-wallet transfer system with the brand name “Mosan” with the features of transfer money between e-wallet users, cash-in (deposit), cash-out (withdrawal), air time purchase, balance inquiry and mini statement inquiry as well as to facilitate **TRANFERS BETWEEN NON E-wallet** users. Telemor Fintech Lda fulfilled the requirements established in the trial period, therefore in August 2019, the BCTL has issued final authorization to Telemor Fintech Lda covered the above-mentioned services. At the end of 2019, Telemor has 718 agents operating in most of the Municipalities and it plans to have more agents operating in rural villages in the future to facilitate unbanked citizens in accessing financial services.

In October 2019, the BCTL also authorized Telin Digital Solution (TDS) branded T-Pay e-wallet Payment Services for limited internal clients trial with the features cash-in (deposit), cash-out (withdrawal), balance inquiry, mini statement inquiry, transfer of funds between e-wallet users within the territory of Timor-Leste and payment and/or purchase of goods and services. The T-Pay has established 13 merchants around Dili to facilitate purchase of goods.

As reported previous year on the connection of phone-based e-wallets to enable transfers between wallet to wallet accounts and between wallet to bank accounts and vice versa, Telemor Fintech has connected to the P24 system while both phone based e-wallet are working to connect with each other and the T-Pay is also working to connect to the P24.

With the integration of the e-wallets, working with its service providers and P24 participants the BCTL initiated a Mobile Switch which is currently in testing phase that will enable transfers from bank account to e-wallet account and vice versa. Once completed, this will facilitate citizens to perform transactions efficiently particularly those are living in remote areas.



The BCTL is also currently working with its service provider and the Tax Authority of Ministry of Finance to activate the service payments which will facilitate the tax payers to pay the taxes through ATMs at early stage and later through POS and Mobile Wallets once the development is completed.

As reported last year, the BCTL continues working with the service providers and the P24 participants in exploring regional interface starting with Indonesia and later to be expanded to respective ASEAN countries where a P24 card holder can perform transactions in Indonesia and other respective ASEAN countries and vice versa once completed. Obligations between banks will be settled automatically through the link between the P24 system and the Central Bank's settlement system (R-TiMOR). The P24 system will take some time to complete with full range of services because the project has been the most complex project undertaken by the Central Bank to date.

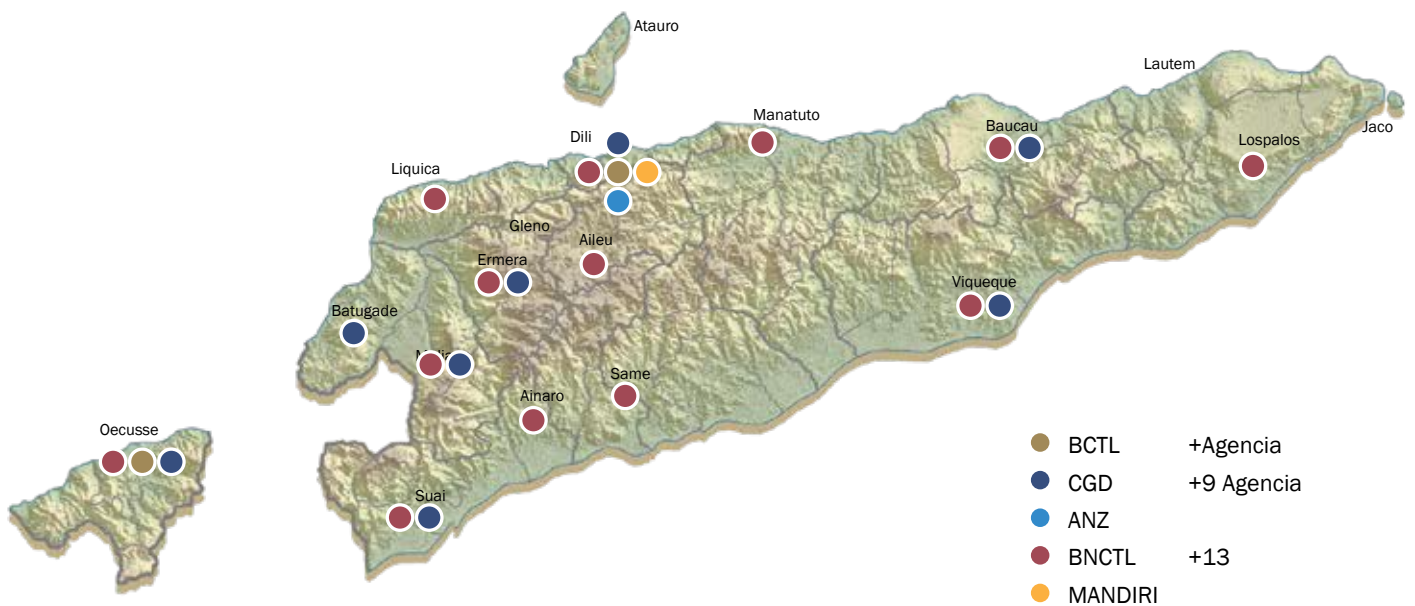
With the P24 central switch linking the ATM networks, POS network and e wallet providers, it would be possible for a much wider range of Timorese citizens to have access to banking and payment services. Giving people access to these services is a key strategy of the Central Bank to strengthen and develop financial sector and support economic growth, particularly outside Dili and remote areas.

3.3.4. Financial and Banking Systems

3.3.4.1. Licensing and Supervision

Timor Leste Financial System is composed by 5 commercial banks, 2 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.

Banking Services in Timor-Leste



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.

The BCTL also completed during the year, the process of liquidation of the former insurer 'National Insurance Timor-Leste (NITL)' in accordance with the provisions of the Insurance Act No.6 / 2005 on the licensing, supervision and regulation of insurers and insurance brokers.

