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URUGUAY

CENTRAL BANK TRANSPARENCY CODE REVIEW

June 16, 2022

DETAILED REVIEW REPORT

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**Monetary and Capital
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Glossary

AC	Audit Committee
AGESIC	Agency for Electronic Government and the Information and Knowledge Society (Agencia del Gobierno Electrónico y Sociedad de la Información y del Conocimiento)
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
AREAER	IMF Annual Report on Exchange Arrangements and Exchange Restrictions
BCU	Central Bank of Uruguay
BEVSA	Stock Exchange Market of Uruguay
BROU	Banco de la República Oriental del Uruguay
CBT	IMF Central Bank Transparency Code
CERES	Center for the Study of Economic and Social Affairs
COPAB	Bank Savings Protection Corporation
COPOM	Monetary Policy Committee
DRR	Detailed Review Report
ELA	Emergency Liquidity Assistance
FSAP	IMF Financial Sector Review Program
FSC	Financial Stability Committee
FSR	Financial Stability Report
FX	Foreign Exchange
HCM	Human Capital Management
IFRS	International Financial Reporting Standards
IFS	Intendency for Financial Services
INTOSAI	International Organization of Supreme Audit Institutions
IT	Inflation Targeting
MCC	Macroeconomic Coordination Committee
MOEF	Ministry of Economy and Finance
MoU	Memorandum of Understanding
MPR	Monetary Policy Report
OCOT	Organic Charter of the Central Bank of Uruguay, 2008
OMO	Open Market Operations
PDCC	Public Debt Coordination Committee
RNO	Compilation of Operating Rules (Recopilación de Normas de Operaciones)
RMC	Reserve Management Policy Committee
RSC	Regulation and Supervision Committee
RSF	Financial System Report (Reporte del Sistema Financiero)
SDDS	IMF Special Data Dissemination Standard
SSF	Superintendency of Financial Services
TCRSF	Compilation of Rules for the Regulation and Control of the Financial System (Recopilación de Normas de Regulación y Control del Sistema Financiero)
UAIP	Access to Public Information Unit (Unidad de Acceso a la Información Pública)
UIAF	Financial Intelligence Agency
USD	U.S. Dollar

EXECUTIVE SUMMARY

The Central Bank of Uruguay (BCU) is implementing transparency practices that are broadly aligned with the good practices for central banks (Table 1). The institution's comprehensive communication tools and strategy underpin the commitment to transparency and its accountability for the price stability and financial system soundness mandates. In addition, the adoption of transparency among its value statements supports its mission *"to contribute to the wellbeing of the society."* The BCU management wants to make further improvements in the transparency practices and envisions that by relying on its strong legal and institutional arrangements this can be achieved. Ultimately, the BCU intends to be recognized as an *"independent, effective, and reliable institution with the capability to anticipate and respond to new challenges."*

Improving communication with domestic and international stakeholders is a significant pillar of the medium-term strategic plan. The well-developed communication framework and architecture were assessed to be comprehensive in this IMF Central Bank Transparency Code (CBT) review. They provide the means through which this strategic plan can be implemented to respond to targeted audiences. The BCU's determination to establish a solid culture of transparency that applies to all its functions has allowed the central bank to gain public respect and trust. For example, the recent transformations in monetary policy and foreign exchange (FX) management communication were commended by stakeholders, and the approach can serve as a blueprint for enhancing communication and transparency in other areas. Concurrently, deepening financial education and outreach programs can support these efforts to establish a strong sense of accountability to stakeholders.

While general information about its legal structure and mandate are disclosed, enhanced transparency about the scope and depth of institutional, personal, and financial autonomy could be improved. The annual report and website contain the core information, but some important elements require complete information or simpler translations from the legal language. Specifically, the BCU could: (i) describe the main instruments through which its institutional and financial autonomy are established and explain their relevance for the attainment of its mandate; (ii) indicate whether third parties can participate in decision-making committees of the BCU; and (iii) outline the process through which the BCU's decisions could be subject to judicial review.

Additional transparency in some areas of governance is needed to enhance institutional accountability. Disclosures about the risk management framework, internal compliance, and oversight for AML/CFT risks, and the applicability of domestic legislation on corruption to BCU staff and its relevance for the workings of the BCU's Ethics Committee could boost institutional accountability. In this regard, the BCU could explain how public resources are put at risk, the institution's management of these risks, and its accountability through independent oversight. In addition, the BCU could disclose its interactions arising from its role as agent, adviser, and banker to the government, and the services provided to other public entities.

Enhancements to the transparency practices about monetary policy were implemented in 2020, establishing comprehensive disclosure practices. The mission acknowledged the amplified disclosure of information on policy decisions and the supporting analysis for monetary and FX operations. In addition, the (re)introduction of the overnight interbank market rate as the operating target in the inflation targeting (IT) framework would help in clarifying the BCU's monetary policy stance. However, the review identified further enhancements in transparency could be achieved by offering regular venues for stakeholders to participate in policy decisions, for example, on the rationale for FX interventions, including the instrument choice given the market context. These interactions would facilitate greater accountability for its operations for achieving the inflation target.

Core elements for financial stability analysis, macroprudential policy, and broader financial stability are disclosed, but important enhancements could be made. A high-level strategy and objectives for financial stability are disclosed, but transparency about the underlying analysis used to assess financial stability needs improvement. Specifically, the communique published after the semi-annual meetings of the inter-agency Financial Stability Committee (FSC) lacks detail. Further, clarity on the relevance of stress-testing exercises for policy decisions could be provided. Equally important is the transparency about the framework for emergency liquidity assistance (ELA) activation. The information about key operational features, including the roles and responsibilities for agencies that share responsibility for financial stability, is absent. Other useful enhancements to transparency include the publication of a core set of aggregate financial soundness indicators, a dedicated macroprudential policy framework document, a clearer description of available macroprudential tools and their potential effects.

The BCU plays a key role in safeguarding financial integrity, but more information on its AML/CFT supervision of the financial sector could be disclosed. General information on the BCU's AML/CFT supervisory policies, powers, and processes, could be supplemented with more detailed information.

The BCU's comprehensive communication framework allows it to honor its legal commitments on public access to information and judiciously balances these obligations against maintaining confidentiality. The national law on access to information safeguards the constitutional right to information on the activities of public entities. However, the limits to that constitutional right are defined in the BCU's expanded confidentiality policy that publicly discloses a hierarchy for document classification across the BCU. The confidentiality policy embeds relevant allowances for the restrictions on documents classified as '*reserved*' to be adjusted to facilitate incremental public disclosure.

The BCU has developed a transparent and efficient system to safeguard the rights of financial consumers. The BCU has put in place a model system on consumer protection that inspires public confidence and trust. The BCU's website discloses the responsibilities for discharging this function through the SSF. The important components of a solid consumer protection framework are well disclosed, accessible, and clear for consumers and financial institutions.

**Table 1. Uruguay: CBT Review Summary for Transparency Practices—
Central Bank of Uruguay**

Pillar	Principle		Sub-principle		Practices		
					Core	Expanded	Comprehensive
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.	Risk Management			
			1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.	Accountability Framework			
			1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
1.6.4.			Human Capital Management				
1.7.	Communication	1.7.1.	Arrangements				
		1.7.2.	Strategy/Tools				
1.8.	Confidentiality						
II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework			
			2.1.2.	Policy Decisions			
			2.1.3.	Supporting Analysis			
	2.2.	FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
	2.3.	FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
	2.4.	FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
	2.5.	Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
			2.5.3.	Supporting Analysis			
	2.6.	Microprudential Supervision					
	2.7.	ELA					
2.8.	Resolution						
2.9.	FMI						
2.10.	Financial Integrity (Internal AML/CFT Control)						
2.11.	Consumer Protection			
	Denotes "Not Applicable" as predetermined under the CBT as outside of the scope of the CBT and covered by other international standards.		Denotes "Not Implemented" as the transparency practice does not meet the requirements of the 'Core' practices as defined in the CBT.	'...' Denotes "No category Assigned" as per the principle in the CBT; detailed descriptions included in the DRR".	Principles marked with "*" and indicated as "Not Applicable" reflect that the principle is included in the CBT review, but indicated as not applicable based on the specific country circumstance (refer to DRR for details in subprinciples).		

**Table 1. Uruguay: CBT Review Summary for Transparency Practices—
Central Bank of Uruguay (concluded)**

Pillar	Principle		Sub-principle		Practices		
					Core	Expanded	Comprehensive
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			
			3.2.2.	Coverage			
	3.3.	FX Management	3.3.1.	Instruments			
			3.3.2.	Coverage			
	3.4.	FX Reserve Management	3.4.1.	Instruments			
			3.4.2.	Coverage			
			3.4.3.	Assessment			
	3.5.	Stress Testing	3.5.1.	FS Assessments			
			3.5.2.	ST Methods			
3.5.3.			ST Coverage				
3.5.4.			Use of ST Results				
3.6.	Macroprudential	3.6.1.	Instruments				
		3.6.2.	Enforcement				
3.7.	Microprudential Supervision						
3.8.	ELA						
3.9.	Resolution						
3.10.	FMI						
3.11.	Financial Integrity (Internal AML/CFT Control)						
3.12.	Consumer Protection			
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions			
			4.1.2.	Policies			
			4.1.3.	Operations			
	4.2.	FX Administration*	4.2.1.	Governance Actions			
			4.2.2.	Policies			
			4.2.3.	Implementation			
	4.3.	FX Management	4.3.1.	Governance Actions			
			4.3.2.	Policies			
			4.3.3.	Operations			
	4.4.	FX Reserve Management	4.4.1.	Governance Actions			
			4.4.2.	Reporting on Imp.			
4.4.3.			Financial Results				
4.5.	Macroprudential	4.5.1.	Governance Actions				
		4.5.2.	Policies				
4.6.	Microprudential Supervision						
4.7.	ELA						
4.8.	Resolution						
4.9.	FMI						
4.10.	Financial Integrity (Internal AML/CFT Control)						
4.11.	Consumer Protection			
V. Official Relations	5.1.	Government	5.1.1.	Institutional			
			5.1.2.	Financial			
			5.1.3.	Instruments			
			5.1.4.	Outcome			
	5.2.	Domestic Agencies	5.2.1.	Institutional			
			5.2.2.	Instruments			
			5.2.3.	Macroprudential			
5.2.4.			Financial Stability				
5.3.	Foreign Agencies						
	Denotes "Not Applicable" as predetermined under the CBT as outside of the scope of the CBT and covered by other international standards.		Denotes "Not Implemented" as the transparency practice does not meet the requirements of the 'Core' practices as defined in the CBT.	'...' Denotes "No category Assigned" as per the principle in the CBT; detailed descriptions included in the DRR".	Principles marked with "*" and indicated as "Not Applicable" reflect that the principle is included in the CBT review, but indicated as not applicable based on the specific country circumstance (refer to DRR for details in subprinciples).		

A. Central Bank of Uruguay—Transparency Overview¹

The mission found that BCU's transparency practices largely conform to some dimensions of transparency as information is disseminated through several channels and the timeliness for disclosures are consistent with the periodicity in the published communication standards. However, relative to the criteria outlined in the CBT, there is room to enhance the quality of transparency to address gaps in some important areas relevant for supporting institutional autonomy and accountability.

The mission provided recommendations that provide high-level focal points to enhance transparency practices at the BCU. Still, it is within the purview of the BCU to evaluate the sequence and intensity of changes to transparency practices. The BCU provided feedback and a proposed implementation plan in *'AUTHORITY'S RESPONSE TO THE REVIEW'* is included in this CBT Report.

B. Key Recommendations

- 1. Transparency on the BCU's legal protection and institutional and personal autonomy could be enhanced by explaining in the annual report and/or the BCU's website:** (i) that the BCU's decisions are subject to judicial review by third parties; (ii) whether the BCU and the members of its decision-making bodies are prohibited from seeking or receiving instructions from third parties, including the government; (iii) the term of office of the members of the Board; and (iv) the dismissal criteria and procedure applicable to the members of the Board.
- 2. Transparency on the BCU's financial autonomy** would benefit from an explanation of its rationale and measures for implementing related provisions of the BCU legal framework. Also, the BCU could clarify its financial reporting framework, including the applicable auditing standards and all departures from the Uruguay Accounting Standards in the annual published financial statements.
- 3. Transparency on risk management** could also outline: (i) key risks as they relate to the BCU's mandate and the BCU's attitude towards these risks; (ii) risk governance and risk management processes; and (iii) strategies to manage these risks. The annual report could also include a section overviewing key risks that emerged during the year and the BCU's approach in containing them.
- 4. Transparency on accountability mechanisms** could be enhanced by including on the website and/or in its annual report: (i) the conditions for appointment of external auditors and related eligibility criteria (independence, reputation, experience); (ii) the role and reporting lines of the internal audit function and criteria for the appointment of its head; and (iii) the oversight role of the Audit Committee (AC) and its composition, including the names of the current members. While priority should be given to providing a high-level overview of these accountability mechanisms, the BCU could also consider publishing the charters of the internal audit function and the AC, and information on their main activities during the financial year.

¹ Please refer to the Detailed Review (Table 2) in this report for the complete overview of transparency recommendations, per principle.

