



مصرف لبنان
BANQUE DU LIBAN

Next-Generation Central Banking: Strategy, Communication and Leadership at Banque du Liban

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Over the last few years, Central Banks have been led to transform their business models driven by a number of challenges

Key Challenges Underpinning Central Banks

1

Recurrent financial crises and their severe and structural impact on the banking sector and the overall economy

2

Increasing complexity of the financial and banking sectors and their interconnectedness with the overall economy

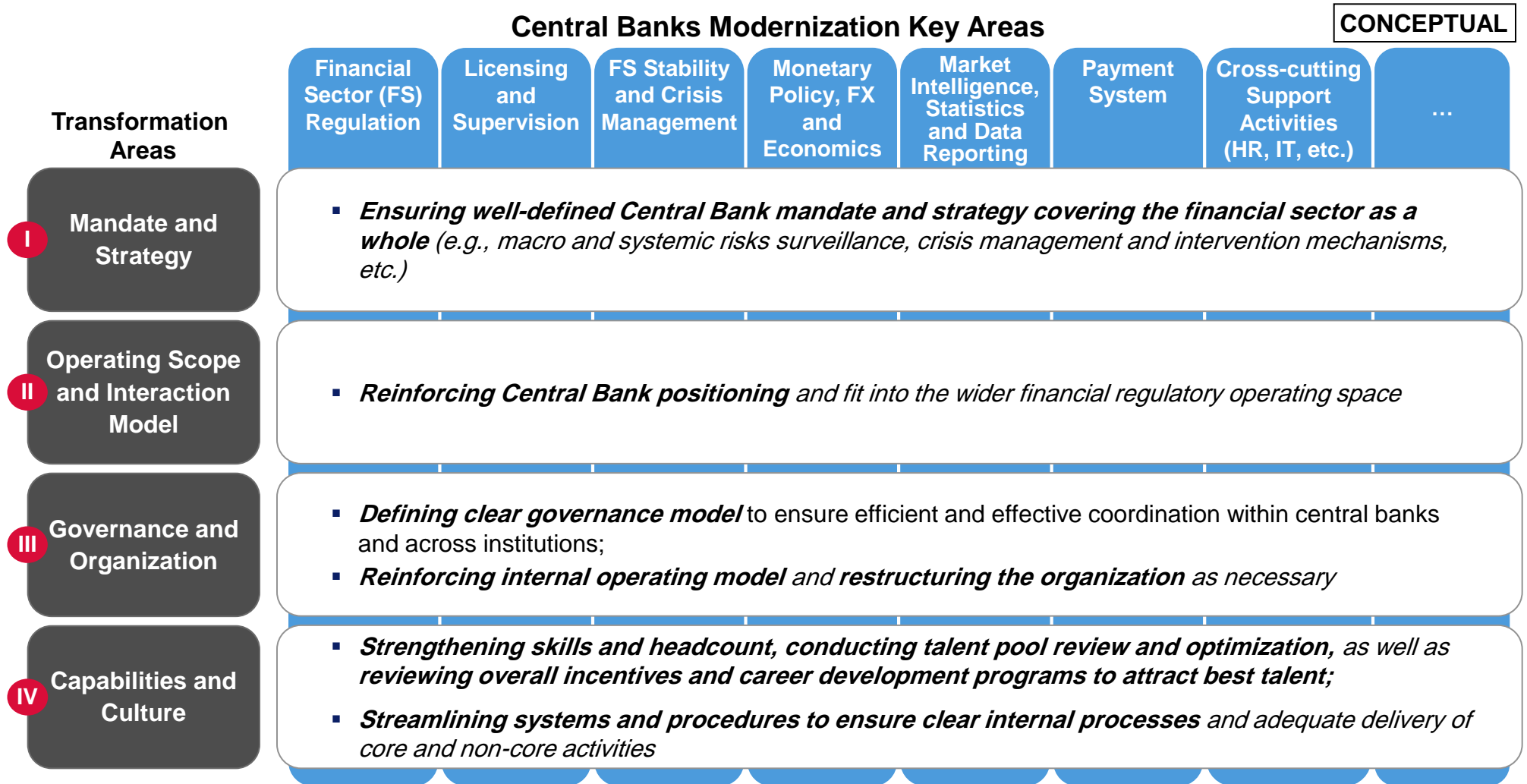
3

Higher stakeholder expectations for active communication and enhanced transparency