Also in 2019, the BCTL implemented an online reporting system for all financial institutions, designated BSA, or 'Bank Supervision Application'. The BSA is a banking supervisory web-based software that allows a faster and more efficient submission of financial institutions reports, as well as validation and analysis of prudential indicators, to enhance the technological support the banking supervision activities. Currently, this application is used by 16 regulatory and supervisory institutions from 15 countries of South and East Africa, while Timor-Leste will be the first non-African country to use the application. The implementation stage also included an intensive and complete training of BCTL's internal team and teams from other institutions that will make use of the new bank reporting tool.



Box

Financial Education Program Implementation

3.1. Financial Literacy Program in Primary Schools

Since the BCTL defined as one of its main priorities the development of financial literacy in 2016, the bank has been implementing a program to promote this objective. In 2019, BCTL continued to maintain a strong relationship with its partners and stakeholders in this area, namely the Ministry of Education and the National Institute for Training Teachers and Education Professionals of Timor-Leste (INFORDEPE).

In this context, throughout the year, one of the most important initiatives was the organization of a 'workshop' in February 2019. The objectives of the workshop consisted in identifying the weaknesses and challenges, as well as the planning of the approach to implement the Financial Literacy Program in primary schools, as defined in the MoU signed between the BCTL and the Ministry of Education in 2016. The 'workshop' was attended by the Director General of the Ministry of Education and INFORDEPE, all Municipal Education Directors and all teachers who currently teach this program in the respective municipalities. Among the issues discussed, the following stand out: the main elements of the implementation program, the progress of INFORDEPE's instructors training program, the progress on the implementation of the financial literacy program in primary schools, the possibilities for improving the coordination of the teaching program in primary schools, the definition of a fixed schedule for the teaching program in primary schools; the scope of plans for new primary schools' teaching and the effectiveness of the monitoring program.



In terms of the most important conclusions of the 'workshop', we highlight the following: the financial literacy program should be included in the national curriculum of primary schools, it is necessary to increase the numbers of teachers who teach the program in primary schools, it is desirable to maintain the fruitful cooperation between the BCTL and INFORDEPE in the training programs of the Directors and Deputy Directors in selected primary schools, so that teachers become familiar with the financial education materials before learning and teaching them.

Throughout 2019, training sessions covered the districts of Aileu, Ainaro, Covalima and Bobonaro, counting with a number of participants of 82 teachers. Between 2016 to 2018, this program has been administered in the districts of Baucau, Manatuto Lautem, Ermera, Liquica and the Special Administrative Region of Oecusse, covering a total number of participants of 252 teachers. Thus, taking into account the training sessions held in 2019, 334 teachers have already participated in this training program.





3.2. National Savings Day

The commemoration of National Savings Day in 2019 was a bit different compared to previous years, as BCTL organized an educational competition in various primary schools, also including schools which have not yet taught the financial education program. It was also held a drawing competition in 14 primary schools in 8 municipalities. The drawing competition took place between 7 and 8 October.



Photo: The winner of the poetry contest - Maliana

Photo: the winner of the speech contest - Maliana

The commemoration of the 5th anniversary of the National Day of Savings was held at the Administrative Office of Maliana, in Bobonaro, during which poetry and speeches competitions were organized, which included the participation of students from 10 primary schools from Maliana. These competitions were held on 26 and 27 November and the winners received their symbolic prizes on 29 November.

The BCTL also continued to disseminate in schools and communities the benefits of opening accounts “Hau-Nia Futuru” in commercial banks, to entice more families, including children and young people and promote widespread access to this savings product.



Photo: delivered the awards to the winners at the National Savings Day in EBC Vitor Santa Maliana



Photo: students EBC Lighthouse visit the B-CTL office

In parallel, the BCTL also organized in 2019 the GMN event to promote the account “Hau Nia Futuru” in various schools of Dili and Liquica. The ‘Global Money Week’ (GMN) is an initiative that aims to increase and encourage awareness of children and young people on ‘monetary’ matters. The celebration of GMN consisted in BCTL visits, together with elements of commercial banks, to schools to inform and share information about the account “Hau Nia Futuru.” Specifically, the team visited the schools: Lighthouse EBC, EBC Mary Help Comoro, the EBF Mauboge Liquica, EBC Casait Liquica and Taibesi school.

BCTL also benefited in 2019 from the technical advice of the Banco de Portugal to improve the implementation of financial literacy program, in particular, towards reviewing the current MoU with the Ministry of Education and of the current education program in primary schools.



Photos: Financial education in the EBC Simpang Tiga -Same and EBF Maununo- Ainaro.

During the year, the BCTL team also continued to assess the implementation of the Financial Literacy program in schools, having noted that its lessons have had a positive impact on the behavior of students, especially in terms of better managing their money and stimulating their savings. However, some obstacles were identified, faced by students who show interest in opening their account “Hau nia Futuru “, for example, the distance and the difficulty of access to banks and the difficulty in filling all bank forms, problems which affect more students in rural areas.

In terms of scope note that, by the end of 2019, 16 schools have actively taught the financial education program, with the direct participation of 5,403 students, of whom 2,746 were male and 2,357 female.