- 5. Transparency in the BCU's accountability framework could be enhanced by disclosure of more information on the applicability of domestic anti-corruption legislation to BCU staff and its Code of Conduct.** It would be important to state the existing legal basis of the BCU's Code of Conduct and to disclose information on the activities and controls of the BCU's Ethics Committee.
- 6. Additionally, providing information on the oversight of the compliance department could strengthen accountability.** Specifically, the BCU should describe the compliance framework that is in place, including the policy with respect to internal AML/CFT control activities, their oversight, and the outcomes from their activities.
- 7. BCU transparency practices in the area of monetary and FX policies and operations would benefit from the following measures:** (i) offering regular venues (e.g., press conferences) for the media to ask questions and further clarify the rationale for the monetary policy decisions; (ii) disclosing generic information related to the calibration and parameters of the various monetary policy instruments, as well as the outcome on the banks' overall liquidity position; (iii) publishing generic descriptions of the rationale for FX interventions and the choice of instruments given the market context; (iv) disclosing the report sent to the Parliament of the Republic; and (v) providing additional disclosures on the coordination of monetary and fiscal policies.
- 8. Enhancing BCU transparency practices relating to ELA would enable stakeholders to be prepared to act expediently and with clarity in the event of ELA activation.** In this regard, disclosures of key operational procedures that facilitate the implementation of the requirements of Article 32 of the Organic Charter of the Central Bank, 2008 (OCOT) are important. Additionally, within the key operational procedures, an auxiliary policy on transparency is needed to identify the type of information and time for disclosures in the event of ELA activation.
- 9. BCU's transparency practices in financial stability stress-testing and macroprudential policies could be improved by:** (i) publishing a Financial Stability Report (FSR) that includes relevant details of the underlying analysis of financial stability risks; (ii) publishing of a core set of aggregate financial soundness indicators; (iii) disclosing a comprehensive macroprudential policy framework document, including a clear description of available macroprudential tools and their potential effects; and (iv) a detailed analysis of stress-testing results and their use in guiding policy. In addition, providing clarity about the institutional arrangements of the inter-agency FSC, including the respective roles and responsibilities of the members of the FSC, would strengthen BCU accountability for financial stability and soundness.
- 10. BCU is encouraged to improve the dimension of information access across all areas by utilizing the already comprehensive communications framework.** Improved access via the BCU website could be achieved by: (i) translating more technical language in reports to simple language suited for different audiences; and (ii) creating viable and searchable document registers for important documents such as Board Resolutions to enable easy access to past issues that are relevant for current decisions and communications.

SCOPE AND OBJECTIVE

11. At the request of the BCU, the mission has conducted a CBT review. The organizational structure and financial soundness objectives of the BCU qualifies this third mission under the CBT pilot reviews to cover all principles of the CBT. Accordingly, the review maps the BCU's transparency choices for all CBT principles to a range of practices as detailed in the CBT, covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review should help strengthen the BCU's dialogue with stakeholders on transparency choices and contribute to improved accountability within the context of its vision of independence, policy effectiveness, and reliability.

12. The intended use of the CBT review by the BCU is to support its three-year strategic reform that outlines the improvement in communication and transparency as a central theme. Accordingly, the review should help the BCU develop action plans to improve its reporting of key economic information and strengthen its relationship with stakeholders by improving the accessibility of content on its website and through social media networks. The review provides an opportunity for the BCU to categorize its current transparency practices across the range of responsibilities and identify strengths and areas for improvement. In particular, the review provides a timely opportunity for the BCU to examine the recent initiatives to enhance communication on monetary policy decisions of the BCU.

APPROACH AND METHODOLOGY

13. The mission's review relies on the combination of a self-review provided by the BCU, the mission's desk reviews, and in-depth discussions with the BCU and key stakeholders. The BCU's self-review was received prior to the mission, and follow-up discussions with the BCU Board,² management, and staff provided valuable information and facilitated discussions on the application of the CBT. Meetings with key stakeholders outside the BCU facilitated the collection of views on the interaction with the BCU and its transparency practices. Stakeholders in the public sector included representatives of the Ministry of Economy and Finance (MOEF), other public sector institutions that share responsibility with the BCU for functions (e.g., the Bank Savings Protection Corporation (COPAB) that sits on the FSC), and public committees with which the BCU coordinates, such as the Public Debt Coordination Committee (PDCC). Other stakeholders that the mission met with include commercial banks (publicly and privately owned), FX traders, the Chamber of Industries, civil society groups, rating agencies, the media, and academia. The meetings with key stakeholders were planned in coordination with the BCU, although BCU representatives did not participate in these meetings.

14. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency. In addition to reviewing the BCU's transparency practices according to the CBT principles, other important dimensions of transparency were also considered, including timeliness, periodicity, and quality of disclosure. The latter is of particular relevance when reviewing

² See Appendix I. List of BCU Board Members, Executives and Departments, and External Stakeholders.

accessibility and the ease of understanding of information by the public. To conduct this review, the mission also referred to the feedback from the BCU Survey on the Image of the Central Bank, which is done on a five-year cycle. The review also considered views expressed by stakeholders.

15. The review recognizes the role of the Constitution and relevant laws in shaping the transparency choices of the BCU and their impact on this review. In particular, the Law on Free Access to Public Information, and the Law on Classified Information and the restrictions or exemptions provided therein determine documents that are disclosed or prohibited from disclosure based on their classification. Therefore, the BCU's Confidentiality Policy (see Principle 1.8) is essential for understanding and placing into context, the outcomes from this CBT review. In the presence of these laws, the BCU must ensure that it appropriately balances the thrust to improve transparency with satisfying these legal requirements.

BACKGROUND

16. The Uruguayan economy continues to normalize after the COVID-19 pandemic. Economic performance is expected to reflect broad-based improvements across most sectors over the near term, which augurs well for the general stability of the financial sector. There is no evidence (yet) of weaknesses emerging from the effects of the pandemic, as the exposure of the financial sector to business sectors most affected by the pandemic is low.³ But a comprehensive assessment of the financial sector and the impact of policy measures implemented in response to the COVID-19 pandemic will be undertaken in the Financial Sector Review Program mission scheduled for 2022.⁴ In response to the COVID-19 crisis, the BCU pursued accommodative monetary policy, including measures to increase money market liquidity and support the flow of credit to the economy. Specifically, the BCU reduced the reserve requirements and allowed banks to extend moratoria on credit as appropriate. Communication of these measures was done via circulars published on the BCU's website.⁵

17. Uruguay's financial sector shows relatively limited depth and financial dollarization remains a prominent feature. Private sector credit growth remains sluggish, and banks retain large reserves domestically in central bank instruments and with overseas financial institutions. The financial sector provides standard banking and insurance products in pesos and dollars. Highly segmented credit markets for dollar and peso loans have characterized the largely bank-centric financial system. Some stakeholders attribute the preference to save and quote prices in dollars to the protection against inflation outcomes that exceed the maximum announced target. Moreover,

³ IMF Staff Report for the 2021 Article IV Consultation, November 2021.

⁴ The scheduled FSAP will also facilitate the update of the observance of relevant international standards in relation to micro prudential supervision, securities regulation, resolution frameworks, and financial market infrastructures since the last FSAP conducted in 2013.

⁵ Measures implemented in response to the COVID-19 pandemic are published on the BCU's website: [Páginas - Medidas adoptadas en el marco de la emergencia sanitaria \(bcu.gub.uy\)](https://www.bcu.gub.uy/).

this perception of protection is pursued even in the context of inflation-indexed savings products and the indexation of wages to past inflation.⁶

18. The 2020 Annual Report reaffirmed the BCU’s vision to be an “independent, effective, and reliable central bank,” accountable for its legal mandate. The OCOT establishes the two objectives of the BCU: (i) price stability to achieve economic growth and employment; and (ii) regulation and supervision of the payment and financial system to promote its soundness, solvency, and development. To fulfill these objectives, the BCU has embraced transparency among its values, “to promote the clear communication of information relevant to society, an ongoing dialogue, and accountability for its actions.”⁷ Recent changes in its operational framework for monetary policy and its communication on monetary policy demonstrate this commitment. Since 2020, the BCU has reverted to a short-term interest rate as an operating target, which aligns with international practices for IT frameworks. In addition, the BCU is communicating more of the supporting analysis for monetary policy decisions and outlook to actively guide inflation expectations to the current target range of three percent to 7 percent, which is expected to be capped at 6 percent in 2022.

19. Accordingly, the mission paid particular attention to the linkages between *de facto* central bank autonomy and the effectiveness of central bank policies and communications in shaping private sector inflation expectations. In the IT framework, the effect of monetary policy decisions and communications on private sector expectations are important considerations for policymakers. In discussions with stakeholders, BCU’s autonomy was perceived as unclear, and that in the past this may have weakened the expected impact of monetary policy actions and communications on private sector expectations. In this context it is important to stress that central bank autonomy as it is currently understood and applied in central bank governance frameworks (and for the CBT) is different from the “*State Autonomous Entity*” concept that is mentioned in the OCOT.⁸

20. The recent initiatives on communication for monetary policy and its coordination with fiscal policy (Box 1) would support the progress towards establishing clarity in BCU’s operational autonomy over monetary policy decisions. A set of measures were announced by the BCU in April 2020, and the authorities have taken several actions and related communication initiatives aimed at bolstering the impact of policies on inflation expectations. In the context of the new monetary operational framework announced in September 2020, additional macroeconomic measures were presented to the public in a joint conference by the BCU President and the Minister of Finance. This event was also utilized to discuss broader issues of monetary and fiscal policy

⁶ The recently announced adjustments to the wage setting policy for public sector workers and guidelines for private sector for wage adjustments to be conducted in line with the inflation target could influence inflation outcomes.

⁷ See Annual Report, 2020, Central Bank of Uruguay.

⁸ Within the CBT, central bank autonomy relates to four distinct components – institutional, functional, personal, and financial that are expressed through the communications from the central bank on its policy decisions and actions. The status as a ‘State Autonomous Entity’ incorporates some of the components for legal autonomy but provides limited insight on the central bank’s interactions with external bodies in decision-making and for its independent oversight.

coordination to support the price stability mandate of the BCU. Given the importance of the policy actions for the attainment of BCU's policy mandate, giving them high prominence in BCU communication (including greater accessibility in the BCU website) would be useful in relation to the *de facto* autonomy of the BCU and the perception of the public.

Box 1. Recent Initiatives of the BCU to Improve Transparency of Monetary Policy and its Coordination with Fiscal Policy

Actions to enhance monetary policy transparency were announced in April 2020. The Communique that was issued following the April 2020 Monetary Policy Committee (COPOM) announced the following measures to enhance the transparency and accountability of the BCU regarding the conduct of monetary policy vis-à-vis the different sectors and actors of the Uruguayan economy:

- **Frequency.** The frequency of communication was increased in line with an increase of the number of COPOM meetings. In addition to the four regular meetings held at the end of each quarter, an additional four meetings were added and scheduled on intermediate dates.
- **Materials.** Materials disclosed in relation to COPOM decisions were expanded as follows: (i) issuance of a Communique following each of the eight COPOM meetings on the day of the meeting that includes a forward-looking review; (ii) disclosure of the minutes within 72 hours after the meeting; and (iii) improvements in the Monetary Policy Report (MPR) by incorporating macroeconomic models and economic results, as well as the evaluation of policy results.
- **New product.** A newsletter was created to establish a more direct contact with a broader set of entrepreneurs and households, designed with a friendly format and simple language, with a view to making monetary policy transparent and hence enhance its impact on inflation expectations.
- **Expanding the audience.** The dissemination of decisions and actions was expanded to have direct access to broader audiences. The following documents are disseminated as follows: (i) members of Parliament and media: COPOM communiqué and minutes in Spanish; (ii) foreign investors: COPOM communiqué and minutes in English; and (iii) Chamber of Entrepreneurs: newsletter.

The general objective is to strengthen the transparency of policy decisions, so that the public and markets receive better information about the analysis of the macroeconomic situation—in particular, inflation past developments and projections—and the related decisions taken by the BCU to discharge its legal mandate of safeguarding price stability. These changes are expected to enhance the impact of monetary policy on inflation expectations.

Other measures taken recently to introduce best practices in communication and transparency include: (i) relaunching an improved survey on inflation expectations and publication of its results; and (ii) publication of the economic models used by the BCU in the forecasting of the main macroeconomic variables.

In September 2020, the BCU announced a new monetary policy framework under the IT regime. The BCU announced a shift from a monetary aggregate as the operational target for monetary policy to a short-term interest rate. The change is intended to improve policy signaling and to allow for fine-tuning of monetary policy at a higher frequency.

The joint conference by the BCU President and the Minister of Finance during which the new monetary policy framework was announced was also an occasion to discuss broader issues of monetary and fiscal policy coordination to support the BCU price stability mandate. Key issues among the range discussed include: (i) stressing the need for consistency between fiscal discipline, the disinflation

Box 1. Recent Initiatives of the BCU to Improve Transparency of Monetary Policy and its Coordination with Fiscal Policy (concluded)

strategy and wage policies; (ii) initiating the disclosure of macroeconomic projections over a rolling five-year period, thereby providing an outlook beyond the current administration; (iii) ensuring that fiscal consolidation plans are consistent with BCU's commitment to lower inflation and breaking inflation inertia; (iv) focusing on the BCU priority to bring inflation down structurally and to anchor inflation expectations within the target band; (v) prioritizing the rebuilding of the BCU's credibility, notably through the newly announced institutional framework and practice of monetary policy; (vi) highlighting the BCU plans relating to the "search for a quality currency, including the reconstruction of peso markets to mitigate financial dollarization;" and (vii) providing consistency between fiscal targets, disinflation strategy and wage policies based on close coordination across institutions.

In parallel with the adoption of the new monetary operational framework, the BCU launched a working group to work on de-dollarization. The working group has been tasked with setting up, in dialogue with the financial industry and other stakeholders, a reform agenda that will also cover financial education and public communications matters.

Source: Central Bank of Uruguay, IMF staff

MAIN FINDINGS

A. Pillar I: Transparency in Governance

21. The mandate and overall legal structure of the BCU, including its legal framework and legal nature are disclosed, yet information on the BCU's legal protection is missing. While the OCOT provides information on the BCU's legal mandate, disclosure regarding the BCU's legal structure could be enhanced by including descriptions of: (i) the specific requirements for the BCU to fulfill its mandate; (ii) the general framework that currently applies to the BCU, including the relevant provisions in the Constitution and other pertinent laws; and (iii) the judicial review process of the BCU's decisions, including those of the SSF.