4

More demanding international and regional banking standards

Central banks have been led to holistically modernize their strategies, institutional models, governance and capabilities



Major Central Banks are already pressing ahead with various modernization efforts along recurrent themes

NOT EXHAUSTIVE

Examples of Modernized Central Banks and Key Modernization Themes

Explicit emphasis on financial stability and crisis management

- New responsibilities for the prevention of systemic risks and the supervision of individual financial institutions to tackle both crisis prevention and crisis management

Increased autonomy in devising monetary policy

- Increased autonomy in setting the objectives of the monetary policy and defining corresponding tools and operations

Increased focus on price stability and confidence in the currency

- Emphasis on price stability and confidence in the currency reinforced by increased adoption of inflation targeting

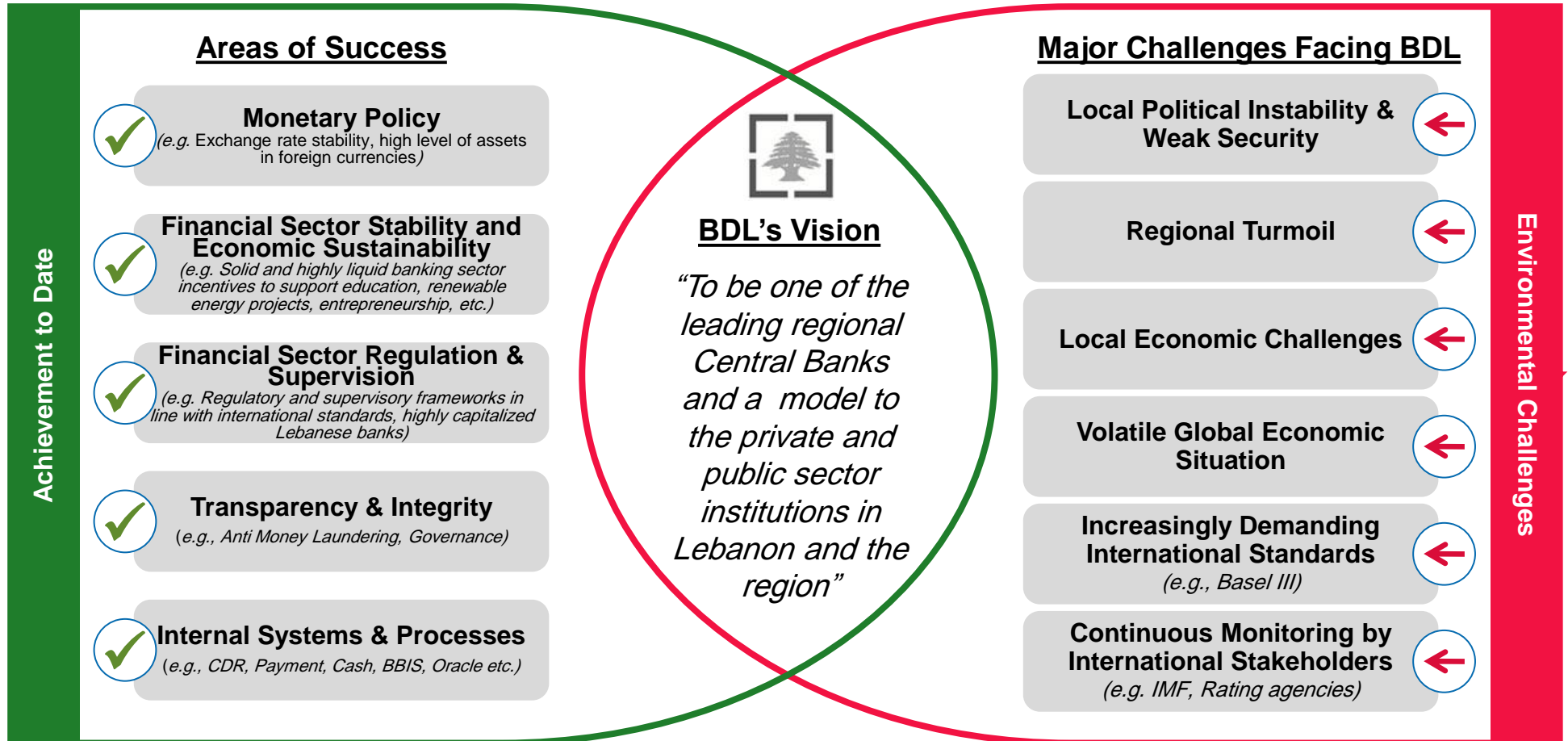
Focus on proactive coordination with local, regional and international financial authorities