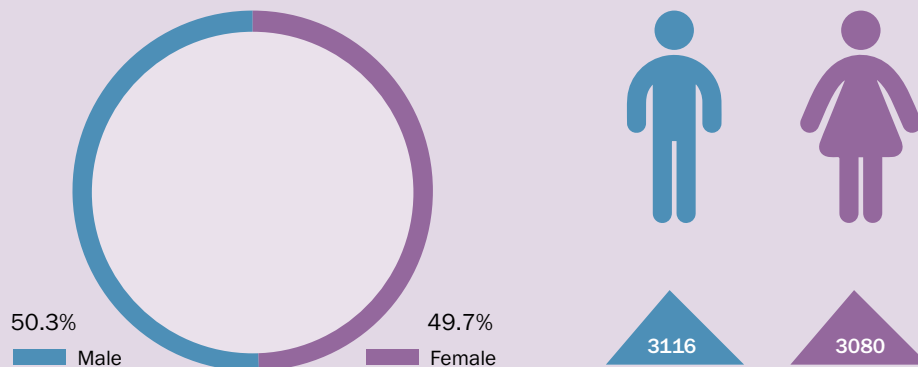


3.3. Account “Há’u-Nia Futuru”

CHILDREN SAVINGS ACCOUNTS “HA’U-NIA FUTURU”

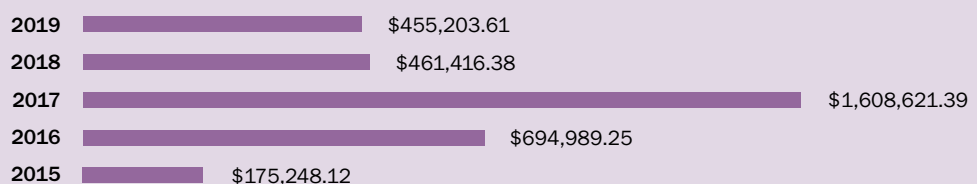
The account “Há’u-Nia Futuru” is now an extremely useful tool in terms of promoting financial inclusion of children and young people in the country, which, after being actively promoted by the BCTL, is now available in five commercial banks. In December 2019, the value of funds deposited in accounts “Há’u-Nia Futuru” amounted to \$455 thousand, which resulted in a slight decrease of 1% compared to \$461 thousand in 2018. In terms of new accounts of this type, 2019 recorded 6,146 new accounts, which resulted in a remarkable increase compared to 3,448 in 2018.

HNF composition by gender 2019



The chart below shows the value of savings deposited in accounts’ Hau-nia futuro” in recent years. Despite the downward trend of the last two years, especially in 2018, note that this has resulted from the fact that some account-holders have already exceeded 17 years, which means that their accounts’ balances are automatically excluded from this calculation.

HNF Accounts value



4

Box

Implementation of the Financial Sector Development Master Plan

4.1 Accounting and Business Registration Training

The BCTL continued in 2019 to support micro, small and medium enterprises (MSMEs) by working together with the IADE and CCI-TL in training companies' staff in accounting and business registration. The 2019 training program was held in IADE's training centers in Baucau, Viqueque, Maliana and Maubessi, thus achieving greater participation of MSMEs.



As in previous years, the program seeks to reinforce the capacity of businesses and their staff in terms of accounting and management of their businesses, as well as facilitating their access and funding from financial institutions. The specific training in accounting intends that participants have the ability to prepare and produce autonomously financial reports for their businesses, including balance sheets, income and cash flows statements.



In terms of scope, given the initiatives held between 2016 and 2019, this program has managed to cover a total of 272 companies, and counted with a slightly higher share of women (149) than men (123).

These training sessions were also used to present and promote the new BCTL's Credit Guarantee System, in particular the submissions' requirements and the online application's specifications available to companies. BCTL also continued to assess the quality of training sessions, conducting visits to training centers and monitoring the successful transmission of knowledge.

In terms of regional coverage, most of the participating companies are from Dili (70 institutions), whereas companies based in Covalima, Manatuto and Aileu were those that registered lower levels of participation.

In terms of sectors, service sector firms were the largest participants, followed by trade, livestock and other productive sectors. From the 272 MSME participants in the training program and by the end of 2019, 26% were services companies, 17% trade, livestock, construction 12% and other sectors, including the agricultural sector, 11%.

Box

Meetings and Conferences

XXIII Conference and 16th General Assembly of the Association of Portuguese Speaking Insurance Supervisors (ASEL)

BCTL hosted the XXIII Conference and 16th General Assembly of CPLP's Association of Insurance Supervisors Insurance (ASEL). This annual event counted with the participation of Insurance Supervisors from Mozambique, Angola, Cape Verde, Timor-Leste and Macau.

The meeting began with the Opening Session XXIII Conference and General Assembly of the ASEL led by DG Venâncio Alves Maria, who represented the Governor Abraão Vasconcelos. It then continued with the presentation of 'Opportunities and Challenges for the Insurance Sector in the Future', by Dr António Félix Pontes from AMCM (IFS Training Macau's President), the 'Case-Study of Crisis in Malaysian Insurance Sector' by Dato 'Syed Moheeb Syed Kamarulzaman, former CEO of the Aean's Institute for Training and Research in Insurance (AITRI), the 'Right Governance Corporate for the Insurance Sector' by Dato Kamarulzaman, and the 'Money Laundering Issues in the Insurance Sector', by Mr. António Félix Pontes.

The Conference and General Assembly was participated by institutions coming from various sectors, such as insurance companies and universities. At the conclusion of the event, the election for the organizational structure of ASEL for the 2019-2020 period was held and Angola was appointed to organize the conference in 2020 and Brazil in 2021. In terms of conclusions, it was highlighted the positive progress of insurance and pension funds sectors in ASEL's members jurisdictions, particularly given the challenges of the current international situation. It was also stressed the importance of strengthening Financial Literacy as a valuable tool in promoting the benefits and social value of insurance and pension funds activities. Additionally, this meeting also and again renewed the rising importance of professional training amongst insurance supervisors' staff, as well as the need to strengthen ASEL's members cooperation.





Financial Inclusion 2018 Report Publication

BCTL launched the 2nd edition of the “Financial Inclusion Report” with the theme “Measure, Strategize and Innovate” in order to update the understanding of the factors influencing financial inclusion and provide support to the recommendations to improve policies and guidelines and encourage innovation in this context.

