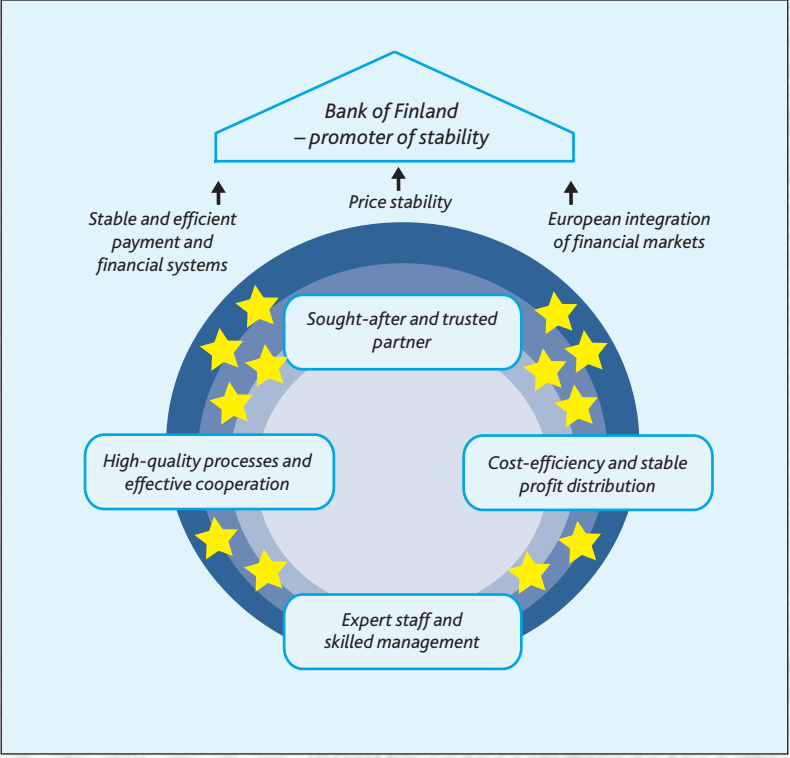


Bank of Finland's strategy





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The Bank of Finland's strategy was revised in 2005. The new strategy takes the form of a development programme built around the objectives and results framework applied to the governance of the Bank.



Bank of Finland's mission

The Bank of Finland is Finland's monetary authority and a member of the Eurosystem. The Bank's activities aim at promoting price stability, the stability and efficiency of the payment and financial system and European integration of financial markets. This creates the prerequisites for economic growth and employment. The Bank of Finland is responsible for the country's currency supply and foreign exchange reserves.

Bank of Finland's strategic goal

The Bank of Finland is an active and constructive member of the Eurosystem. The Bank's operations are founded on high quality, transparency and cost efficiency. The Bank also promotes efficiency and transparency throughout the Eurosystem.

The Bank's expertise makes it a sought-after and trusted partner both in the preparation of euro area monetary policy and financial market policy as well as in domestic economic policy-making. This expertise is based on leading-edge central bank research, high-quality statistics, effective international relations and consistent development of personnel skills.

The Bank of Finland provides reliable and timely financial stability analysis, embracing the entire financial system and integrated with the Bank's macro-economic analysis and contingency planning against financial crises. The Bank exercises its financial stability role in close cooperation

with domestic and foreign authorities.

The Bank of Finland ensures the availability of internationally competitive central bank services to credit institutions and other market participants operating in Finland. In currency supply, the Bank of Finland focuses on its supervisory and developmental role, ensuring that the Finnish currency supply system caters to the needs of the Finnish economy and the consumers in an appropriate and cost-efficient manner within the payment system framework.

Foreign exchange and investment risks are kept at levels necessary to meet the crisis management requirements and international obligations of a euro area national central bank. The Bank's assets generate a competitive rate of return, in view of the level of risk chosen. Appropriate risk management and cost efficiency provide scope for stable profit distribution in reasonable proportion to the Bank's equity.



Service competence and exercise of influence

The Bank of Finland's influence within the Eurosystem is based on widely recognised high-level research and analysis of relevance to central bank operations.

The Bank's research and analysis focuses on issues promoting strategic decision making within the Eurosystem and on the design of analysis tools in areas of the Bank's strengths. The focal points of expertise include monetary policy modelling, development of financial and payment systems and financial stability policy, as well as knowledge of economies in transition and their economic policy. Research is conducted with a long-term approach, focusing on identified priorities. The Bank's other financial analyses reflect timely issues and the most recent research findings. The image of the Bank of Finland as a hub for interesting financial analysis is systematically promoted through expert fora and publications.



Service competence and exercise of influence

The Bank of Finland's influence in domestic economic policy-making builds on the Bank's ability to produce forecasts and risk assessments combining the macroeconomic and financial market approach.