22. Transparency practices about the institutional autonomy of the BCU could be strengthened. The Constitution of the Republic and the OCOT establish that the BCU is a "State Autonomous Entity," with the OCOT further specifying that the BCU has technical, administrative, and financial autonomy. In addition to its legally defined mandate, the BCU could explain what it means to be an autonomous entity, how autonomy is implemented, and the rationale in the context of the legal mandate. Disclosure could be enhanced by indicating publicly: (i) whether the BCU and the members of its decision-making bodies are prohibited from seeking or taking instructions from third parties; (ii) whether representatives from third parties, including the government, can attend the BCU's meetings; and (iii) the term of office of the members of the Board and the dismissal criteria and procedure applicable to said members, and how this operates in practice. In addition, the role of members of the Executive and Legislative Branch on committees in which the BCU has shared responsibilities, for example the Macroeconomic Coordination Committee (MCC) and the FSC, could be discussed on its website.

23. Whereas financial autonomy is established in the legal framework, the central bank does not explain the rationale and measures to safeguard it. The OCOT provides for core financial autonomy provisions, including the rules on capital and profit distribution, limits on monetary financing of the government, publication of audited financial statements, as well as approval and execution of the budget. Transparency could be enhanced by explaining the rationale for the BCU's financial autonomy and the tools for implementing the related provisions of the OCOT. In addition, the disclosures on how these resources are safeguarded from risks attendant to the BCU's activities and the accountability mechanisms that ensure oversight of their effectual use would be relevant complementary information to support autonomy.

24. Concurrently, disclosures about the BCU's accountability mechanisms could be improved. The OCOT establishes the high-level provisions for accountability, including the publication of financial statements that are examined by external auditors and the Court of Accounts. Publications thereto are required within 120 days after fiscal year-end. The OCOT also provides for an independent internal audit function. While the OCOT does not provide for an AC, the Board nevertheless established one to assist with oversight of financial statements, the audit mechanism, and internal controls. However, the BCU's website and annual report do not provide an overview of these accountability mechanisms.

25. In a similar vein, increased disclosures about risk exposures and the management of these risks would enhance accountability. The BCU's transparency on risk management consists mainly of disclosures in financial statements on risks from managing foreign reserves. In contrast, disclosures about overall risk governance and management of operational risk are limited. Specifically, the BCU's publications lack an institutional view of the bank's risk practices and governance arrangements. To improve transparency, the BCU could consider publishing information on: (i) the key risks as they relate to the BCU's mandate and the bank's tolerance for these risks; (ii) the risk governance and the risk management process; and (iii) the main strategies to manage these risks. In its annual report, the BCU could also usefully include a section explaining the main developments in its key risks.

26. Improving the disclosures about the risk management and accountability mechanisms would support the BCU's reputation as a well-managed autonomous institution. In this regard, the BCU could disclose on its website and/or in its annual report: (i) the conditions for appointment of external auditors and related eligibility requirements (independence, reputation, experience); (ii) the role and reporting lines of the internal audit function and criteria for the appointment of its head; and (iii) the oversight role and composition of the AC, including the names of the current members. While priority should be given to providing a high-level overview of these accountability mechanisms, the BCU could also consider publishing the charters of the internal audit function and of the AC, and information on their main activities in a reporting period. The mission also noted that the BCU's financial reporting framework and the applicable auditing standards are not clearly defined, nor explained in the BCU's financial statements when it comes to exceptions from the Uruguayan Accounting Standards. This could be easily remedied at the next occasion.

27. Transparency practices on governance and management of human capital is categorized at the ‘expanded’ level. The BCU publishes on its website and in the annual report an array of internal policies and regulations related to the management of human resources, including on staff development, performance management, diversity and inclusion, external recruitment, and staff competencies. The BCU website describes the ongoing recruitment campaigns that include detailed documentation for each step of recruitment. There are still opportunities for improvement of transparency by: (i) the inclusion of data on staff turnover in the annual report; and (ii) the publication of other relevant policies (e.g., on leadership and succession and policies or measures for attracting, promoting, and retaining employees). In addition, to enhance access, the BCU could consolidate information on human resource management under a specific section on the website instead of the current arrangement of dispersed disclosures across different sections of the website.

Communications and Confidentiality

28. The BCU has a strong commitment to transparency, which is discharged through a well-articulated and structured communications policy that includes comprehensive tools. The BCU has a strategic program to enhance its engagement with specific stakeholders and the public. Among the various official tools, the BCU website—in Spanish and partially in English—is the most frequently used. The framework also includes measures to evaluate communications through monitoring tools, including surveys of public views of the BCU. The quality and quantity of the information available are satisfactory, but the website search methods may curtail access to information and could be enhanced to locate information more easily. Continuing to expand financial education programs and simplifying the technical language used in the analysis can make information more accessible and understandable for the public. The efforts made to actively promote its messages through mass media, digital platforms, and social media are positively acknowledged by stakeholders.

29. The BCU discloses in detail its communication arrangements, including internal principles and guidelines. The BCU Board discloses and publishes its internal arrangements of institutional communications, including in relation to the powers delegated to the Superintendency of Financial Services (SSF). The BCU reinforces transparency by publishing and disseminating its internal principles and guidelines for its external communication processes.

30. The BCU has a robust confidentiality policy, established by law. The confidentiality policy is established by the OCOT and the national Law on Access to Public Information (Ley 18.381). However, the application of this national law to the BCU could be further explained to enhance public understanding. Moreover, the application of the confidentiality policy can be streamlined to ensure consistency in the documents that are classified by the BCU that may be already publicly disclosed elsewhere. For example, policies, guidelines and technical procedures and Memorandums of Understanding (MoUs) are published by the official counterparts on their websites. Additionally, the BCU could publish the report submitted annually to the Parliament of the Republic since this document is not specifically classified under the confidential policy.

B. Pillars II, III, and IV: Transparency in Policies, Operations, and Outcome

Monetary Policy

31. Several characteristics of Uruguay's economy and financial sector are relevant for the categorization of the BCU's transparency in monetary and FX policies and operations. These key features include: (i) the high level of financial dollarization; (ii) inflation inertia and effects of public sector wage formation; (iii) an open capital account; (iv) the strength of the exchange rate channel in the transmission channel; (v) a shallow FX market characterized by a concentrated market with limited transactions; and (vi) the institutional arrangements for the coordination of monetary and fiscal policies.

32. Bearing in mind these characteristics, the mission's review of the BCU's transparency of monetary and FX policies and operations considered the following aspects of the BCU's transparency practices: (i) disclosures on the BCU's research and analytical work related to inflation inertia; (ii) disclosures on the analytical tools used by the BCU to assess the alignment of the exchange rate with fundamentals; (iii) disclosures of the frameworks in place for the coordination of monetary and fiscal policies; (iv) disclosures on the rationale for FX interventions in view of the specific characteristics of the Uruguayan FX market; (v) disclosures on ex-post evaluations of the economic impact of FX intervention; and (vi) disclosures on the BCU's assessment of the strength of the transmission channels of monetary policy.

33. Over the years, and increasingly in the most recent period, the BCU's transparency practices about monetary policy have considered these specific economic and financial conditions in the communications with stakeholders. Publications on monetary policy have encompassed issues related to: (i) the institutional framework for monetary and FX policies (that is, the target range for inflation and the exchange rate regime) established by the MCC; (ii) inflation inertia research, including its interactions with fiscal policy and wage-setting guidelines; (iii) the strength of the transmission channels, including the role of the exchange rate channel; (iv) the coordination of monetary and fiscal policies through the MCC and the Public Debt Coordination Committee (PDCC) to discuss fiscal policies to support the BCU's price stability mandate; (v) episodic ex-post discussions on the economic impact of FX intervention; and (vi) the broad objective of its FX intervention in the context of the IT with an open capital account and a floating exchange rate arrangement.

34. Overall, the transparency in relation to monetary policies and FX policies and decisions is at the comprehensive level, with specifically tailored documents disclosed to different stakeholders. Firstly, information is available to the public via the BCU website through the timely issuance of a monetary policy communiqué following the meetings of the COPOM. The minutes of the COPOM meetings containing the assessment of global and domestic macroeconomic conditions, and the voting positions of committee members for monetary policy decisions are published on the BCU website. A quarterly MPR is also published via this medium. Secondly, the BCU has also published a version of the MPR in simplified non-technical language aimed at providing the most recent information on monetary policy assessments and decisions to international investors,

entrepreneurs, and households. Finally, its accountability for monetary policy decisions is fulfilled through the submission of a report detailing its activities and policy outcomes to the Parliament of the Republic annually to fulfill the legal obligation of Article 46 of the OCOT.

35. The BCU discloses its monetary operational framework, including well-defined operational targets, objectives, and tools. The critical components of the framework are explained in several sections of the website, as well as in the Recopilación de Normas de Operaciones (RNO). Historical data on stocks and flows of the various monetary instruments is made available on the website at varying data frequencies. The rules governing the issuance of the main policy instrument to conduct monetary operations, the monetary regulation bills of the BCU, are disclosed on the website, including a calendar of future auctions, results of previous auctions, and outstanding amounts that have been issued. The categories of monetary policy counterparties and respective access criteria are clearly defined and disclosed on the website. Additional disclosure of generic information on the calibration and parameters of the various monetary policy instruments, as well as the effect of BCU actions on the overall market liquidity would enhance information quality.

Foreign Exchange Management and Administration and Reserves Management

36. The prevailing monetary policy regime in the context of a floating exchange rate regime is disclosed. Several publications explain the operational framework, which consists of FX interventions by the BCU to reduce excessive volatility that could affect inflationary expectations and uncertainty. FX intervention may also be carried out to cushion abrupt exchange rate swings in a concentrated market of few transactions. All FX transactions are executed transparently through the electronic platform operated by the Stock Exchange Market of Uruguay (BEVSA), and daily amounts are disclosed on the BCU website, including the type of underlying instrument that was used (e.g., spot, future, non-deliverable forward, etc.). Counterparties must comply with the market conduct norms set by the BEVSA and disclosed on its website.

37. Transparency practices regarding actual FX interventions provide relevant stakeholders (mostly financial institutions active in the domestic FX market, but also the wider public) ample information on the outcomes of BCU's actions. Daily publication of the BCU's FX interventions, including the type of instrument that was used, as well as data in the quarterly MPR on FX operations with the central government, and FX interventions in the spot and forward markets over the last three years provide transparency on the outcomes of FX interventions. However, further disclosure of the effects of intervention given the current microstructure of Uruguayan FX market that is characterized by a limited number of participants and the concentration of transactions a concentrated FX market with few transactions would be useful. Transparency about FX intervention for the public at large would be enhanced by a generic description on the BCU website of the rationale for the choice of the various instruments that may be used, as well as generic explanations regarding the rationale for FX intervention.

38. The BCU's responsibility concerning FX administration emanates from its oversight of the financial system and is not structured to oversee, regulate, or implement measures for managing cross-border financial flows. As stated in Ley 14.371 that is disclosed on the BCU

website, Uruguay has had an open capital account since 1975 and does not apply restrictions to current account transactions. Under this law, there are no recent policy disclosures that may be relevant for the CBT concerning: (i) the regulation of cross border financial flows in foreign and domestic currencies (sale/purchase, transfer, transmission, and export/import of domestic and foreign currencies); (ii) the regulation of transactions in foreign currencies within the country; and (iii) the regulation of transactions within the country in domestic currency between residents and non-residents, and between non-residents. The disclosure of the allowable FX activities and the requirements for general licensing of entities authorized to execute FX activities are assessable via the BCU website.

39. The BCU's transparency practices for FX reserve management are categorized at the expanded level. The BCU discloses detailed and clear information on the governance framework for managing international reserves. Frequent disclosures on reserves management are made through a quarterly report and the annual financial statement, providing a detailed account of FX reserves management for each reserve tranche, as well as overall risk management. Transparency about FX reserves management could be improved by disclosing the eligible investments for FX reserves as the OCOT makes no mention of this aspect, and the FX Reserves Investment Strategy approved by the BCU Board is not published. In addition, the BCU could describe the investment decisions and results achieved, measured relative to their respective benchmarks. Information on the criteria for setting the size of the reserve tranches would also improve transparency and facilitate the BCU's accountability that reserves management is in line with international practices as indicated in Article 28 of the OCOT.

Financial Stability and Macroprudential Policies

40. While the BCU does not have an explicit mandate to undertake macroprudential policy, the OCOT empowers the BCU to safeguard the stability of the financial system. On this basis, the BCU has introduced macroprudential policy instruments that are aimed at safeguarding the stability of the banking system.

41. The BCU has published a minimum of core information on its macroprudential framework and supporting analysis for macroprudential measures on its website. The SSF describes its role in this area in its Operational Framework, with broad strategy and objectives. However, macroprudential tools are generally not classified as such and measures are published chronologically alongside other prudential measures, hampering their identification. Any links between macroprudential objectives and specific measures with supporting analysis is generally not made public. Also, ex-post evaluations of macroprudential policies have not been conducted.

42. Press releases following the semi-annual meetings of the FSC (in which the BCU and SSF are members) serve as the main channel to communicate about financial stability. In these releases, the reviews and conclusions provide a general overview, without the disclosure of supporting analysis. The FSR prepared by the BCU for the FSC meetings is kept confidential and is separate from the Report on the Financial System (RSF) prepared by the SSF that is mostly descriptive without much analysis of financial stability risks. While stress testing methods are clearly

disclosed, it is not clear how the results are used in the analysis of macroprudential risks and measures to mitigate the risks identified.

43. The transparency about macroprudential policies could be enhanced in important ways.

The role of the respective actors in macroprudential policymaking could be clarified in a comprehensive policy framework document. Such a document could also include a description of macroprudential policy tools with their potential contribution to policy objectives and could provide more clarity about the relevance of stress tests, other indicators, and analysis in identifying risks in the financial sector. A modified version of the FSR submitted to the FSC with in-depth analysis of developments and risks could be made public as the main vehicle for reporting periodic financial stability assessments and stress test results. Additionally, the periodic publication of a core set of aggregate FSIs, building on the individual bank financial indicators data currently published on the BCU website, would enhance transparency.