The report is part of a series of publications already undertaken by the BCTL in order to promote financial inclusion in Timor-Leste. The first Financial Inclusion Report was published in 2016 and included the definition of a comprehensive set of relevant indicators and long-term goals. In 2017, the BCTL formulated the National Strategy for Financial Inclusion from 2017 to 2022, defining specific action plans to coordinate the efforts of stakeholders to achieve the desired inclusive and sustainable development of the financial sector.

The report, based on detailed and updated data on the supply side (information from commercial banks and other financial services providers), analyzed the current state of the financial inclusion process and the country progresses made since 2016, the year when it was defined and implemented the national financial inclusion strategy. The theme of the report “Measure, Strategize and Innovate” summarizes its purpose, which is to update the understanding of the factors influencing financial inclusion to formulate future policy guidelines recommendations and to promote innovation. The report highlighted the following progresses: 36% increase in financial access points, the establishment of new types of financial services, especially the new electronic wallet services, the progress in the implementation of the National Financial Inclusion Strategy and the various activities already established to promote financial inclusion.

BCTL plans to conduct further research in this field in the near future, aiming to produce an equivalent report, but focusing rather more on the demand side, as a way to conduct a comprehensive assessment of the financial inclusion process.

Banking Supervision Application

In 2019, BCTL implemented an 'on-line reporting system for all financial institutions, designated BSA, or' Bank Supervision Application'. The BSA is a web-based banking supervisory software that contributes to automatize and provide a more robust financial reporting method, as well as to expedite the validation and analysis of prudential indicators and to upgrade the technological infrastructure for banking supervision activities.



The application was initially developed in 1997 by an international support institution, in order to harmonize banking supervision practices and promote the monitoring of prudential indicators, including economic and financial institutions' financial indicators and to ensure strict compliance with the rules and regulations and the implementation of reference international guidelines in this context. Currently, the application is used by 16 regulatory and supervisory institutions from 15 countries of South and East Africa, while Timor-Leste is the first country non-African to use the application.

The implementation phase also included intensive training of BCTL's team and teams from other institutions that will make use of the new bank reporting tool. BCTL also stipulated a transitional period of six months applying to institutions reporting to BCTL, after which they must all make use of this application.



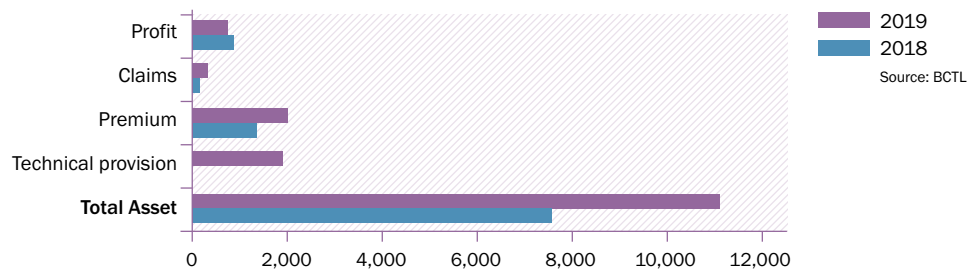
3.3.4.2. Insurance Sector

The domestic insurance industry continued in 2019 to rely on the existence of two institutions: 'SinarMas (SMI)' and the 'Federal Insurance Timor (FIT)'. Along the last years there has been a gradual improvement of the range of services offered by insurance companies in the country and the provision of affordable general insurance policies for the various sectors and an appropriate level of competition.

The sector total assets amounted to \$10.5 million in December 2019, increasing 41% over 2018. Also during 2019, total liabilities increased 43%, totaling the amount of \$7.6 million at the end of the year. The sector's equity rose by 35% to \$2.9 million, mostly made up by issued shares (51%), retained earnings (20%) and current earnings (29%).

Chart 3.5 illustrates the evolution of the main insurance business metrics in the last year.

Chart 3.5 Insurance Companies Performance
In thousand US





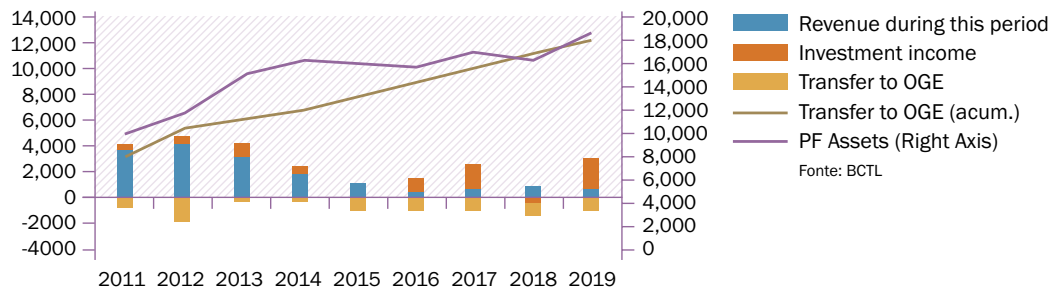
3.3.5. Petroleum Fund Management

According to the framework defined in the Petroleum Fund Law, the Central Bank continues to be responsible for the operational management of the Fund. At the end of 2019, the Fund’s capital was \$17.692 million, registering a 12% increase over the previous year. Annual oil revenues - taxes and “royalties” - amounted to \$756 million, resulting in an increase of 48% compared to 2018. On the other hand, surveys intended to finance the execution of the 2019 State Budget were \$969 million (\$ 983 million in 2018), registering an annual decrease of -1.4%. The costs of managing the Fund, both external and internal, amounted to \$4.9 million in 2019, a decrease of -69% over 2018.

As to what regards the financial performance during the year, the Fund accumulated a gross income of \$531 million, which corresponds to 3% of the average amount invested

Chart 3.6

Petroleum Fund Assets – Levels and Changes



in the Fund in 2019 (\$17,418,000). The disaggregation of this income allows us to observe that received dividends and interest totaled 0.6% of the average Fund value in 2019, while capital gains were 2.5% of the Fund, rising 5.5% versus 2018.