The Bank of Finland contributes to domestic economic policy-making through the provision of expert services combining the macroeconomic and financial market approach. The Bank's macroeconomic forecasts emphasise financial matters and structural changes taking place in the Finnish economy. The Bank's financial market analyses make appropriate use of macroeconomic risk analysis.



Service competence and exercise of influence

The Bank provides services to the financial market participants operating in Finland, ensuring access to central bank services of international standard. Methods for assessing the current state of financial institutions and financial markets are designed and emergency preparedness is improved, as required by financial market integration. The Bank also promotes cooperation between financial market participants and their international influence, with a view to strengthening financial market and payment system infrastructures.

The Bank of Finland's level of emergency preparedness is based on timely information on the current state of the Finnish banking sector and the quality of the potential collateral material held by the Bank, as well as on the effectiveness of financial market infrastructure. Emergency preparedness is developed by the Bank of Finland's departments in cooperation with the Financial Supervision Authority. Contacts with the Insurance Supervisory Authority continue to be strengthened. The Bank makes an active contribution to international cooperation in the fields of prudential supervision of financial markets and crisis management.

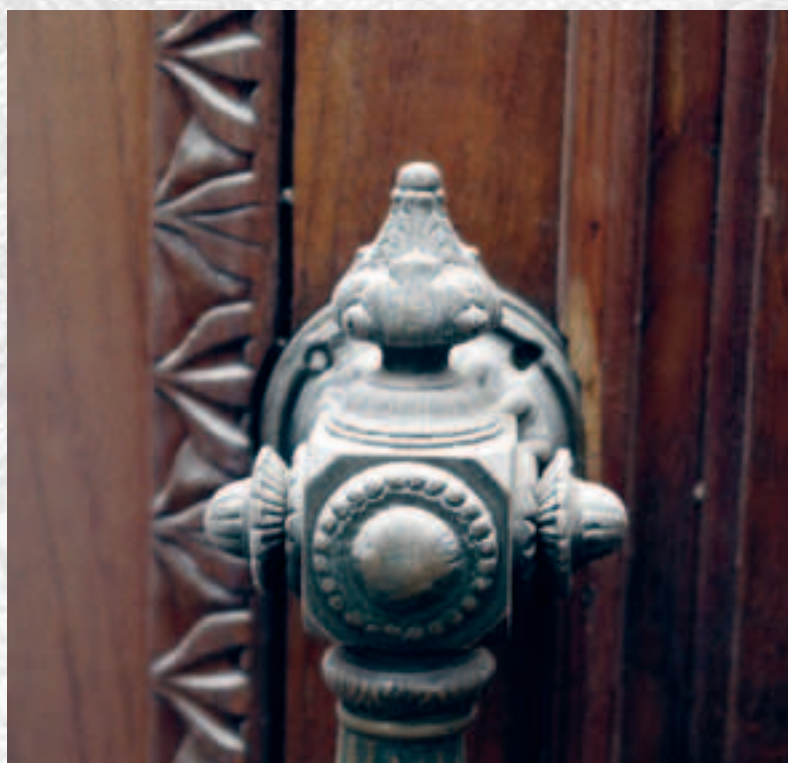
Consistent with its responsibilities for financial market development, the Bank also promotes interaction and cooperation between Finnish financial market participants, with a view to contributing to the design of effective and transparent technological solutions, standards and regulations, especially at international level.



Service competence and exercise of influence

In relation to the currency supply system and its customers, the Bank sets the service level requirements to be met by the Finnish currency supply system, putting in place a performance control framework for the system.

As the authority responsible for the performance of the Finnish currency supply system and for enhancement of its service capacity, the Bank of Finland is in the process of designing a monitoring system for tracking the service level of the currency supply system and promoting the efficiency and service capacity of the system in the best interest of end users, ie the consumers and the economy. The Bank retains responsibility for the operational duties related to currency supply, which national law and Eurosystem statutes accord to national central banks.



Service competence and exercise of influence

Public confidence in the Bank and awareness of the Bank's activities is promoted through effective and well-targeted communications.

The Bank of Finland's communications are varied, effectively reaching diverse target groups. The Bank provides information on monetary policy, financial markets and payment instruments and on the operations of the Bank and the Eurosystem in these areas. Surveys of the Bank's public image and public awareness of issues within the Bank's sphere of competence are conducted on a regular basis.



Economy of resource use

The foreign currency breakdown of the Bank's financial assets and the Bank's investment policy is to be revised. The foreign exchange reserves will be gauged in order to meet crisis management requirements and international obligations.

The foreign currency breakdown of the Bank of Finland's assets, including the proportion of euro-denominated holdings, is to be reassessed. The proportion of holdings in foreign exchange reserves will, however, be reduced to an amount consistent with the Bank's international obligations and the crisis management requirements measured by stress tests. The investment policy is designed to achieve a competitive rate of return on assets, in view of both the level of risk chosen and the cost of investment involved.