Emergency Liquidity Assistance

44. The legal basis for ELA is laid out in the OCOT, but key features for the operationalization of the framework are missing.

The disclosure of these key features, including the roles of the BCU, the SSF, the COPAB, and the Minister, is needed to explain how the legal principles of the OCOT would be applied and implemented in case the framework is activated. Comprehensive transparency practices for ELA, based on the international practices outlined in the CBT, would include: (i) a regulation outlining the objective of ELA (that is, preserving financial stability); (ii) the key requirements for accessing ELA (including regarding solvency, viability, full collateralization, and execution of and ELA agreement defining the counterparty's obligations); and (iii) the key parameters for ELA (at least interest rate and tenor).

Anti-corruption and Internal Code of Conduct and Financial Integrity

45. The BCU discloses general information on its anti-corruption and Code of Conduct practices, but transparency about their applicability could be enhanced.

The BCU's legal framework clearly notes that anti-corruption legislation and measures apply to decision-makers, staff, and agents of the BCU. It is however not clear from the disclosed information that the national law on the Code of Ethics in the Public Service serves as the BCU's Code of Conduct. The separate Code of Ethics of the BCU includes general guidelines regarding conduct, confidentiality, transparency, and impartiality, as well as prohibitions on certain activities and behaviors. However additional information on rules on the acceptance of gifts, the abstention from decisions where a conflict of interests exists, and on specific pre- and post-public employment requirements ("cooling off" periods) are absent. The BCU could also disclose information regarding the functioning and activities of its Ethics Committee, especially related to internal control measures to safeguard independence and ensure the accountability of this committee.

46. The BCU plays a key role in safeguarding financial integrity; however specific information on its policies and processes related to AML/CFT supervision is limited.

The BCU discloses general information about its AML/CFT supervisory policies, powers, and processes.

However, further information on how it assesses the AML/CFT risks of its supervised institutions, how it defines its supervisory policies, and on the internal resources allocated to these activities is not available publicly.

47. The transparency of the BCU's internal AML/CFT controls, including about its compliance function, is not implemented. The BCU currently does not disclose information on its internal compliance framework related to the activities and services that may give rise to AML/CFT risks. While the OCOT makes no provision for this level of internal oversight, the Board created the compliance function to ensure the BCU's internal compliance with applicable domestic and international AML/CFT standards. Through this function the BCU has developed AML/CFT policies and evaluate compliance throughout its business units, subsidiaries, and branches. However, there is no disclosure on the internal control activities, their oversight and accountability within the organizational structure, and the human and technical resources allocated to perform the functions. Transparency in this area could be greatly enhanced by providing disclosures on the internal AML/CFT framework and policies, relevant descriptions on internal AML/CFT controls, the control activities carried out for compliance with AML/CFT laws, and the measures of their overall effectiveness.

Consumer Protection

48. BCU has established a robust system to guarantee the rights of financial consumers. This function is discharged through a well-developed, widely disclosed, and transparent legal and operational framework on consumer protection activities (Box 2). Rights and responsibilities of consumers are clear and accessible on a section of the BCU website titled "*Usuario Financiero*." In the area of fair treatment and business conduct, the BCU has developed the capacity to identify infringements of consumer rights through its supervisory process to actively promote the fair and equitable treatment of consumers.

49. The BCU is fully accountable regarding its handling of consumer protection complaints. The complaint process seems accessible, clear, affordable, timely and efficient. Financial education programs are a priority for the BCU, including the ongoing implementation of programs to engage vulnerable groups. The BCU has an adequate accountability system for the consumer protection function as it extensively discloses resolutions, sanctions to encourage appropriate redress, and statistics regarding complaints and queries. The BCU also reports the policy outcomes in the areas of consumer protection, including on financial education initiatives in relation to its consumer protection activities.

Box 2. Transparency in Consumer Protection—Experiences from a Small Central Bank

Disclosure About the Legal Context:

The BCU has a legal mandate for consumer protection, which is prominently disclosed in the OCOT (Article 35), and further established through Law 17.250 (2000) and its Regulatory Decree of August 23, 2000. These documents outline that the SSF works to address inquiries and complaints from consumers to promote their protection in their access and use of the financial services and products, and the financial system.

Disclosures About the System of Consumer Protection Policies:

- **Objective for the function:** to promote the confidence of the users of the financial system and guide them towards a more agile and transparent relationship with the supervised institutions.
- **Scope of competence for the BCU on consumer protection:**
 - *Products and Services:* Including credits, deposits, cards, checks and services that the BCU oversees under the consumer protection system and the financial institutions supervised, including banks, Pension Funds (AFAP), insurance companies and the securities market.
 - *Personal Data Protection:* The central bank regulation establishes that supervised entities must comply with the laws and regulations that govern the financial system, within which lies the national law (Ley 18.331) on personal data protection that originates from the AGESIC. A financial customer can file a complaint with the SSF for non-compliance with the law on personal data protection, which is received and processed.
 - *Management of Financial Data:* The SSF complies with the personal data protection law, by the adoption of resolution 246/2020 (2b) and ensures its application to the processing of administrative files as well as in the publication of activities related to consumer complaints.
- **Assurances to consumers under the law:** Gives legal certainty to the public as “a consumer,” and their access to the Confidential Protection System implemented at BCU.
- **Access channels:** The digital portal called “Usuario Financiero,” is indicated as the major tool to disseminate the rights and obligations of consumers and to contribute to their better understanding of basic economic and financial concepts (e.g., interest rates, commissions, among others). Additional channels are used to disseminate financial information, including a Chatbot, a dedicated telephone service that provides real-time responses in addressing queries from consumers, and through email.
- **Dispute resolution mechanisms:** It is widely disseminated that the “Usuario Financiero” electronic portal provides an efficient and timely channel to receive and redress consumer complaints.

Disclosures About the Commitments and Actions of the BCU in Relation to Consumer Protection:

- The BCU has specified function in the OCOT “to promote and develop education and economic and financial culture,” which is discharged through the SSF that develops informative economic and financial education “to contribute to the economic and financial education of society.” For example, the BCU uses public campaigns to address emergent risks to consumer safety (e.g., in cybercrime awareness and security). In addition, specialized programs, such as *BCU Educa* aimed at targeted and vulnerable groups, are implemented.

Box 2. Transparency in Consumer Protection—Experiences from a Small Central Bank (concluded)

- Financial institutions can be sanctioned for breaches identified through routine supervisory inspections, or in response to reported infringements of the rules that regulate supervised entities in relation to consumer rights (as determined by the central bank law and all other regulations) and that are received through the access channels.
- The accountability to the public is a fundamental requirement under the Law, and the outcomes from disputes and applied sanctions are published on the BCU's website.

Source: Central Bank of Uruguay and IMF Staff

C. Pillar V: Transparency in Official Relations

50. The BCU reinforces its commitment to transparency by comprehensively disclosing its dealings with international institutions and other central banks. The disclosure includes explanations of the role of the BCU in the international community as a representative of the government, as a central bank proper, and in relation to the delegated supervisory role of the SSF. The documents also include a brief explanation of the reasons and benefits from international engagements.

51. The BCU should clearly disclose coordination policies and exchange of information with the government and its agencies. The BCU's interaction with the Executive is channeled through the MCC, and (on a more technical level) with the PDCC of the MOEF, which provide a solid platform for interaction with the government. The coordination of policy and exchange of information that takes place in these forums should be explained to the public in a clear and accessible manner. Policies and practices that derive from these interactions on more technical level should be disclosed by the BCU. We recommend that the information that is currently disclosed by the MOEF in relation to the functions that the BCU performs for the government be also published on the BCU website.

52. Furthermore, there is a need to clarify roles and responsibilities of the BCU in its interactions with other public agencies in terms of financial system management. Disclosure of the interaction between the BCU and the COPAB will help enhance transparency and understanding of their respective roles and responsibilities within the Uruguayan financial system. Disclosure of cooperation arrangements, the guidelines for the exchange information, and the technical contributions of the BCU and the SSF to the deliberations of the FSC is strongly encouraged. In general, a disclosure policy should be implemented with any domestic public financial counterpart of the BCU.

DETAILED REVIEW

53. This review is based on the current state of BCU's transparency practices. The mission took place during September 7–20, 2021. Changes in transparency practices implemented after the review date have not been considered in the CBT review.

54. In accordance with the CBT, this review categorizes the transparency practices of the BCU's in relation to the CBT principles. The category assigned for each principle is guided by the criteria established for the range of transparency practices in the CBT. In addition, the BCU transparency practices were reviewed in the context of the BCU's legal mandate and policy context, the sophistication and complexity of the financial system of Uruguay, and prevailing general legal framework (including, but not limited to, the existence of rules on access to information, confidentiality, and active transparency).

55. Reaching conclusions about the BCU's transparency practices is largely based on the CBT, yet the review team exercised required judgments in some instances. Central banks, the environment in which they operate, and domestic circumstances differ from one country to another. Nevertheless, by adhering to a common, agreed methodology, the review should provide the BCU with reliable view of transparency practices globally, against which it can benchmark its transparency practices, while taking account of its legal context and confidentiality requirements.

This CBT review benefited from the high quality of cooperation with the BCU. The valuable inputs of the staff of the BCU who spent extended time to complete the self-review, attend to additional requests for information during the mission, and who participated in meetings are acknowledged. Their efforts in completing and attending to these activities are critical for the comprehensive descriptions and comments provided in the Detailed Review Report (DRR) presented in Table 2.

AUTHORITY'S RESPONSE TO THE REVIEW

The Board of the Central Bank of Uruguay (BCU) thanks the International Monetary Fund (IMF) for the opportunity to implement the pilot review of the new CBT. Similarly, the Board thanks the mission that between September 7–20, 2021, met virtually with the Board, managers, and staff of the BCU as well as with key external stakeholders, whom we thank for their willingness to collaborate. Much of the benefit of this exercise is based on the background diversity, experience, judgment, and professionalism of the mission. This review takes as a reference other central banks in the world, especially those that are a source of good practices. The CBT review adds value to the transparency agenda that has been developed at the BCU, encompassing new dimensions and alternatives, with a constructive, comprehensive, and realistic perspective.

The CBT was approved in July 2020 by the IMF's Executive Board and corresponds to an update of the 1999 Monetary and Financial Policies Transparency Code and it is aligned with the recommendations made in 2017 by the Joint Review of the Standards and Codes Initiative. The CBT consists of five pillars, focused on transparency in governance, policies, operations, outcome, and official relations. The BCU requested a review of all these pillars, in order to externally and independently evaluate the multiple advances made in the transparency agenda and the improvement in the Monetary Policy communication process.

Along with assessing the achievements of the BCU in terms of transparency, the mission noted that "The Central Bank of Uruguay (BCU) is implementing transparency practices that are broadly aligned with international practices." Regarding BCU objectives, the mission mentioned that improving communication with domestic and international stakeholders is a key pillar of the medium-term strategic plan, reinforcing the institution's strong commitment to transparency. On transparency in policies, the mission pointed out that "The transparency practices regarding monetary policy, enhanced through the comprehensive set of measures introduced in April and September 2020, have established robust disclosure practices."

However, the mission also identified areas for improvement that are aligned with and/or added to the strategic agenda on transparency of the BCU. On the legal aspects, the legal structure and mandate are disclosed, but transparency about institutional, personal, and financial autonomy, risk management, and accountability mechanisms would support the BCU's reputation as a well-managed autonomous institution. On macroprudential issues, the mission pointed out that Core transparency elements for financial stability analysis and macroprudential policy are in place, but important enhancements could be made. In particular, on AML/CFT the report noted that "The BCU plays a key role in safeguarding financial integrity, but more information on its AML/CFT supervision and internal controls could be disclosed."

The mission's report also provided ten Key Recommendations on the five pillars of the CBT. Most of these recommendations refer to the diffusion of information to be disseminated within the legal framework applicable to the BCU, although they are within the reach of our resources, professional

capacity, and aligned with our strategic objectives. Thus, parts of the recommendations are included in an ongoing agenda at the BCU.

A roadmap proposed by the BCU for each of the offered recommendations is found in Table a. These actions are classified under: (i) *“Immediate implementation”*; and (ii) *“Implementation subject to further analysis.”* In the first category, it corresponds to gathering and properly ordering existing information and including official documents and other publications of the BCU, to be published and disseminated through the website in the corresponding menu. In the second category, the recommendations will be analyzed in light of the strategic guidelines inside the BCU, the legal framework applicable to each one, and when appropriate, with the approval of related external entities. In any case, the Board estimates that mostly all the recommendations will be considered in next year’s activity plan.