Adding these two parcels, the Fund achieved a gross return of 3.1%, not counting foreign exchange effects. However, the slight appreciation of the US dollar in 2019 against the Fund's investment currencies resulted in a small foreign exchange loss of \$11.2 million in 2019, or 0.1% of the Fund, after a loss of -\$39.3 million recorded in 2018. The Fund's total return in 2019 was \$2,125 million, the highest in PF's history, and fully recovering from the loss recorded in 2018.

In terms of relevant activities and developments in this context, it should be noted that the Fund continues to maintain the proposed strategic allocation by investing 40% of the Fund in equity markets, while the remaining capital is invested in fixed income securities, mostly and practically fixed coupon Treasury bonds.

The BCTL continued to work closely with the Ministry of Finance as well as with the PF Investment Advisory Board (IAB) to re-evaluate and continuously monitor the adequacy of the strategic allocation of the Fund, always within Petroleum Fund legal framework. BCTL actively participated in discussions at the IAB level on the expansion of the investment universe, increasing the degree of diversification and adoption of new management policies targeted at achieving the expected yield of 3% for the Fund in real terms and on a pluriannual basis.

At the end of the year, investments in fixed income securities continued to be managed by four institutions, three of which are external managers - "Alliance & Bernstein", "Wellington Management", and 'Bank for International Settlements' - and the internal manager, BCTL itself. There were also 4 managers of equity investments, 3 major international institutions - Schroders Investment Management, State Street International Equity and BlackRock Investment Management - and the BCTL itself.

The BCTL continued to invest in the training of its staff and in technical and financial resources to support and continuously improve the internal management of the Fund, in order to internalize an increasing share of its management. In terms of human resources training, BCTL continued to support the costs to upgrade the staff's qualifications and their participation in training seminars and sessions, organized by BCTL's institutional partners.

3.3.6. Institutional Improvement

The BCTL continues to develop and strengthen the Timorese financial system and modernize banking supervision. In 2019, BCTL implemented an 'on-line reporting system for all financial institutions, designated BSA, or' Bank Supervision Application'. The BSA is a web-based banking supervisory software that streamlines financial institutions reporting activities, as well as the validation and analysis of prudential indicators, while providing a better technological support for bank supervision activities. Currently, the application is used by 16 regulatory and supervisory institutions from 15 countries of South and East Africa, while Timor-Leste is the first non-African country to use the application.

In this context, the B-CTL believes that the progressive modernization and qualification of the financial system is an effective and fundamental pillar for strengthening the financial sector and the country's economy.

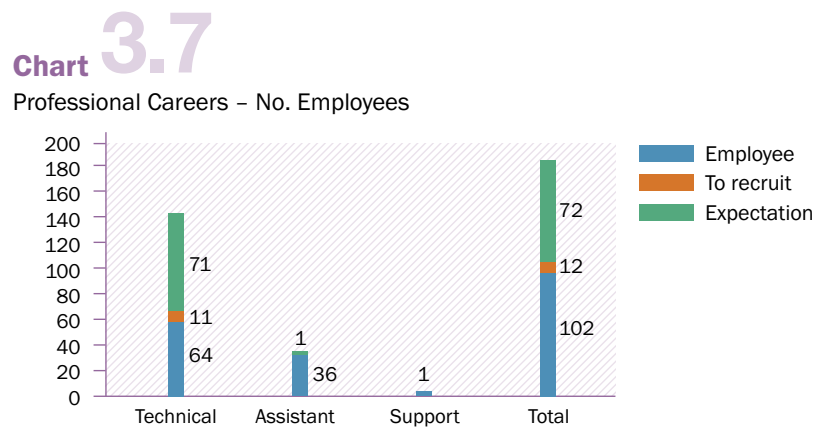
In the context of increasing efficiency and the national payment system's inclusion, BCTL authorized Telemor Fintech Ltd in 2018 to test its electronic wallet system under the "Mosan" brand. In 2019, taking into account that Telemor fulfilled the requirements set for the trial period, BCTL formally licensed the company to offer the above-mentioned services. BCTL also established rules and requirements for this system, which allows users to make transfers, cash withdrawals and deposits from their portfolios, top-up their mobile phones' balances and pre-pay their electric bills (still in testing phase) as well as checking balances and historic transactions. BCTL expects that, with its gradual expansion, this service may cover in the future all the villages in the country and substantially facilitate the lives of citizens who still do not have access to formal financial services.

3.3.7. Employees and Training Program

At the end of 2019, BCTL had 102 employees, an increase of 12 employees from the 2018. Recruitment were carried out in December 2018 and March 2019, led to the selection of 12 employees, who started work effectively in January and September 2019, respectively.

BCTL's recruitment plan for 2020 expects the Bank to hire nine additional employees for the technical and assistant careers.

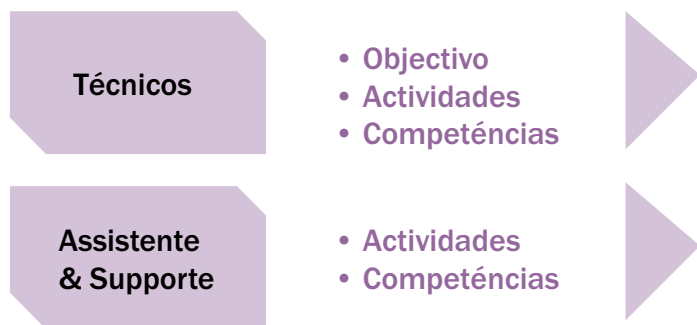
The number of BCTL's employees, including employees to recruit in 2020 and distributed across professional categories, is presented in chart 3.7:



With regard to BCTL's performance evaluation system in 2019, the great majority of employees have achieved the objectives established at the level of the institution and their departments and divisions.