- Improved transparency and better communication and cooperation with relevant local, regional and international authorities as a result of the realization of spillover effects of regulatory policies

Improved tracking of macroeconomic growth

- Improved monitoring of economic growth as a direct result of central banking policy and regulations including unemployment rates

In parallel, BDL has also remained at the forefront of modernization although evolving in an increasingly challenging environment

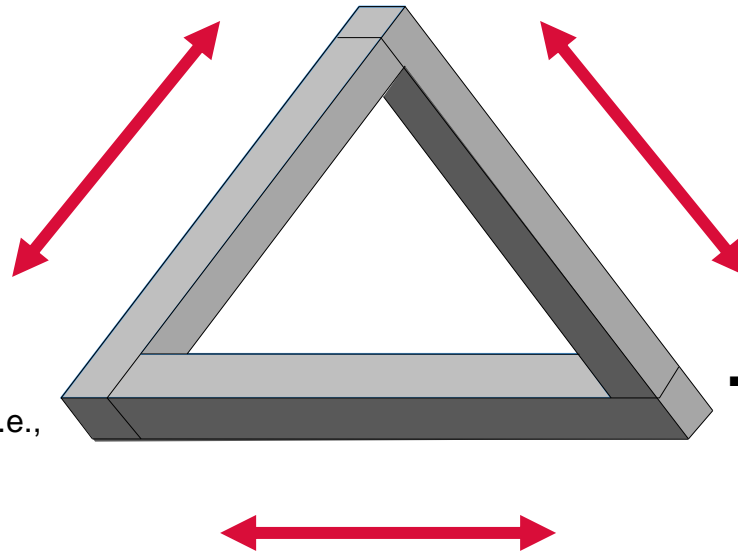


In fact, BDL's modernization has consistently been reinforced by clear strategy, effective communication and strong leadership

Key Modernization Enablers

Strategic Direction

- *Defining clear and transparent strategic positioning and setting the direction in which the organisation should go i.e.,*
 - Purpose and Vision, Mission, Targets, Objectives, Initiatives, Plans, Resources