Table 2. Uruguay: Proposed Roadmap for Implementation of CBT Review Recommendations

Recommendation	Immediate Implementation	Implementation Subject to Further Analysis
<p>1. Transparency on the BCU's legal protection and institutional and personal autonomy could be enhanced by explaining in the annual report and/or the BCU's website:</p> <p>(i) that the BCU's decisions are subject to judicial review; (ii) whether the BCU and the members of its decision-making bodies are prohibited from seeking or receiving instructions from third parties, including the government; (iii) the duration of the term of office of the members of the Board; and (iv) the dismissal criteria and procedure applicable to the members of the Board.</p>	<p>Will review the information that is published and update it considering these recommendations.</p>	
<p>2. Transparency on the BCU's financial autonomy would benefit from an explanation, in the annual report and/or on its website, of its rationale and the measures implementing the related provisions of the BCU legal framework. Also, to clarify its financial reporting framework, the BCU could explicitly highlight, in the notes to its financial statements, all departures from the Uruguay Accounting Standards.</p>		<p>This recommendation requires the coordination with both internal and external audits in order to evaluate including that information in future reports.</p>
<p>3. Transparency on risk management could be enhanced by outlining in the annual report and/or on the BCU's website: (i) the key risks as they relate to the BCU's mandate and its attitude towards these risks; (ii) the risk governance and the risk management process; and (iii) the main strategies to manage these risks. The annual report could also usefully include a section explaining the main developments in key risks.</p>	<p>Although the risks faced by the BCU are classified as confidential, it was decided to publish the Risk's Management Methodology on the website and incorporate information about the risk's management process into the annual report.</p>	
<p>4. Transparency on accountability mechanisms could be enhanced by including on the website and/or in its annual report: (i) the conditions for appointment of external auditors and related eligibility criteria (independence, reputation, experience) as well as the applicable auditing standards; (ii) the role and reporting lines of the internal audit function and criteria for the appointment of its head; and (iii) the oversight role of the Audit Committee (AC) and its composition, including the names of the current members. While</p>	<p>The BCU can review each of these standards to determine what can be made public, in which case it would be reported through the website in the corresponding areas.</p>	

Table 2. Uruguay: Proposed Roadmap for Implementation of CBT Review Recommendations (continued)

<i>Recommendation</i>	<i>Immediate Implementation</i>	<i>Implementation Subject to Further Analysis</i>
<p>priority should be given to providing a high-level overview of these accountability mechanisms, the BCU could also consider publishing the charters of the internal audit function and of the AC, and information on their main activities during the fiscal year.</p>		
<p>5. Transparency on anti-corruption measures and the Code of Conduct could be enhanced by the disclosure of more information on the applicability of domestic anti-corruption legislation to BCU staff. In particular, it would be important to state the existing legal basis of the BCU's Code of Conduct and to disclose information on the activities and controls of the BCU's Ethics Committee.</p>	<p>The BCU can review each of these standards to determine what can be made public, in which case it would be reported through the website in the corresponding areas.</p>	
<p>6. The BCU is encouraged to disclose information on the internal control framework relating to the activities or services that may give rise to AML/CFT risk. In particular, information on internal AML/CFT control activities, their oversight, and their effectiveness</p>	<p>The Central Bank can publish on its website, under the menu item "Acerca del BCU", "Normativa", in a new item called "Normativa interna en Prevención del Riesgo de LA/FT," the BCU's AML/CFT Risk Prevention Manual that discloses a general description of the internal control framework, prior report from the Legal Department on the relevance of the total or partial publication of the manual.</p>	
<p>7. BCU transparency practices in the area of monetary and FX policies and operations would benefit from the following measures: (i) offering regular venues (e.g., press conferences) for the media to ask questions and further clarify the rationale for the monetary policy decisions; (ii) disclosing generic information related to the calibration and parameters of the various monetary policy instruments, as well as the outcome on the banks' overall liquidity position; (iii) publishing generic descriptions of the rationale for FX interventions and the choice of instruments; (iv) disclosing the report sent to the Parliament of the Republic; and (v) providing</p>	<p>This recommendation can be attended through a Strategic Initiative, starting promptly. This strategic initiative should enact a protocol in order to regulate the schedule of the meetings with stakeholders and coordination of monetary and fiscal policies, among other specific regulations in this respect.</p>	<p>This recommendation requires deeper analysis to determine disclosures required about FX interventions beyond what we just do in the Monetary Policy Report.</p>

Table 2. Uruguay: Proposed Roadmap for Implementation of CBT Review Recommendations (concluded)

<i>Recommendation</i>	<i>Immediate Implementation</i>	<i>Implementation Subject to Further Analysis</i>
additional disclosures on the coordination of monetary and fiscal policies.		
<p>8. Enhancing BCU transparency practices relating to ELA would enable stakeholders to be prepared to act expeditiously and with clarity in the event of ELA activation. In this regard, disclosures of key operational procedures that facilitate the implementation of the requirements of Article 32 of the Organic Charter of the Central Bank, 2008 (OCOT) are important. Within the key operational procedures, a second policy layer to identify when and what information is disclosed for ELA is also needed.</p>		<p>This recommendation requires a deeper analysis since it must include several internal and external agents that constitute the financial system safety net. In particular, the coordination with the regulatory body and with the deposit insurance corporation.</p>
<p>9. BCU's transparency practices in financial stability stress-testing and macroprudential policies could be improved by: (i) publishing a Financial Stability Report that includes detailed underlying analysis of financial stability risks; (ii) publishing of a core set of aggregate financial soundness indicators; (iii) disclosing a comprehensive macroprudential policy framework document, including a clear description of available macroprudential tools and their potential policy effects, as well as the respective roles and responsibilities of the members of the FSC; and (iv) a detailed analysis of stress-testing results and their use in guiding policy.</p>	<p>The indicators mentioned in (ii) are already produced.</p>	<p>The CB will include this issue in agenda to be implemented during 2022 the aspects mentioned in (i), (iii), and (iv).</p>
<p>10. BCU is encouraged to improve the dimension of information accessibility across all areas by utilizing the already comprehensive communications framework. Improved accessibility via the BCU website could be achieved by: (i) translating more technical language in reports to simple language suited for different audiences; and (ii) creating searchable document registers for important documents such as Board Resolutions to enable easy access to past issues that are relevant for current communications.</p>	<p>On recommendation (ii) there is a work in progress to produce a new website searcher that will improve the access to different categories of documents. Will begin with Board Resolutions. Will take some time to be available and proved.</p>	<p>On recommendation (i) will evaluate the scope (which and how many reports and audiences), evaluate the available resources of time and trained personnel to carry out the task in a correct and timely manner.</p>

Table 3. Uruguay: CBT Review—Detailed Review Report for the Central Bank of Uruguay

Central Bank Transparency Code—Detailed Review	
Central Bank of Uruguay	
Pillar I—Central Bank Governance	
Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Legal Framework:</p> <p>The BCU discloses an updated and consolidated version of the OCOT on its website. (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Carta-Organica/carta_organica_toco.pdf).</p> <p>The annual report, which is published on the website, has a brief description of the history of the OCOT. The website provides a general overview describing other laws that are also applicable to BCU and has links to these laws and to court rulings pertaining to the BCU. However, there is no reference nor link to the Constitution, which establishes: (i) appointment procedure that is applicable to the Governor and the other members of the Board; (ii) general framework for legal protection for all public entities—which includes the BCU; and (iii) the scope of the control conducted by the “Tribunal de Cuentas.” The OCOT contains a clear description of the BCU’s objectives, functions, and powers, which are also briefly described on the website and in the annual report, including its source. The OCOT disclosed by the BCU has transitional provisions which are limited in time. The legal framework which the BCU adopts with respect to financial institutions is clearly disclosed on the website.</p> <p>Legal Nature:</p> <p>The BCU discloses the OCOT which establishes: (i) that the BCU is an autonomous entity with technical, administrative, and financial autonomy, and has broad powers to enter into contracts; and (ii) the BCU’s specific instruments in articles 26, 32 and 36. The website discloses: (i) the Staff’s Statutes; (ii) the Administrative Regulations of the BCU; (iii) the BCU’s General operational regulations; (iv) detailed information about the CB’s legal instruments. The BCU’s annual report discloses: (i) BCU’s legal nature; and (ii) provides information about the BCU’s legal instruments.</p> <p>Legal Protection:</p> <p>The Constitution regulates, in a general manner, the legal protection framework for all public entities, which therefore apply to the BCU and the SSF. In concrete, the Constitution establishes: (i) that the administrative acts of all public entities can be challenged; and (ii) the pecuniary responsibilities of all public entities. Nevertheless, this information is not established in the OCOT nor disclosed in any manner by the BCU. The BCU clarified that, although the Código General del Proceso contains a general principle that protects public entities from pre-judgment attachments, it is not clear whether this applies to the BCU also, and therefore, information about this cannot be disclosed.</p>
Review	<p><i>Core</i></p> <p>Legal Framework:</p> <p>Most aspects of the legal framework are well disclosed, although information on other laws that are also applicable to the BCU is not easy to find on the website. According to the BCU, it is not possible</p>

	<p>to provide a general explanation about what happens in case of conflicting laws, as this is analyzed on a case-by-case basis.</p> <p>Legal Nature:</p> <p>The legal nature of the BCU, including its general legal capacity to act and its legal instruments, is clarified in the OCOT. The annual report also discloses the BCU's legal nature, and the website contains specific and detailed information about the BCU's Statutes and internal regulations, and its legal instruments.</p> <p>Legal Protection:</p> <p>The information regarding the BCU and the SSF's legal protection is not disclosed by the BCU.</p>
Comments	<p>Disclosure could be enhanced by streamlining the information that is on the website, by including in one section: (i) the BCU's current objectives and main functions and powers; and (ii) a description about the general framework that currently applies to the BCU, including the Constitution, and the most relevant laws. In addition, the BCU should disclose whether the BCU's activities, including those of the SSF, are subject to judicial review.</p>
Principle 1.2.	Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.
Description	<p>Objectives:</p> <p>The BCU's objectives are clearly defined in the OCOT, namely, price stability and financial and payment system regulation and supervision. The website and the annual report contain information about the legal foundation of these objectives. According to the BCU, the objectives do not conflict each other, therefore, the mechanism to determine prevailing objective is not disclosed. The website contains specific information about the BCU's IT regime and the MPRs, which are easily accessible from the website, provide more information regarding this matter. There is no disclosure about whether the degree of central bank autonomy varies with respect to its different objectives.</p> <p>Functions:</p> <p>The BCU's website and the annual report disclose a list of the BCU's functions, specifying how they relate with the BCU's legal objectives. In addition, the website contains clear and detailed information about the BCU's specific functions for each of the BCU's objectives. Press releases containing information about new regulations or policy measures regarding its legal functions are also available and easily accessible on the BCU website.</p> <p>Powers:</p> <p>The OCOT is clear about the BCU's powers. These are generally disclosed in the and the annual report and in a more detailed fashion in the MPR. The OCOT gives the BCU general incidental/ancillary powers to achieve its legal mandate. The BCU explained that given that the central bank is a public entity, it is only authorized to carry out the activities that are explicitly established by law (principle of legality). Therefore, there is no need to disclose the scope of its incidental/ancillary powers as they are limited by the BCU's functions and objectives. Due the principle of legality, the authorities explained that the BCU is not "explicitly" prohibited from conducting certain activities.</p>
Review	<p><i>Comprehensive</i></p> <p>Objectives:</p>

	<p>The BCU's objectives, their legal foundation, and details of its quantified IT regime are clear and well disclosed in the BCU's website, annual reports, and MPRs.</p> <p>Functions:</p> <p>The OCOT contains a clear list of the BCU's functions, which are also disclosed by the BCU on the website and annual report.</p> <p>Powers:</p> <p>The OCOT contains a clear list of the BCU's powers, which are also disclosed by the BCU on the website and annual report.</p>
Comments	<p>Disclosure could be strengthened by including information about the prohibition for the BCU to generally provide credit to government, aside from the limits established in the OCOT. Information about the BCU's general mandate could be streamlined, assembled, and included under one section containing also the information mentioned for Principle 1.1. on the legal structure.</p>
Principle 1.3.	<p>Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.</p>
Principle 1.3.1.	<p>Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank's autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, a central bank's governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.</p>
Description	<p>Both the Constitution and the OCOT establish that the BCU is an autonomous entity; and the OCOT further specifies that the BCU has technical, administrative, and financial autonomy. Nevertheless, the BCU does not disclose whether the BCU and the members of its decision-making bodies are prohibited from seeking or taking instructions from third parties, nor whether representatives from third parties can attend the BCU's meetings. Neither the website nor the annual report discloses what the BCU's institutional autonomy consists of, how it's implemented, and the rationale. The OCOT establishes that the BCU is subject to the control of the "<i>Tribunal de Cuentas</i>" as per the Constitution, but this information is not disclosed on the website nor in the annual report.</p>
Review	<p><i>Not Implemented</i></p> <p>The OCOT published on the website contains a general reference to the BCU's autonomy. However, there is no information on the BCU's website nor in the annual report regarding the BCU's institutional autonomy.</p>
Comments	<p>The BCU could enhance transparency practices on its institutional autonomy by providing information on its website and the annual report (or through other means) about what it means to be an autonomous entity and how this is implemented in practice. In particular, the BCU could provide information about: (i) whether the BCU and the members of its decision-making bodies are prohibited from seeking or taking instructions from third parties; and (ii) whether representatives from third parties, including the government, can attend the BCU's meetings.</p>
Principle 1.3.2.	<p>Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.</p>