The performance evaluation system is implemented by the various divisional managers, to evaluate the work of the respective employees and analyze their contributions to BCTL's activity.

The dimensions used to evaluate employee performance remained unchanged from the previous year, as indicated in the diagram below, namely: Objectives, Activities and Skills for Technical Career employees; and Activities and Skills for Assistant and Support Career professionals.



BCTL continues to allocate an appropriate amount to finance the development of skills and knowledge of its employees, who continued to benefit from the participation in seminars and training programs, held both in Timor Leste and abroad. Additionally, the BCTL will award two scholarships to two of its employees to attend the master's program at the 'Macquarie University of Australia'.

In 2019, the BCTL personnel training initiatives have focused on strengthening the capacity of its staff across the areas of: Banking Supervision, Payment Systems, Economics and Statistics and the Petroleum Fund Management.

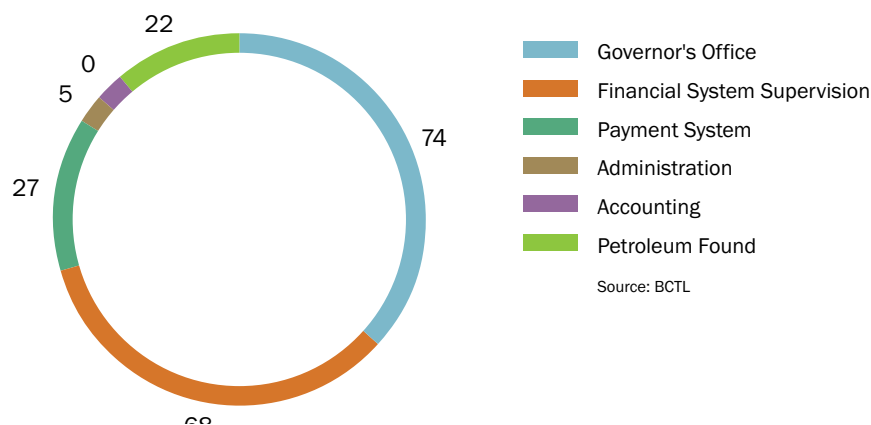
BCTL employees also continued to participate in various training programs, conferences and seminars organized by other central banks and partner financial institutions. The BCTL further expects its staff to continue to take advantage of such programs and training events.

Charts 3.8 and 3.9 detail the information regarding the number of employees and participation days in trainings, seminars and conferences throughout the year of 2019.



Chart 3.8

Number of Training Days and Workshops in unit



Source: BCTL

3.3.8. External Relations

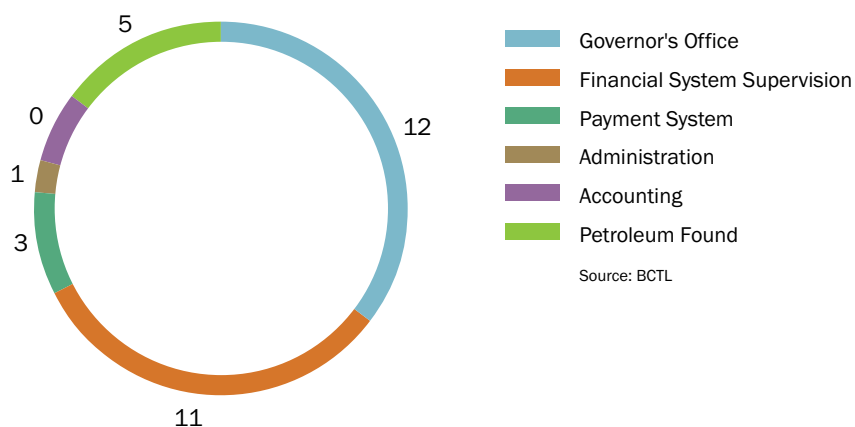
The BCTL created in 2019 a new internal unit designated “Institutional Cooperation Affairs Unit,” based on the Governor’s Decision No. 121/2019 of 27 February 2019. This unit, which has the organizational status equivalent to a Bank Department, will manage institutional cooperation with partner institutions at the national and international levels, in the areas of technical assistance, training and other forms of cooperation, and promote coordination with central banks and other financial institutions, in order to streamline and strengthen partnerships and BCTL’s cooperation ties.

With regard to cooperation, the BCTL continued to maintain close cooperation relationships with foreign institutions, especially with their counterparts from the Portuguese-speaking countries, particularly with the Bank of Portugal, with which it has had, since 2001 and to date, a fruitful cooperation relationship.

In 2019, the BCTL and the AMCM signed a cooperation agreement in Lisbon aimed at strengthening cooperation in the areas of technical assistance and staff training. In addition to the signing of the agreement with Macao Monetary Authority, BCTL also signed a Memorandum of Understanding with the University ‘Griffith-Queensland Australia’, focused mainly on strengthening BCTL’s economic research.

Chart 3.9

Number of Employees Participating in Training Sessions
in unit



Source: BCTL

Apart from this cooperation with CPLP's central banks, BCTL has also cooperated and benefited from the support of other central banks including: Bank Indonesia, Bank Negara Malaysia, the US Federal Reserve Bank, Reserve Bank of Australia, SEACEN, STI-Singapore, APRA and central banks of the Pacific Islands.

With regard to cooperation at the national level, BCTL continues to maintain a close cooperation with the National University of Timor-Leste, having provided internships for finalists of the Faculty for a period of six months, with the possibility of extension up to one year, conditional on their performance assessment.