Economy of resource use

The balance sheet policy to be revised.

The Bank of Finland's balance sheet policy in terms of profit distribution is to be revised, with a view to allowing for stable profit distribution without jeopardising the Bank's solvency.



Economy of resource use

Controlled staff reduction in line with identified priorities to be undertaken.

Concentration on strategic functions and improvements in operating practices and processes will reduce staff requirements. Adjustments are to be made in line with the large number of employees due to retire over the next few years.



Economy of resource use

The real value of operating expenses to be reduced from current levels.

Through higher cost-efficiency and prioritisation, the Bank ensures that its real operating expenses, excluding pension costs and banknote printing costs, will fall over the medium term. The aim is to make the Bank of Finland one of the most efficient national central banks within the EU.



Efficiency of internal processes

The speed and quality of the key processes of banking operations, economist functions and support services are to undergo systematic evaluation and improvement.

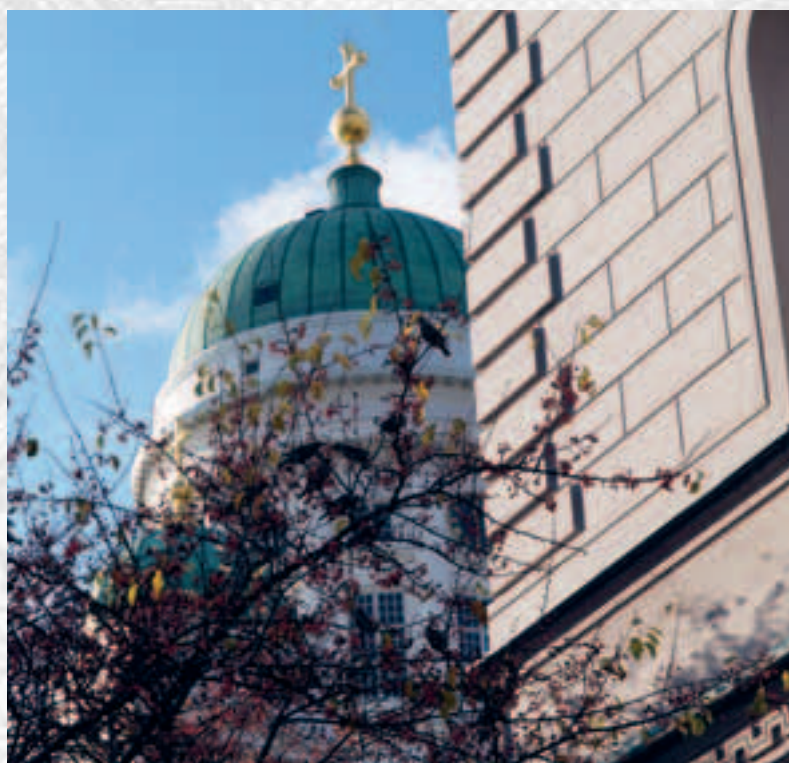
Indicators reflecting the speed and quality of the key work processes underlying the Bank of Finland's service competence, including reliability, accuracy and customer satisfaction, will be designed in step with the introduction of an objectives and results framework. Such key processes include market operations and investments, forecasting, compilation of statistics and production of publications.



Efficiency of internal processes

Closer cooperation is sought between the Bank of Finland's units participating in the financial stability analysis, and between the Bank's units and the Financial Supervision Authority, with a view to improving the flow of information and eliminating overlapping work.

Several different units from various departments of the Bank of Finland and the Financial Supervision Authority contribute to the financial stability analysis from various perspectives. The value chain of the financial stability function is mapped and workflows redesigned to promote timely analysis and a smooth flow of information and to remove overlaps.



Efficiency of internal processes

The information and communication technology (ICT) environment upgraded in response to the needs of an organisation in which work is increasingly done by experts.

Greater emphasis is being placed on the design of systems, applications, data communications platforms and mobile work solutions supporting the work of economists and other experts. The focus of IT development is shifting to reflect these priorities. User training is arranged and development of processes undertaken to ensure that appropriate use is made of the possibilities offered by IT to improve the productivity of the Bank of Finland's functions.



Competence building and working capacity

Staff educational level to be raised through recruitment policy and through provision of broader training opportunities.

The educational level of the Bank's staff is to be raised by lifting the proportion of employees with an academic degree and the number of staff with research training. More resources will also be devoted to various forms of professional training to raise staff competence. Exchange of staff with the national central banks of the Eurosystem is encouraged.



Competence building and working capacity

Research into the Bank's core areas of influence is stepped up and quality of research is raised.