Communication

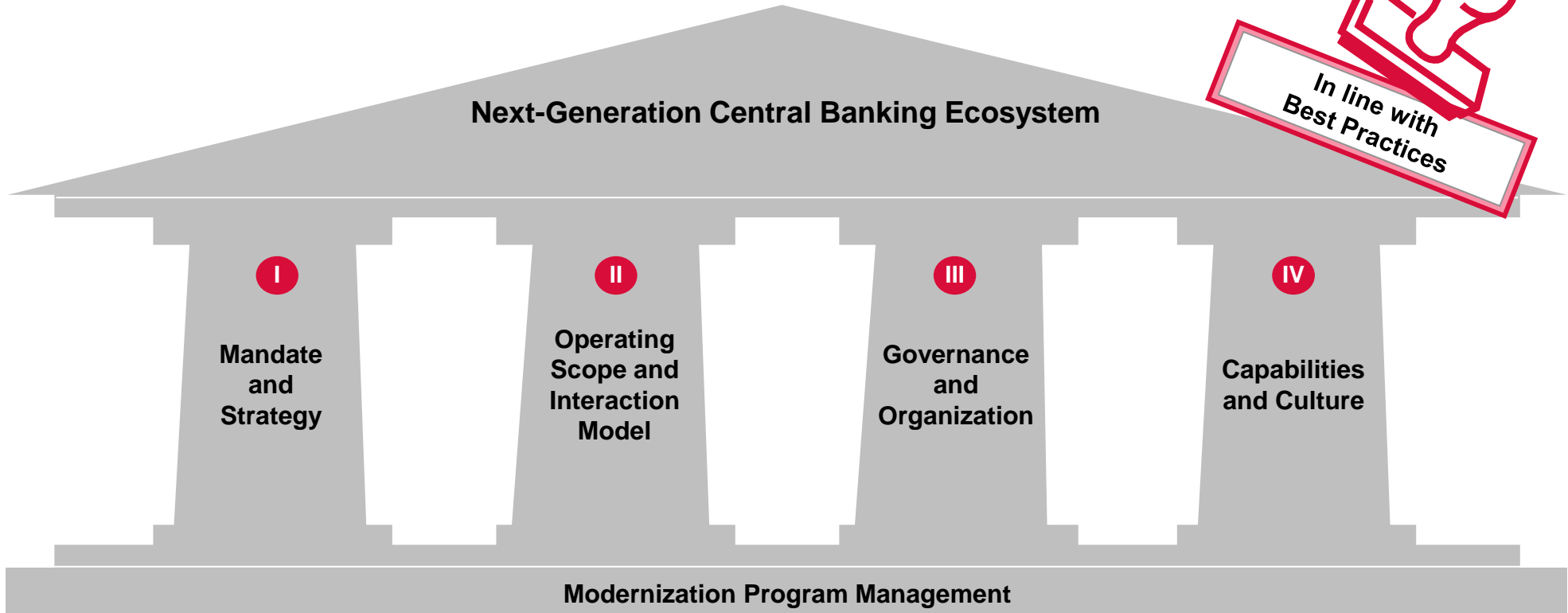
- *Facilitating modernization by communicating the way to get there i.e.,*
 - Legal Framework, Processes & Systems
 - Knowledge Transfer, Metrics & Reporting

Leadership

- *Setting the example and motivating people towards modernization, i.e.,*
 - Values, Teamwork, Empowerment, Communication
 - Accountability
 - Culture = Σ of all Behaviors

To ensure BDL maintains its leading position, a comprehensive study of its ecosystem was carried out

Central Banking Ecosystem Institutional Framework



This study was based on extensive analytics, benchmarking and stakeholder engagement over close to six months

Key Sources of Data and Information

Held More Than 10 Meetings with H.E. the Governor



Collected Comprehensive Data and Information

Macro economic indicators, monetary statistics, financial sector data, calculation methodologies, macro and micro supervisory frameworks and tools, laws, circulars, charters, job descriptions and organization charts



Conducted More Than 100 Interviews

Across BDL with Vice Governors, Departments/ Units Heads and Teams, BCCL with Board Members, Unit Heads and Teams and SIC with the Secretary General, Unit Heads and Teams



Attended Five Technical Workshops

IT, Cash Operations, Financial Operations, FX and International Operations, Payment Systems



Held Weekly Progress Update Meetings

With BDL Vice Governors and BCCL Board Members



**Validated Findings Against More Than 30 Best Practice Benchmarks
Spread Across All Geographies**



As an outcome of this study, improvement areas were identified for BDL and its ecosystem

Overview of BDL Key Improvement Areas

I

Strategic Planning

BDL's strategy needs to be more widely embraced across the organization

II

Organization Structure

BDL's organization could be further enhanced in terms of structure to reduce existing bureaucracy and multilayered communication

III

Governance Framework

BDL's governing body could be complemented by key components

IV

Financial Sector Stability

The financial stability function needs to be holistically institutionalized across the BDL ecosystem

V

Payment Systems

BDL's payment systems needs to address a number of challenges (e.g., detailing of new functions, definition of payment systems licensing process)

VI

Human Resources Framework

BDL's HR Framework could be improved to incentivize employees

VII

Culture Profile

Assessment of the BDL cultural traits reveals room for improvement namely across discipline, collaboration and equality

VIII

Data Availability, Governance and Reporting

Access to accurate and updated data should become more seamless to enable effective monitoring and safeguarding of financial stability in the

IX

Technology and Infrastructure

BDL should continue implementing its state-of-the-art IT Systems (e.g., BBIS, FileNet)

To address the identified improvement areas, BDL has proactively launched a full-fledged next-generation Modernization Masterplan