Box

Implementation and BCTL Action Plan for 2020

6.1. BCTL 2019 Action Plan Implementation Review

BCTL's plans implemented in 2019 were as follows:

- A) Implementation of the online reporting system “Banking Supervision Application (BSA)” to be used by financial institutions supervised by the BCTL;
- B) Completion and evaluation of the second financial inclusion report;
- C) Grant of final license to ‘Telemor Fintech’ to continue to provide electronic wallet services and a provisional license to ‘Telin Dijital Sollution’ to start its operations in providing the same kind of services;
- D) Implementation of the Credit Guarantee System (CGS) for Small and Medium Enterprises (SMEs), which enables the assessment of requests for guarantees by financial institutions/lenders;
- E) Implementation of the new Petroleum Fund’s investment mandate in equities, following a multifactorial approach;
- F) implementation of the new Petroleum Fund’s investment mandate in private shares (non-listed). The BCTL undertook the first investment in this type of assets in April 2019, following the Government’s decision to invest in oil assets, through Timor Gap, EP.

6.2. Action Plan for 2020

BCTL plans to develop a wide range of initiatives in 2020, prioritizing the continued implementation of the Finance Sector Development Master Plan and National Payment System Plan.

Financial System Development

BCTL will implement new programs and continue to develop and implement the programs launched in previous years, in order to further develop the financial system, facilitating the access of economic agents and the expansion of domestic financial markets.

In 2020, BCTL will complete the implementation of the BSA System (Bank Supervision Application) and financial institutions will begin to submit monthly and annual reports through this system.

The DFSS will review and improve the regulatory framework for the protection of customers of financial institutions, ensuring a fairer and robust protection of their rights. In addition, the Division intends to review and improve the legal framework and the Banking Law regulating banking and financial activities, in order to respond to the latest developments in these activities and supervision priorities. This review will prioritize the underlying objectives of promoting access and quality of banking services, strengthening supervisory practices and preparing the 'Resolution' frameworks for banks and other financial companies.

In terms of direct supervision, the responsible Division will continue to carry out regular on-site inspection efforts and off-site prudential supervision of commercial banks, MTOs and insurers.

In terms of financial inclusion, in partnership with the National Directorate of Statistics (NBS), BCTL plans to undertake a new financial inclusion report, from the demand perspective and financial sector customers. Also in this context, the Financial Sector Development Division (DDSF) will implement additional initiatives defined in the National Financial Inclusion Strategy, including plans such as the expansion of the access points to financial services in rural areas and the further development of retail payment services.

In terms of promoting financial literacy, after the celebration of the new MoU with the Ministry of Education and the completion of training of trainers of the 12 municipalities and the RAEOA by INFORDEPE in 2019, the BCTL will enhance the scope of the financial education program. The BCTL hopes that, in the new academic year, the financial education subject will be taught in the 1st and 2nd cycles of public basic education.

In 2020, BCTL's Credit Guarantee System (CGS) team will be responsible for the dissemination and public presentation of the SGC implementation process and provide support for companies' applications. In this context and to benefit from this system, BCTL considers necessary to improve domestic companies' management processes, as well as to provide useful support to companies requesting guarantee support. Given these objectives, the project team, coordinated by the BCTL and together with IADE's contribution will organize CGS presentation sessions in all municipalities.

Also in 2020, BCTL expects to implement the pilot project 'Digital Sucos' in the country, whose aim is to encourage the use of digital media (mobile phone, ATM and POS) in the Communities, to carry out financial transactions, such as payments and transfers. This program should encourage the use of new financial technologies and demonstrate the potential of this utilization and respective technological media.

National Payment System

Following the recent improvements of the R-Timor system, the BCTL will introduce a sanctioning regime governing the participation of entities and users in the system, in order to continue to improve its functioning and service quality.

In 2020, BCTL will implement the interconnection of the national network system with the regional payments network, first with the Indonesian payments network. This interconnection will allow P24 cardholders to conduct financial transactions in Indonesian banks that are part of its National Payment Gateway system (GPN- Gerbang Pembayaran Nasional).

BCTL also plans to implement and support commercial banks 'mobile banking' applications, once the banks are all integrated in the P24 system. These applications will allow bank customers to easily access their accounts, as well as to undertake financial transactions in a single application, allowing for a permanent operation of commercial banks' services.

Economic Research, Compilation and Disclosure of Data

BCTL continues to include in its strategic plan the project to develop an in-depth study on the possibility of introducing a national currency in Timor-Leste, with the support of an external expert in this field. The expert is expected to work closely with BCTL's Economics Division during this study.

In this context, BCTL also expects to undertake comparative studies based on experiences of similar countries of the Pacific region, seeking to identify relevant experiences and lessons in terms of monetary and economic management of their economies and cash management processes.

In terms of economic data compilation and dissemination methods, BCTL intends to further automate its data collection system, particularly for its Balance of Payment data collection methods. The BCTL will continue to undertake economic research and studies on issues related to BCTL's main mandates and statistics published by the Bank.

The BCTL will also hold public socialization and awareness sessions on the discussion of the national currency thematic and further disseminate dollar bills and coins' characteristics to prevent and identify possible money counterfeit attempts.

Petroleum Fund Operational Management

BCTL will continue to improve the Petroleum Fund management, specifically in terms of PF's division activities and processes, continuing to optimize the usage of the Bloomberg and BAAM system platforms. BCTL expects to implement in 2020 the Social Security Fund investment program.

Treasury and Cash Management

BCTL, via DOM, expects to acquire in 2020 an ultraviolet machine that will contribute to improve the detection of counterfeits led by the Anti-Counterfeiting Unit. Moreover, it will increase cooperation and coordination of its activities with Scientific Police Unit of Criminal Investigation (PCIC), in order to facilitate the sharing of information in the fight against counterfeiting and counterfeit money circulation in the Timorese economy.

Institutional Strengthening and Internal Training

The Central Bank through its Accounting Division expects to acquire a new accounting system designated 'Core Banking System (CBS)' to replace the current system, T1 and thereby increase the functionality and the system's automation level. This system will integrate and facilitate: money-market and bonds investment management, foreign exchange transactions, payments, integration with R-Timor system, accounting operations, confirmation and settlement, administrative management, PF and Special Fund management and human resources management.