Within the Bank's staff of economists, the proportion of researchers active in long-term research will be raised. Contacts between the research function and the Bank's key policy preparation processes are stimulated. One of the research objectives is to raise the competence of the Bank's experts to the level required for publication in international scientific journals.



Competence building and working capacity

Leadership and management enhanced.

Leadership and management are directed at improving staff motivation and wellness at work. The respective recruitment and training is geared towards building change management skills. The aim is to ensure staff awareness of the Bank's strategy and new governance system through skilled management.

Bank of Finland's objectives and results framework

	Strategic guideline	Success factor	Indicator	Target value	Reporting frequency
Service competence and exercise of influence	<i>The Bank of Finland's influence within the Eurosystem is based on widely recognised high-level research and analysis of relevance to central bank operations.</i>	Influence within the Eurosystem	Self-assessment by meeting	Good	Semiannually
	<i>The Bank of Finland's influence in domestic economic policy-making builds on the Bank's ability to produce forecasts and risk assessments combining the macroeconomic and financial market approach.</i>	Competitive domestic economic analysis	Media survey results Assessed effects on decision making	Increasing positive coverage for stability and forecast reports	Annually
	<i>The Bank provides services to the financial market participants operating in Finland, ensuring access to central bank services of international standard.</i>	Competitive central bank services	Customer satisfaction	Good	Annually
	<i>Methods for assessing the current state of financial institutions and financial markets are designed and emergency preparedness is improved, as required by financial market integration.</i>	High-level crisis management preparedness	Result of crisis rehearsal	Positive assessment	Annually
	<i>The Bank also promotes cooperation between financial market participants and their international influence, with a view to strengthening financial market and payment system infrastructures.</i>	Efficient coordination between payment system participants	Self-assessment and feedback from participants	Good	Annually
	<i>In relation to the currency supply system and its customers, the Bank sets the service level requirements to be met by the Finnish currency supply system, putting in place a performance control framework for the system.</i>	Efficient currency supply system providing an appropriate service level	Consumer and industry assessment of the service level of the currency supply	Good	Annually
	<i>Public confidence in the Bank and awareness of the Bank's activities is promoted through effective and well-targeted communications.</i>	Effective and well-targeted communications	Image survey results	Upper quartile of benchmark	2006–2007
Economy of resource use	<i>The foreign currency breakdown of the Bank's financial assets and the Bank's investment policy is to be revised. The foreign reserve assets will be gauged in order to meet crisis management requirements and international obligations.</i>	Optimal management of financial assets Skilled investments	Return on financial assets, considering the limitations	No less than market return on equivalent asset items	Quarterly
	<i>The balance sheet policy to be revised.</i>	Stable profit distribution and adequate solvency	Profit distribution (euro) Own funds/foreign exchange position Own funds/financial assets	Stable profit distribution At end-2005 levels	Annually Quarterly
	<i>Controlled staff reduction in line with identified priorities to be undertaken.</i>	Well-managed human resources policy	Bank's headcount, total	< 490 persons	Quarterly (objective set for 2008)
	<i>The real value of operating expenses to be reduced from current levels.</i>	Cost-efficient operations	Departments' operating expenses, total	< EUR 52.3 million	Quarterly (objective set for 2008)

Bank of Finland's objectives and results framework

	Strategic guideline	Success factor	Indicator	Target value	Reporting frequency
Efficiency of internal processes	<i>The speed and quality of the key processes of banking operations, economist functions and support services are to undergo systematic evaluation and improvement.</i>	High-speed and high-quality processes	Achievement of the speed and quality objectives of the framework	Ratio of achievement to objectives	Annually
	<i>Closer cooperation is sought between the Bank of Finland's units participating in the financial stability analysis, and between the Bank's units and the Financial Supervision Authority, with a view to improving the flow of information and eliminating overlapping work.</i>	Efficient flow of information	Reduced overlaps Shorter delivery times	No overlaps Shortening delivery times	Annually
	<i>The information and communication technology (ICT) environment upgraded in response to the needs of an organisation in which work is increasingly done by experts.</i>	Effective ICT environment	Usability of web service solutions	Good Not below benchmark	Annually
Competence building and working capacity	<i>Staff educational level to be raised through recruitment policy and through provision of broader training opportunities.</i>	Skilled staff	Number of doctoral level employees (persons) Educational level index	> 26 persons > 5.3	Annually (objective set for 2008)
	<i>Research into the Bank's core areas of influence is stepped up and quality of research is raised.</i>	Well-targeted research of high level	Number of published articles in refereed journals Evaluation of research effectiveness	Increasing Good	Annually Annually
	<i>Leadership and management enhanced.</i>	Good management Motivated staff	Results of social climate survey Sickness absence rate (%)	Better than overall results for 2005 Below average for benchmark	Every 2 years Annually