Modernization Masterplan at BDL Ecosystem Level



Modernization Masterplan To Be Completed Before the End of 2014

**Total Number of Programs = 32
Total Number of Initiatives = 99**

BDL Ecosystem



Banque Du Liban

BDL Modernization Masterplan encompassing
14 programs
46 initiatives



Banking Control Commission

BCCL Modernization Masterplan encompassing
10 programs
30 initiatives



Special Investigation Commission

SIC Modernization Masterplan encompassing
6 programs
13 initiatives



Capital Market Authority

CMA Modernization Masterplan encompassing
2 programs
10 initiatives

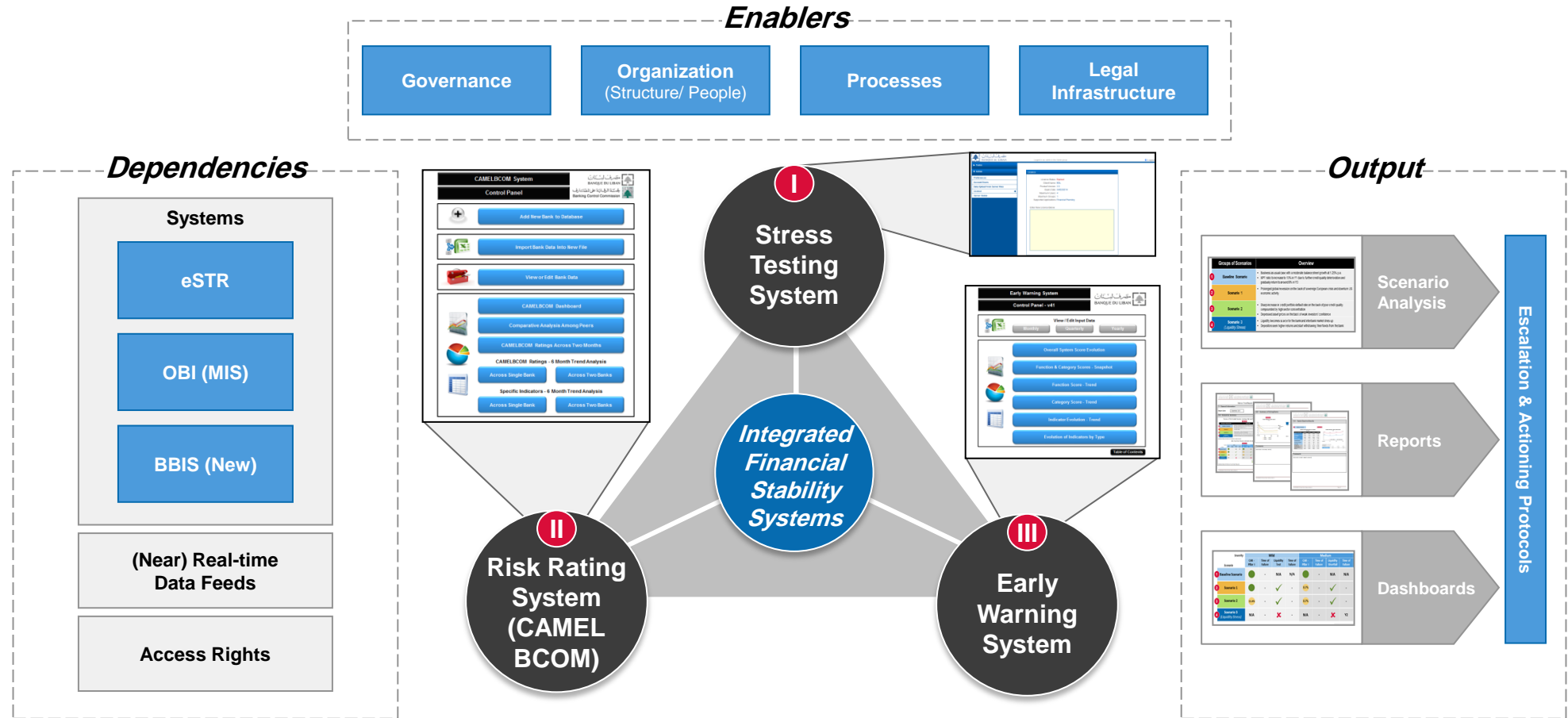
Launched on March 26th, 2014

BCCL, SIC and CMA programs to be launched simultaneously

“Next-Generation BDL Ecosystem”