Description	The OCOT establishes that the MCC is responsible for establishing the BCU's target for monetary policy and this is disclosed on the BCU's website. The BCU is autonomous in exercising such goal and this is disclosed on the BCU's website. The OCOT discloses the existence of a MCC, comprising the BCU's Board, the Minister of Economy and Finances and two other people within that Ministry as designated by the Minister. The OCOT discloses the Committee's functions and clarifies that when there is no agreement between the BCU's and the Minister's representatives, the Executive Branch will decide.
Review	<i>Core</i> The BCU discloses on its website that the MCC is responsible for establishing the BCU's target for monetary policy and that the BCU is autonomous in exercising such goal. The BCU discloses the OCOT which specifies that the Executive Branch can make specific decisions when there is no agreement between the members of the MCC.
Comments	The BCU could enhance transparency practices on its functional autonomy by providing information on its website and the annual report (or through other means) about what it means to be a functionally autonomous entity, how this is implemented in practice, and specific information about the role of the Executive and Legislative Branch in the MCC.
Principle 1.3.3.	Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.
Description	The OCOT contains provisions on the Board members' eligibility criteria, incompatibility requirements, general rules regarding their remunerations and provisions establishing whether the members of the Board can be liable for damages caused by their acts or omissions. This information is disclosed in the annual report and the website contains specific information on the remuneration of the members of the Board. Although the OCOT does not regulate the appointment procedure for the members of the Board and only establishes that they will be appointed according to the procedure specified in the Constitution, this information is disclosed in the annual report. The OCOT does not contain any provisions specifying the term of office of the members of the BCU Board and is silent on the dismissal criteria and dismissal procedure for these members and no information on these matters was found on the website nor in the annual report. The BCU explained that Law 10.917 establishes that the Board members are appointed for a term that lasts the entire political cycle. The BCU clarified that the Constitution establishes the dismissal criteria and procedures for autonomous entities, which therefore apply to the BCU. This information is not disclosed by the BCU on the website or in the annual report.
Review	<i>Core</i> Some elements about the personal autonomy of Board members are clarified in the OCOT and some are disclosed on the website and the annual report. However, the term of office of the members of the Board and the dismissal procedure and criteria, which are key elements of personal autonomy regulated by the Constitution and Law 10.917 are not disclosed.
Comments	The BCU could enhance transparency practices on its personal autonomy by providing information on its website about what it means to be an autonomous entity, from the personal autonomy angle, and how this is implemented in practice. In addition, the corporate governance section of the website

	could specify the duration of the mandate of the members of the Board and provide general information on how these members are appointed and dismissed.
Principle 1.3.4.	Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.
Description	<p>The financial autonomy of the BCU is enshrined in the Constitution and the OCOT:</p> <ul style="list-style-type: none"> • According to Article 196 of the Constitution, the BCU is established as a State Autonomous Entity that, as stipulated in Article 2 of the OCOT, has technical, administrative, and financial autonomy. • Provisions on the BCU's financial resources to fulfill its mandate, including arrangements regarding its capital, general and special reserves (for unrealized revaluation gains), profit calculation and distribution mechanism, as well as recapitalization are stipulated in • Articles 8 and 9 of the OCOT. • Limits on monetary financing of the government and the public sector through purchases of securities are stipulated in Article 45 of the OCOT, while other means of monetary financing of the public sector are strictly prohibited in Article 47. • The BCU prepares its own annual budget, which is first adopted by the Board of Directors (by June 30 at the latest) as stipulated in Article 50 of the OCOT. In accordance with Article 221 of the Constitution, the budget is submitted to the Executive Branch and the Court of Auditors and subjected to an approval process which, in case of unresolved differences with the Executive Branch, includes the General Assembly. • The BCU's budget is published on the BCU's website (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Presupuestos-del-BCU.aspx). The budget includes the general terms of employment for BCU staff, including allowances and benefits, and salaries of the President and other members of the Board of Directors, as required by Article 5 of the Law on the Right of Access to Public Information (Law 18.381). The BCU also publishes the execution of the budget (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Balance-de-Ejecuci%C3%B3n-Presupuestal.aspx). • The BCU financial statements shall be prepared "according to technical criteria appropriate to the nature of the Central Bank," audited, and submitted to the Executive Branch for information within three months after the end of the financial year, as stipulated by Article 51 of the OCOT. This is then somewhat clarified in the BCU's FY 2020 financial statements (Note 2, Significant Accounting Policies https://www.bcu.gub.uy/Acerca-de-BCU/Estados%20Contables%20del%20BCU/Estados-Financieros-2020.pdf) which state that Uruguay Accounting Standards are followed in all instances that do not contravene the "technical criteria appropriate to the nature of a Central Bank," but without clarifying these instances which, according to the BCU staff, include only: (i) the use of the economic/accounting sectorization scheme of the United Nations System of National Accounts; and (ii) the treatment of government securities received as part of the BCU's recapitalization. • The financial statements are submitted to the Court of Auditors and published within 120 calendar days from the fiscal year-end (https://www.bcu.gub.uy/Acerca-de-

	BCU/Paginas/Estados-Contables-del-BCU.aspx), as stipulated by Article 191 of the Constitution and Article 13 (E) of the OCOT.
Review	<p><i>Expanded</i></p> <p>The BCU's financial arrangements are regulated in the OCOT and disclosed in notes to the financial statements which are published on the BCU's website and include the opinion of the external auditors and the Court of Accounts (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Estados-Contables-del-BCU.aspx).</p> <p>Article 51 of the OCOT and the BCU's financial statements do not explicitly define the meaning of "technical criteria appropriate to the nature of the Central Bank," and the exceptions from the Uruguay Accounting Standards. As such, the financial reporting framework followed by the BCU is not fully articulated.</p> <p>The BCU's website and other publications do not explain the rationale for the central bank's financial autonomy, the main elements of the OCOT that provide for such autonomy, and the related decisions of the Board of Directors.</p>
Comments	<p>Transparency could be enhanced by: (i) including in the financial statements (Note 2, <i>Significant Accounting Policies</i>) a description of departures from the Uruguayan Accounting Standards; (ii) clarifying (for the benefit of foreign investors) in Note 2 of the financial statements that the Uruguay Accounting Standards have been aligned with the International Financial Reporting Standards; and (iii) explicitly positioning and explaining in the BCU's annual report and, in more detail, in the "Institutional Information" section of the website the BCU's financial autonomy, including its rationale and the related provisions in the OCOT. The said section could usefully include links to the related resolutions of the Board of Directors on the creation of reserves and their use for compensating the outstanding claims on the government, as provided in Article 9, 2 of the OCOT.</p>
Principle 1.4.	Decision-Making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	<p>General: The website and the annual report have detailed information about the BCU's organizational structure, the specific functions of the Board and of its members, the composition of its different committees and its responsibilities, including links to organizational charts, regulations, and by-laws. In addition, the website has clear information regarding the BCU's regulatory functions and includes the professional and technical qualifications of the members of the Board.</p> <p><i>Decision-making Bodies:</i></p> <p>The OCOT establishes that the decision-making bodies of the BCU are the Board (Article 10) and the President (Article 13) and provides for their roles and composition. The OCOT also regulates the SSF, as an entity that reports directly to the Board, although the SSF has technical and operational autonomy (Article 33).</p> <p>The OCOT regulates the composition and roles of the following committees: The COMPOM (Article 31), the MCC (Article 41), and the Regulation and Supervision Committee (RSC) (Article 39). The website and the annual report disclose information about the MPC and the RSC. The Decree 224/011 of June 2011 established the Financial Stability Committee and provides for its role and composition. The website contains a link to said Decree and discloses the composition and role of the FSC. The website also contains information about a Debt Coordination Committee, but its legal basis is not disclosed.</p>

	The website discloses information about the role and composition of all the internal committees of the BCU, namely: (i) the AC; (ii) the Strategic Direction Committee; (iii) Reserve Management Policy Committee (RMC); (iv) Internal Financial Stability Committee; (v) AML/CFT prevention Committee; and (vi) Executive Management Committee.
Review	<i>Comprehensive</i> The BCU clearly discloses its organizational structure and the rules governing the Board. The BCU also discloses aspects relating to the composition of its decision-making bodies, and the allocation of responsibilities across different committees. Nevertheless, the BCU's website and the annual report do not disclose information about the role and composition of the MCC and the role of the Executive and Legislative Branch in this Committee.
Comments	Transparency could be enhanced by including information about the role and composition of the MCC, including information about the role of the Executive and Legislative Branch in this Committee, on the BCU's website and/or Annual Report.
Principle 1.5.	Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Description	See below in 1.5.1 and 1.5.2.
Review	<i>Not implemented.</i> See below in 1.5.1 and 1.5.2.
Comments	See description and comments below in 1.5.1 and 1.5.2.
Principle 1.5.1.	Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	The CB Law sets out the main financial operations that drive the BCU's exposure to financial risks: <ul style="list-style-type: none"> • Article 26 mandates the BCU to: (i) carry out open market operations in publicly offered securities; (ii) purchase and sell foreign currency, precious metals, and other external financial assets; (iii) discount, rediscount, advances, repos and reverse repos; and (iv) purchase and sell other financial instruments for the fulfillment of its mandate. • Article 28 mandates the BCU to manage external reserve assets with due account of risk, liquidity, and profitability. • Article 32 mandates the BCU to provide financial assistance, as the country's lender of last resort, to financial intermediaries through purchases, discounting, rediscounting, and lending against collateral. <p>The BCU's FY 2020 Financial Statements (Note 31, <i>Risk Management Practices</i>) explain that the "BCU's operations are focused on economic policy, particularly on achieving price stability and fostering stability of the financial systems [...] Therefore, the Bank's risk management practices differ from those of most financial institutions. The Nature of the Bank exposes it to significant reputational risks. It must therefore pay particular attention to the areas of international reserves management and domestic market operations." The note also contains comprehensive disclosures on risks from the BCU's foreign reserve assets:</p>

	<ul style="list-style-type: none"> • A description of the BCU's principal financial (credit, market, liquidity) and operational risks associated with managing financial instruments. • A high-level description of tranches for foreign reserve assets, and details on exposures to credit, market, and liquidity risks, and the associated limits and other risk strategies. • Quantification of market risk with Value at Risk that is calculated for individual tranches/portfolios as well as for the aggregate total portfolio. The note also provides a high-level description of the methodology. <p>The BCU's 2020 Annual Report (https://www.bcu.gub.uy/Acerca-de-BCU/MemoriaBCU/bcu_memoria_2020.pdf) provides very limited information on the BCU's risk exposures. It merely mentions that during the COVID-19 pandemic the BCU took steps to minimize information security risks, including by raising awareness among its staff of such risks and the resources devoted towards addressing them (heading "Response to the health crisis").</p>
Review	<p><i>Core</i></p> <p>The BCU's FY 2020 Financial Statements contain comprehensive quantitative and qualitative disclosures on risks from foreign reserve assets that represent 80 percent of the BCU's total assets.</p> <p>However, the BCU's 2020 Annual Report does not provide: (i) a high-level overview of the BCU's key risks (financial, operational, and legal); (ii) explanation or mapping of these against the BCU's mandate or objectives; (iii) a risk statement; and (iv) key developments.</p>
Comments	<p>Transparency could be enhanced by including in the annual report a section providing: (i) a high-level overview of the BCU's key risks (financial, operational, and legal); (ii) an explanation or mapping of these against the BCU's mandate or objectives; (iii) a risks statement; and (iv) key developments in these risks. The objective of this section would be to explain to the public why, how, and to what extent public resources (the BCU's capital and reserves) are utilized and put at risk.</p> <p>Alternatively, the BCU could provide such information in a separate document or in a section on its website and reference it in the annual report, as is already the case with the BCU's financial statements.</p>
Principle 1.5.2.	Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.
Description	<p>The BCU's risk governance and oversight arrangements are not defined in the OCOT, nor are they disclosed in the BCU's annual report, financial statements, or the central bank's website.</p> <p>In its publications the BCU does not provide an overview of its risk management process, save for two references in the 2020 annual report which lists risk management among the BCU's management tools (heading "<i>Management Tools</i>") and explains that during 2020 a risk Review of all BCU processes was conducted and documented in the integrated quality management system (heading "<i>Quality Management</i>").</p> <p>The BCU does not disclose its overall risk strategy. An exception to the latter is a high-level description of limits and methodologies used in management of foreign reserves, which is provided in Note 31 to the financial statements.</p>
Review	<i>Not implemented</i>

Comments	<p>Transparency could be enhanced by including the annual report a section providing: (i) a high-level overview of risk governance (e.g., responsibilities or the BCU’s governance bodies and units involved in management); (ii) the process of continuous identification and evaluation of risks (financial, operational, and legal); (iii) risk strategies (risk avoidance, mitigation, and transfer) in key areas; and (iv) key tools and internal controls for managing operational risks.</p> <p>Alternatively, the BCU could provide such information in a separate published document or in a section on its website and reference it in the annual report, as was done with the FY 2020 Financial Statements in case of the 2020 Annual Report.</p> <p>As a further step in enhancing transparency, the BCU could also disclose: (i) internal regulations pertaining to risk oversight and risk management; (ii) developments in the BCU’s risk framework; and (iii) high-level overview of policies in times of crisis (e.g., to act as a lender of last resort in case of a systemic shock).</p>
Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Description	See below in 1.6.1., 1.6.2., 1.6.3., and 1.6.4.
Review	
Comments	See descriptions and comments below in 1.6.1., 1.6.2., 1.6.3., and 1.6.4.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including: (i) internal and external audit arrangements and compliance; (ii) reporting to an AC or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>Independently Audited Financial Statements:</p> <p>Article 51 of the OCOT requires the BCU financial statements to be prepared “according to technical criteria appropriate to the nature of the Central Bank,” subjected to an external audit, and submitted to the Executive Branch for information within three months after the fiscal year-end, as stipulated by Article 51 of the OCOT. The BCU’s financial statements are submitted to the Court of Auditors and published within 120 calendar days after the fiscal year-end (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Estados-Contables-del-BCU.aspx), as stipulated by Article 191 of the Constitution and Article 13 (E) of the OCOT.</p> <p>That said, the OCOT lacks clarity on (i) the applicable financial reporting framework (see also 1.3.4), (ii) the appointment of the external audit firm (e.g., it does not explicitly specify the appointing authority, the maximum appointment term, and basic requirements, such as independence, good reputation, and experience), and (iii) the applicable auditing standards (e.g., the International Standards on Auditing).</p> <p>In practice, the external audit firm is appointed by the Board of Directors for a period of three years (with the possibility of a one-year extension), and the option of the external auditors and of the Court of Accounts to the FY 2020 Financial Statements makes a reference to the International Standards on Auditing and to the standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI), respectively. The external audit procurement process is governed by the Text on Accounting and Financial Administration (TOCAF, https://www.gub.uy/agencia-reguladora-compras-estatales/sites/agencia-reguladora-compras-estatales/files/2021-01/TOCAF_%202021.pdf).</p>