The Central Bank, through its Information Technology Division (DIT), plans to modernize its technology infrastructure to support the recent changes made in terms of BCTL's information technologies. The DIT will work with relevant departments to modernize or renew systems, especially in the areas of banking supervision, payments, accounting and security.

In terms of human resources development, knowledge and management techniques, in 2020, BCTL will continue to provide intensive and specialized training sessions, encouraging the participation in international relevant events and training in languages to its employees, in the country and abroad. In addition, BCTL will continue to provide scholarships to some of its employees currently attending masters and doctoral programs.

The Central Bank will organize important events and participate in international relevant events in 2020, such as the BCTL's Annual Meeting and seminars and workshops organized by international institutions like the World Bank, IMF, BIS, AFI, ASEL, SEACEN, APG and CPLP Central Banks. BCTL will also organize the VII Supervision Meeting and hold the VI Meeting of Issuance and Cash Management, both within the context of CPLP's central banks cooperation.



Main Management Bodies - Banco Central de Timor Leste

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 BU Bassarewan

Francisco da Costa Guterres

Elizário Ferreira.

Management Committee

BCTL Management Committee includes all the heads of major organizational areas of the Bank. They are as follows:

The Governor Abraão de Vasconcelos

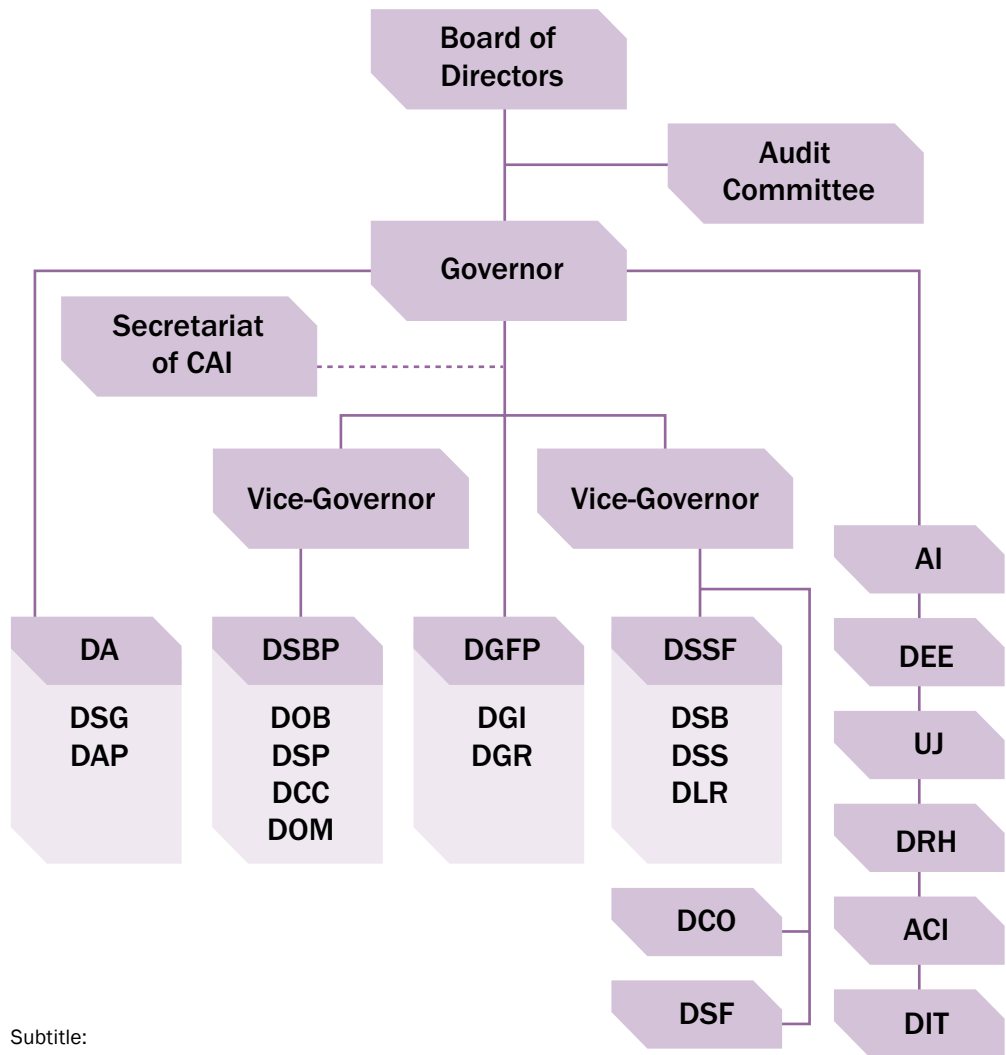
The Deputy Governor, Nur Aini Djafar Alkatiri

The Deputy Governor, Venâncio Alves Maria

Accounting Division Head, Fernando de Carvalho

Institutional Cooperation Affairs Unit Director, Raquel Gonçalves

Department of Administration Director, Maria Ângela de Sousa S.



Subtitle:

CAI Committee for Investment Advisory

DA Department of Administration
DSG Division of General Services
DAP Supply Division

DSBP Department of Banking and Payment Systems
DOB Division of Banking Operations
DSP Payment Systems Division
DCC Division of Clearing House
SUN Currency Operation Division

DGFP Department of Petroleum Fund Management
DGI Investment Management Division
DGR Risk Management Division

DSSF Department of Supervision of the Financial System
DSB Banking Supervision Division
DSS Insurance Supervision Division
DLR Division of Licensing and Regulation

DSF Industry Development Division Financial
DCO Division of Accounting and Budget

AI Internal audit
DEE Division of Economics and Statistics
UJ Legal unit
DRH Human Resources Division
ACI Institutional Cooperation Affairs
DIT Division of Information Systems