The modernization has already borne fruit with the integration of state-of-the art financial sector stability systems

Integrated Financial Sector Stability Systems




Nevertheless, the goal of this modernization goes beyond and entails 14 comprehensive programs and 46 high-impact initiatives

BDL Modernization Masterplan

<i>Program</i>	<i>Number of Initiatives</i>
1 Institutionalize Financial Sector Stability	8 initiatives
2 Enhance Organization Structure	5 initiatives
3 Revamp People Processes	3 initiatives
4 Solidify BDL's Governance Structure	4 initiatives
5 Strengthen Data Governance and Security	3 initiatives
6 Upgrade Systems and Infrastructure	4 initiatives
7 Boost Automation and Efficiency	6 initiatives
8 Manage Change and Strengthen BDL's Culture	2 initiatives
9 Develop BDL's Strategy	2 initiatives
10 Solidify Market Corporate Governance	2 initiatives
11 Enhance the Legal Framework	1 initiative
12 Create Centers of Excellence	3 initiatives
13 Integrate Central Banking Ecosystem	1 initiative
14 Manage Modernization Program	2 initiatives
Total: 46 initiatives	

All initiatives have been allocated to Sponsoring Vice Governors and assigned to owners, with clearly defined timelines



BDL Modernization Masterplan To Be Completed Before the End of 2014

The masterplan execution is led by H.E. the Governor with full engagement from BDL's leadership, management and employees

ILLUSTRATIVE

BDL Modernization Masterplan Governance

Key Roles and Responsibilities

Governor

- Champion and leader of the BDL Modernization Masterplan

Central Council

- Oversee the implementation of the overall BDL Modernization Masterplan and ensure alignment with mandate and values;
- Reviews monthly implementation progress update reports

Vice Governors

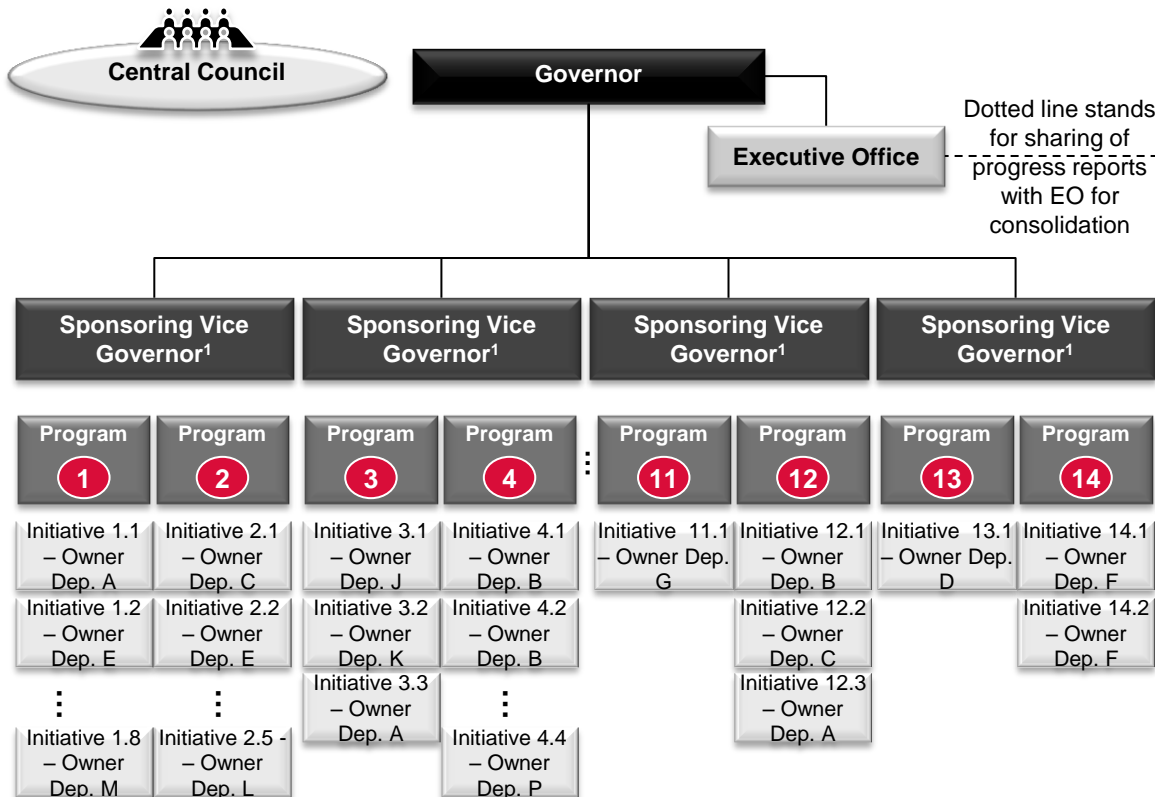
- Oversee the implementation of a portfolio of programs or initiatives and follow up on their progress with owners;
- Ensure effective coordination and communication between initiative owners;
- Perform reliable management of risks, challenges and content delivery;
- Ensure the preparation of consolidated progress reports