	<p>Internal Audit:</p> <p>Article 22 of the OCOT provides for an Internal Auditor-General Inspector who is:</p> <ul style="list-style-type: none"> • Appointed by the Board of Directors, without a term limit, to advise and report to the Board of Directors and to “improve the management processes, reduce administration risks, and maintain the internal control systems;” • In charge of: (i) analyzing and assessing the BCU’s operations, procedures, activities and system; (ii) examining and evaluating the financial statements’ integrity and reliability, the budget and its execution statement; (iii) monitoring compliance with the law and applicable regulations; (iv) verifying the existence and protection of the BCU’s assets; and (v) informing the Board of Directors of matters that, in his view, require their attention. <p>However, the BCU’s annual report, financial statements, and BCU’s website do not provide any additional information on the internal audit function, such as: (i) the reporting line to the AC; (ii) the eligibility criteria; (iii) the appointment and dismissal procedure for the Internal Auditor-General Inspector; and (iv) adherence to audit standards (such as the ones promulgated by The Institute of Internal Auditors).</p> <p>Audit Committee:</p> <p>The Board of Directors’ responsibility for oversight over the BCU is defined implicitly in Article 10 of the OCOT that mandates the Board of Directors with the responsibility for “governance and management” and “the Bank’s general administration and policies.”</p> <p>Although the OCOT does not provide for one, the Board of Directors established an Audit Committee (AC) through a resolution of the Board of Directors that is published on the BCU’s website (RD/11/2014, https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones%20de%20Directorio/dec_3139.pdf).</p> <p>The resolution stipulates that:</p> <ul style="list-style-type: none"> • The members of the AC are appointed by the Board of Directors and comprise a Deputy Governor (as chair) and two independent members nominated by the University of Uruguay. Independent members are appointed for a period of maximum three years. • The AC is tasked with assisting the Board of Directors in overseeing the financial reporting, external and internal audit mechanism, system of internal controls, and legal compliance. • The AC reports, through the AC chair, to the Board of Directors on a bi-monthly basis and prepares a final report on an annual basis.
Review	<p><i>Core</i></p> <p>Independently Audited Financial Statements:</p> <p>The OCOT provides for financial statements that are audited by an external audit firm and published, respectively, within three months and 120 days of the fiscal year-end. However, the OCOT lacks clarity on: (i) the applicable financial reporting framework; (ii) the authority appointing the external audit firm; (iii) the modalities of the external audit firm’s appointment (e.g., maximum term or appointment and basic requirements); and (iv) the applicable auditing standards (the latter is in practice clarified in the auditors’ opinion to the financial statements).</p> <p>Internal Audit:</p> <p>The OCOT clearly establishes the roles and duties of an internal audit function headed by an Internal Audit-General Inspector. However, it does not provide for: (i) a reporting line to the AC; and (ii)</p>

	<p>explicit criteria for the appointment and dismissal of the Internal Audit-General Inspector. An internal audit charter that would typically contain these provisions (in lieu of the OCOT) is not published.</p> <p>AC:</p> <p>While the OCOT is silent on the establishment of an AC, one is established through a resolution of the Board of Directors that states the AC's responsibilities, along with a with a reporting mechanism to the Board of Directors.</p> <p>The existence of the AC is also acknowledged in the BCU's organizational chart that is published on the BCU's website (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/2-Organigrama-Institucional.ppsx) together with a brief description of the AC's role and composition. However, the AC is not mentioned in the BCU's 2020 Annual Report or the FY 2020 Financial Statements, nor in the governance section of the BCU's website (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Directorio.aspx). The names of the members of the AC are also not published.</p>
Comments	<p>Independently Audited Financial Statements:</p> <p>Transparency could be improved by: (i) clarifying in the financial statements the applicable accounting framework; (ii) publishing on the BCU's website the terms of appointment of the BCU's external auditors and rotation requirements, as well as requirements on independence, reputation, and experience; and (iii) the applicable auditing standards.</p> <p>Internal Audit:</p> <p>Transparency could be improved by establishing and publishing on the BCU's website the criteria for the appointment and dismissal of the Internal Audit-General Inspector, and the function's reporting line to the AC (as well as to the Board of Directors). The respective page of the BCU's website could also include the Internal Audit charter.</p> <p>AC:</p> <p>Transparency could be improved by: (i) explaining the role and the composition of the AC in the governance section of the BCU's website (together with a reference to the Board Resolution RD/11/2014 or the Statute of the AC); and (ii) the BCU's annual report and the financial statements, together with the names of the AC members (and their appointment terms).</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank's financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <p>AC: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.</p>
Description	<p>Independently Audited Financial Statements:</p> <p>The BCU's financial statements are prepared "according to technical criteria appropriate to the nature of the Central Bank," as specified in Article 51 of the OCOT. This is particularly clarified in Note 2 to the 2020 Financial Statements (see Principle 1.3.4.). Nonetheless, the BCU's FY 2020 financial statements have been prepared based on robust financial reporting standards (with some exceptions,</p>

	<p>see Principle 1.3.4), i.e., the Uruguay Accounting Standards that are aligned with the International Financial Reporting Standards.</p> <p>The financial statements are accompanied by an external audit opinion as well as the opinion of the Court of Auditors that also make a reference to the accounting framework as specified in Article 22 of the OCOT and Note 2 to the FY 2020 Financial Statements. Further, the external audit opinion refers to the International Standards on Auditing and the opinion of the Court of Auditors to the principles and standards promulgated by the INTOSAI.</p> <p>The latest financial statements are finalized within the three months statutory deadline specified in Article 22 of the OCOT and published within the 120 days after the fiscal year-end as required by Article 13 of the OCOT.</p> <p>Internal Audit:</p> <p>The role of the BCU's internal audit function is specified in Article 22 of the OCOT. The internal audit function does not feature in the BCU's annual report, the financial statements, nor in the governance section of the BCU's website.</p> <p>Although the 2020 Annual Report mentions that the BCU holds an "Internal Audit Quality Certificate" issued by the Institute of Internal Financial Auditors of Spain in 2014 and a "Internal Audit-General Inspection Model-Quality" recertification obtained in the framework of the International Standards for Professional Internal Audit Practice, the report does not explain the context of these certifications and whether they have been obtained as part of the regular External Quality Review. Further, the BCU's periodic publications or its website do not provide a description of the internal audit's function, and the conformance of its activities with its charter and international standards, the reporting structure, and a high-level overview of the activities of the function during the previous fiscal year.</p> <p>AC:</p> <p>The AC does not feature in the BCU's annual report, financial statements, or the governance section of the BCU's website. As such, the public is not informed of: (i) the AC's composition; (ii) number of meetings in the previous fiscal year; and (iii) its activities related to the internal and external audit mechanism, internal controls, and the financial statements. With respect to the latter the BCU explained that the AC does prepare a report on the financial statements, which is considered public information, but is only available upon request and is not published.</p>
Review	<p><i>Core</i></p> <p>Financial Statements:</p> <p>The FY 2020 Financial Statements are comprehensive, but the 2020 Annual Report does not provide a high-level overview of the use of the BCU's resources and key activities that would enable the public to assess the BCU's financial performance.</p> <p>Internal Audit:</p> <p>The internal audit function is not featured in the BCU's periodic publications (i.e., the 2020 Annual Report) or other published documents or the BCU's website.</p> <p>Audit Committee:</p> <p>The AC is not featured in the BCU's periodic publications (i.e., the 2020 Annual Report) or other published documents or the BCU's website.</p>
Comments	<p>Independently Audited Financial Statement:</p>

	<p>Transparency could be enhanced by: (i) enhancing Note 2 to the financial statements (see Principle 1.3.4) to clarify the BCU's financial reporting framework; and (ii) including in the BCU's annual report a section on the use of the BCU's resources to enable the public to form a view on the BCU's management of these resources.</p> <p>Internal Audit:</p> <p>Transparency could be enhanced by including in the annual report and/or on the BCU's website: (i) a section on the internal audit function and its conformance with its charter and the international standards; (ii) rules governing its independence; (iii) reporting lines (including to the AC); and (iv) a description of the function's activities during the previous fiscal year.</p> <p>Audit Committee:</p> <p>Transparency could be enhanced by including in the annual report and/or in the governance section of the BCU's website: (i) the AC's composition; (ii) number of meetings in the previous fiscal year; and (iii) its activities related to the internal and external audit mechanism, internal controls, and the financial statements.</p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Application of Domestic Anti-corruption Legislation to BCU Officials:</p> <p>Uruguay's 2019 Law 19.823 (Code of Ethics in Public Service) serves as the BCU's Code of Conduct. Law 19.823 lays out the fundamental principles governing the exercise of public functions in Uruguay to prevent abuse of powers and conflicts of interest in the public sphere. Law 19.823 states that it is applicable to autonomous entities, which includes officials of the BCU (Articles 2 and 3).</p> <p>Uruguay's Anti-Corruption Law 17.060 includes anti-corruption-related provisions such as the establishment of penalties and asset declaration requirements, which apply to "Directors, General Directors, General Deputy Managers and Managers or officials of equivalent rank regardless of the name of the autonomous entities, decentralized services and non-state public persons" (Article 11 k). According to the BCU, Law 17.060 is applicable to all public officials in Uruguay, including those of the BCU.</p> <p>Further applicable legislation to all public officials, including those of the BCU, includes the Constitution of the Republic (several applicable articles include Article 58, 59, 60–66, 190–201, and 221), and the Penal Code (criminal norms related to conduct in the public function and crimes against the public administration, in particular Book II Title IV).</p> <p>Disclosure of the Internal Code of Conduct:</p> <p>The BCU Code of Ethics (2010) "defines the ethical principles, values and standards of conduct that should govern the performance of the official of the Bank, and that constitute the foundation of the proper conduct towards the members of the organization and other members of society." The Code of Ethics applies to "any person who performs a function for or provides a service to the BCU." It describes principles and values, which contain both guiding principles regarding conduct, confidentiality, transparency, and impartiality, as well as prohibitions on certain activities and behaviors. The Code of Ethics contains a general provision on the avoidance of conflicts of interests and mandates that officials declare "all commercial or labor activities outside of the BCU, linked directly or indirectly, to the entities regulated and supervised by the Bank or its hierarchical staff" (Article 6). The Code of Ethics is disclosed in Spanish on the BCU's website as part of a consolidated</p>

	<p>document containing several Board Resolutions (“Dec. 2974”) (https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones%20de%20Directorio/dec_2974.pdf).</p> <p>In addition, the OCOT discloses incompatibilities and ineligibilities for members of the Board of Directors (Articles 15 and 17), such as prohibitions on the types of activities for pursuit outside of their function (including Articles 18–21). The OCOT is available on the BCU’s website.</p> <p>The BCU’s Statute for Officials describes the fundamental duties of all BCU officials, including confidentiality and compliance with the BUC’s provisions and governing regulations (Articles 17–19). This includes specific prohibitions to prevent conflicts of interest, such as the prohibition to incur certain amounts of debt with the private financial system supervised by the BCU (Article 19).</p> <p>The Statute for Officials is available on the BCU’s website (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Reglamentos%20y%20Estatutos/estatutofunBCUu.pdf).</p> <p>In addition, BCU Resolution RD/121/2012 establishes additional rules related to the obligation of BCU officials to declare activities carried out outside the BCU. The Resolution is linked on the BCU website but hard to find, as the search function on the ‘Resolutions’ page does not produce key word results.</p> <p>It can be obtained via internet search (https://www.bcu.gub.uy/Acerca-de-BCU/Concursos%20Externos/Actividad%20Fuera%20del%20BCU%20-%20RD121.12.pdf).</p> <p>The BCU’s Code of Ethics establishes an Ethics Committee (Articles 9–10), that consists of representatives from the Management Committee, Human Capital and Organizational Development, Legal Counsel, Internal Audit - General Inspection, and BCU officials. The Ethics Committee is responsible “to advise the BCU on the interpretation and application of the Code of Ethics, control compliance with its criteria and regulated action guidelines, issue an opinion on complaints regarding the application of this normative body and to promote its dissemination.”</p> <p>The BCU’s organizational framework also includes several internal functions for the receipt of affidavits (Human Capital Management Area), investigation of irregularities and application of disciplinary procedures and application of minor sanctions (Internal Audit General Inspection) and the application of higher sanctions (Directory) in relation to anti-corruption measures. This information is however not disclosed publicly.</p> <p>To report violations of ethics duties by BCU officials, an official has the right of petition under Article 30 of the Constitution, which can include a complaint. If the complaint relates to the petition of a holder of a legitimate interest, the BCU is obliged to reach a decision within 120 days (Article 318 of the Constitution. However, this information is not included in the Code of Ethics).</p>
Review	<p><i>Core</i></p> <p>The BCU’s legal framework clearly notes that national anti-corruption legislation and measures apply to decisionmakers, staff, and agents of the BCU. It is however not explicitly clear from the publicly disclosed information that Law 19.823 (Code of Ethics in Public Service) represents the BCU’s Code of Conduct. While Law 19.823 and Law 17.060 are available on the website of Uruguay’s Parliament and the Uruguay’s legal information center IMPO, they are not disclosed on the BCU’s website.</p> <p>In its Code of Ethics, Statute for Officials, and the OCOT, the BCU disclose general requirements on expected behavior of staff to prevent corruption and conflict of interest. There is however a lack of clarity regarding the legal definition of “corruption offenses,” “conflicts of interest,” and “significant financial interests” and their application to BCU staff and agents through the aforementioned documents.</p> <p>The BCU’s Code of Ethics includes general guiding principles regarding conduct, confidentiality, transparency, and impartiality, as well as prohibitions on certain activities and behaviors. Based on</p>