Departments and Units – Owners

- Implement allocated initiatives and coordinate with relevant stakeholders;
- Report regularly on progress against initiatives to the sponsoring Vice Governor

Executive Office

- Support the Governor in:
 - Establishing and harmonizing implementation and reporting standards and processes;
 - Identifying potential cross portfolio risks and dependencies
- Generate monthly consolidated progress report for the Governor which encompasses all the modernization initiatives at the ecosystem level

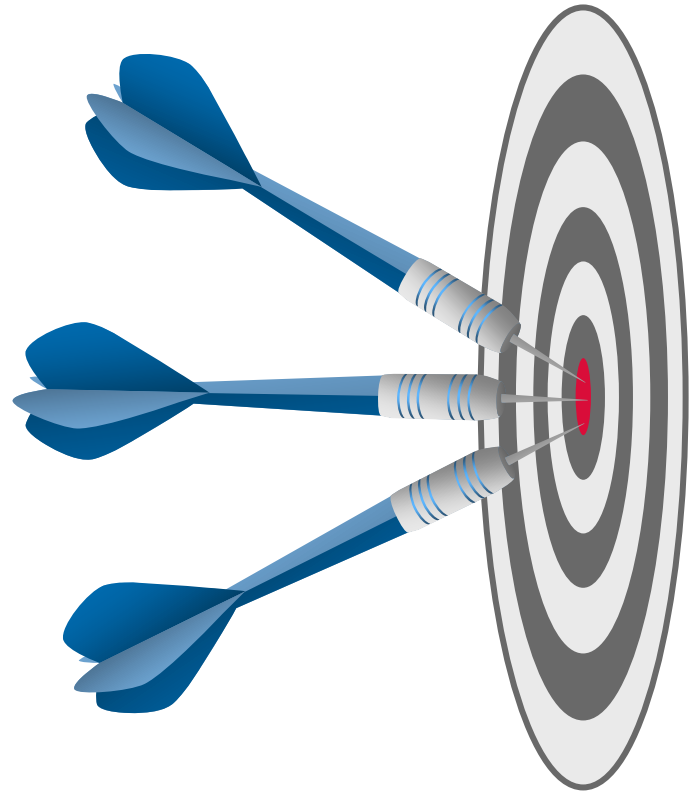


1) In some cases, a program could have more than one sponsoring vice governor assigned (i.e., two initiatives in the same program could have two different sponsoring vice governors)

Delivering on this masterplan will reinforce the ecosystem's effectiveness, positioning and culture

Key Benefits from the Modernization of the BDL Ecosystem

- Enable BDL and its ecosystem to continue delivering effectively on their visions and mandates in the context of increasingly complex local, regional and international environments
- Entrench the image of an institutional framework widely recognized by its stakeholders as continuously seeking transparency and excellence
- Reinforce a culture centered around the appreciation of talent and rooted in the values of equity, leadership-by-example, teamwork and collaboration, empowerment and investment in capabilities



Thank You
Questions?
Comments?
Suggestions?

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