	<p>the disclosed information, it is not clear whether there are rules on the acceptance of gifts and favors or rules on abstention from decisions where a conflict of interest exists.</p> <p>The BCU discloses information related to officials' external activities and outside income, however there is a lack of transparency related to bankers' pre- and post-public employment ("cooling off" periods).</p>
Comments	<p>The BCU could enhance transparency on its anti-corruption measures and internal Code of Conduct by providing a direct link to the Code of Ethics as a separate document, which could also be clearly titled as such.</p> <p>In addition, the BCU's website could benefit from a dedicated anti-corruption page, which could reference and link all applicable national/state anti-corruption legislation, and explicitly state that Law 19.823 (Code of Ethics in Public Service) represents the BCU's Code of Conduct.</p> <p>The BCU should consider disclosing further information regarding the functioning and activities of the Ethics Committee, along with information related to any internal control measures (such as measures to safeguard its independence and ensure its accountability).</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>The 2020 Annual Report contains references to: (i) mechanism on equal opportunities, equal treatment of employees, and fairness at work; (ii) emphasizes management of human resources as part of the BCU's strategic management system; (iii) the "skills-based model" for each position and "profile families" used for external hiring as well as internal promotion of staff; (iv) the relevant governance arrangement that include the Advisory Committee on Personnel Issues and the Trade Union; and (v) performance evaluation system that uses a mixed model to evaluate staff in terms of skills and the attainment of individual goals to drive improvements in individual performance, identification weaknesses, and staff training and development.</p> <p>The 2021-2025 Strategic Plan that is published on the BCU webpage (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/4-Plan-Estrategico.pdf) includes initiatives related to improvements and digital transformation of human capital management systems.</p> <p>The BCU's website includes information on: (i) staff development (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/23-Informe-Anual-de-Capacitacion.pdf); (ii) a high-level description of the BCU's performance evaluation system (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/24-Evaluacion-del-Desempeno.pdf); and (iii) a biennial report on diversity and inclusion (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Informe_Genero.aspx) that is produced in consideration of the specifications described in the Quality Model with Gender Equality promoted by the National Institute of Women.</p> <p>Further, transparency of the external recruitment process is ensured through a dedicated section of the website (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Llamados-a-Concursos-Vigentes.aspx) that lists documentation related to vacancies and for every step in the recruitment process. The section also includes links to the External Recruitment Regulations of the BCU (https://www.bcu.gub.uy/Acerca-de-BCU/Concursos%20Externos/Reglamento%20de%20Reclutamiento%20Externo%20-%20BCU.pdf) and the Manual of Competencies of the BCU (https://www.bcu.gub.uy/Acerca-de-BCU/Concursos%20Externos/Manual%20de%20Competencias.pdf).</p>
Review	<i>Expanded</i>

Comments	Transparency could be improved by including in the BCU's annual report: (i) data on staff turnover; (ii) information on the BCU's leadership and succession plan; and (iii) policy on attracting, promoting, and retaining employees.
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>BCU Responsibility to Disclose Information:</p> <p>The OCOT establishes in Article 7(H), as one of its main functions to "Foster education, and economic and financial culture development". In the same OCOT articles 38, 42, 43, and 46 establishes the obligation to publish reports on various topics and a general report to the Legislative Branch (see below on publications).</p> <p>The Law 18.381 "Access to public information" of October 17, 2008, and the Decree No.232/2010 both applicable for all public institutions in Uruguay and binding to the BCU determines the system of "Active Transparency and access to Public Information" developed internally by the BCU.</p> <p>The BCU has established an internal process to access information under Board Resolution D-26-2019 of February 6 of 2019, giving delegated powers to the SSF to determine the process to access information for its specifically delegated functions. The internal process is governed by the internal administrative regulatory procedure to access the information, which is an expedited process following due process of law. This summary process encompasses the limits to access information in accordance with the confidentiality regime and a registry of the petitions and resolutions adopted.</p> <p>Mandated also by Board Resolution D-26-2019 of August 14, 2019, the Department of Institutional Communication must do a monthly update of the BCU information and the responsible staff by department in accordance with the Law 18.381.</p> <p>Organizational Structure:</p> <p>The organizational structure is published in the BCU website in accordance to Law 18.381 that mandates the publication of the BCU legal framework, planning and strategy policies and staff directory, human resources policies, budget and financial statements, among disclosure of other relevant institutional information.</p> <p>Processes Relevant for Communication:</p> <p>As of today, the BCU has developed internal processes like the "General Principles Guiding the Public Communication of the BCU." Another important document published in the website refers to Public Communication Practices of the BCU. The Department of Institutional Communication is instructed to implement such processes by Resolution on the BCU Board.</p> <p>Under the above-mentioned guidelines there is a "Single official voice" who is the Chairman of the Board of Directors. Other members of the Board of Directors shall speak to the press only in their personal capacity." The BCU also has determined specific tools to communicate its decisions. The Department of Institutional Communications is the responsible for the dissemination of official information.</p>
Review	<i>Comprehensive</i>

Comments	The BCU discloses detailed information on the communication arrangement, for example, the publication of internal principles and guidelines for its external communication processes. The BCU also published a detail organogram with the names of the senior staff responsible for communications on specific topics.
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Disclosure of Communication Objectives:</p> <p>In its Strategic Plan, 2021-2025 the BCU states that communication is a priority of the central bank. It also discloses its vision stating “Values to be strengthened in the culture (cooperation and transparency)... and its resolution as an organization to be independent, innovative and open central bank that listens to industry and the citizenry. A model bank for the State in terms of transparency and legal guarantees.” Transparency is enlisted as one the BCU main values “We promote the clear communication of relevant information to society continual dialogue, and we are accountable for our actions.” Focus 3 of the Strategic Plan is “Management: Innovative, Flexible Bank in the service of society” entailing dissemination of information to target audiences and enrich financial education programs and upgrading channels of communication (accessibility of content in the BCU website and use of social networks).</p> <p>Target Audiences:</p> <p><i>-Educational Initiatives:</i></p> <p>To improve communication with target audiences, and to reach out to the public, the BCU has developed a series of initiatives on financial education the program is called “BCU Educa” and includes an educational program for teachers, labor unions, and journalists and “week of financial education.”</p> <p>Specialized events with economic and legal professionals: The BCU organizes yearly legal conferences called “Jornadas Anuales de Derecho Bancocentralista” and also “Jornadas Anuales de Economía.” There are also events targeted at the economic press, academy, financial sector representatives, consultors, companies. On special occasions events are organized such as on the National Accounts rebasing project in 2020; the launch of the payment system roadmap also in 2020; or the announcement of the BCU financial innovation program called NOVABCU in 2021, among others.</p> <p>Channels and Tools of Communication:</p> <p>The BCU use a variety of tools to communicate its policy decisions and main associated messages through the following:</p> <ul style="list-style-type: none"> • Publications on the BCU website (the website in English is not complete because it is under construction, so it has information partial English translations) • Press releases both to press and to a special audience • Presentations with special audiences on special occasions • Interviews of Board members/Division Managers in the media • Participation of Board members in seminars, conferences, and round tables <p>For these purposes, the following practices are identifiable as a part of the Communication Strategy:</p> <p>Press Conferences:</p>

Press conferences are held at the request of the Board of Directors. The BCU holds press conferences when there is a specific announcement or news. There is an official and single voice (President and other members of the Board), though the responsibility can be delegated to other members of the institution in relation to certain technical aspects. In addition, it is BCU's policy to create the best conditions that guarantee the equitable and democratic right of all communication media with the information that issues in a formal, clear, truthful, and timely manner.

Notification of press conferences to the media is done through multiple direct channels to reach the largest number of practicing journalists. Even though the BCU has an up-to-date list of active media outlets, every journalist representing a national or international media is authorized to access press conferences. Firstly, the Board makes the announcement; it is formalized through a press release on the website, and questions from all the media are then admitted. The conferences are always recorded as back-up of what has been exactly said.

The staff of the Communication Corporative Unit establishes contact with the specialists in the institution to get feedback prepared on technical issues. This ensures that they pay diligent attention in providing responses or requests for information from the media.

Interviews with the BCU Spokesperson:

The granting of the interviews that are made at the request of media is decided by the official spokesperson according to the circumstances. The BCU is committed to the equality of conditions granted to the different communication media on the matter.

Publications:

Dissemination of reports and publications are generally done using main social media platforms and direct mailing to press, experts and members of the parliament. The website provides a specific [contact portal](#) to receive requests from the press. Responses to press are answered in 48 hours.

Also, starting in 2020, reports, including the COPOM Communiqué and Minutes are sent by mailing in the English version together with the link to the English website of the BCU to a database of foreign investors.

Publications Calendar:

In this context, the Bank organizes its publications based on a predefined calendar, which basically comprise four MPRs: March, June, September (in this case the annual account is added to the full Senate) and December, and eight monetary policy meetings: January, March, May, June, July, September, October, and December. Decisions are communicated through a statement that is published at the end of the day on the website. Three days after the respective meeting, the minutes are published on the website.

The calendar of publications is published on the homepage. There is a link to see it all "*VER TODO EL CALENDARIO*" where a full access and links to every publication is displayed.

In addition, the homepage shows a board of "RECENT PUBLICATIONS" with direct links to the documents to maintain the attention of stakeholders and fulfill their information expectations on time (<https://www.bcu.gub.uy/Paginas/Calendario-Vista.aspx>).

Repository of Information/Archives:

The website includes information and publication for the last 20 years.

In addition, there is a physical file where information is fully classified and accessible. It is not available online, the public is able to access its content by contacting the BCU by an electronic

	<p>request through info@bcu.gub.uy or prensa@bcu.gub.uy . Unfortunately, the process for accessing the institutional archive is not disclosed on the website.</p> <p>Access to Information System (Under the Access to Information Law):</p> <p>There is a platform to interact with the public and order to implement the procedure to handle information requests from the public in accordance with the Law on Access to Public Information (Law 18.381,2008) that is accessible on the BCU’s website:</p> <p>https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Transparencia.aspx.</p> <p>Requests for access to information are submitted through an electronic form or through an online request. This medium is established in the Guidelines to Access Information from the Public found in the BCU website, which is linked to the Public Information Unit (UAIP). The UAIP monitors the handling of requests on the public information system for public institutions, including the BCU.</p> <p>Evaluation of the Communication Strategy:</p> <p>The BCU evaluates its communication strategy and objectives. In this respect, the BCU has a follow-up and monitoring tool for publications in traditional media and social networks. Likewise, an indicator of institutional reputation is used and the results from this assessment is published on the webpage:</p> <p>https://www.bcu.gub.uy/Comunicaciones/Paginas/Estudio-de-Conocimiento-e-Imagen.aspx.</p> <p>There are two such studies on the BCU website:</p> <ul style="list-style-type: none"> • Estudio de Imagen del BCU—2020 • Estudio de Imagen y Reputación del BCU—2015
Review	<i>Comprehensive</i>
Comments	<p>Regarding the website we encourage the creation of new tabs to house “Reports and Publications” (with all the historical publications and archived documents) to make them more accessible. The BCU could also disclose the process through which archived information (not accessible online) can be obtained by the public. It may be useful for the reports and publications to be housed separately from the calendar, since the calendar has current and forward-looking information.</p> <p>The search tool on the website needs to be enhanced to make it more user friendly. The website contains vast and complete information, unfortunately it is not always easy which can curtail access.</p>
Principle 1.8.	Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.
Description	<p>The OCOT (Articles 20 and 21) establishes the “Secrecy and Confidentiality” regime of the BCU. In this regard, Article 20 stipulates that “when performing financial activities, the Bank is obliged to keep secrecy” according to Article 25 Decree-Act No. 15.322 (1982). In every other matter, the Board of Directors must adjust the disclosure of their opinions and information to the confidential issues of the Bank, without prejudice of its public intrinsic transparency responsibilities.” Also, Article 21 establishes the “secrecy obligation” of Bank’s officials who must keep strict secrecy and utmost confidentiality on banking matters that comes to their knowledge...under the most severe penal, civil, and administrative responsibility if that were the case.”</p>

Additionally, Article 55 of the OCOT empowers the BCU to request information from legal persons, private or public, which information is protected by administrative secrecy and is strictly confidential.

The Law on Access to Public Information stipulates the right of access to public information as a fundamental right and complements the provisions in the OCOT, allowing the BCU to determine the classification of non-public information or restricted information. Law 18.381 (Article 9c) states that *"Information may be classified as restricted if its release could... Be harmful to the country's financial, economic or monetary stability."*

Law 18.381 distinguishes four classifications for information treatment by public bodies: public, restricted, confidential, and secret. Public information is the overarching principle; while restricted and confidential information requires an express pronouncement from the administration, and secret information reflects this classification only if it is established by legislation (examples of statistical secrecy, bank secrecy in Articles 21, 20, and 55 of the OCOT).

The information that is classified as restricted must be reported semi-annually to the UAIP (Article, 7 Law 18.381). Information that is classified as confidential is not reported to the UAIP.

Table 1. Key Components of the Application of Law 18.381 to the BCU

	RESTRICTED INFORMATION (Article 9)	CONFIDENTIAL INFORMATION (Article 10)
What is classified?	Matters that must be protected for the proper functioning of the State or due to reasons of general or collective interest (e.g., information that may damage the financial, economic, or monetary stability of the country).	It directly protects the right of privacy, personal data, the assets of natural or legal persons, and business data useful for competition.
	This is information that the Institutions have, which deals with issues of interest to society in general.	This is information that institutions have of individuals. The owners of the information have the right to decide on its destination and dissemination.
To whom is it applicable?	It is applicable to any individual.	It is applicable to everyone except the owner of the information.
Term of applicability	Information is subject to 15 years restriction that may be extended for 15 additional years (Article, 11, Law 18.381).	Retains the character indefinitely.
Conditions for access	Supports to be classified when an access request is received.	It must be classified when generated, modified, or received.

Source: Central Bank of Uruguay and staff summary

When a request is made, the BCU has 20 business days, extendable for another 20 additional business days under Article 15 of Law 18.381, to resolve. Once that period expires, positive silence is conveyed, and the information must be disclosed. The resolution of extension and the definitive one, must be adopted by the highest authority of the BCU.

Article 14 of Law 18.381 establishes the limit to the access and establishes that the request for access to information does not imply the obligation to create or produce information that Central Bank does

	<p>not have. Further, petitioners are not empowered to demand evaluations or analysis of the information they have been provided.</p> <p>Application of the Legal Framework:</p> <p>In complying with the provisions of Law No. 18.381, BCU has interpreted that the restriction established in Article 21 of the OCOT is applicable, and this is reflected in the legal classification in the Administrative Regulation of the BCU(No. D-337, 2017), Articles 95 and 99 (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Reglamentos%20y%20Estatutos/Reglamento-Administrativo.pdf).</p> <p>The Administrative Regulation provides another category, which does not arise from the legal text, "restricted access" that is applicable only to staff and limits access to such information to only supervisory and management personnel.</p> <p>The determination of classified information is made by the Board of Directors. The current Resolution—Resolution D/246/2020 (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Guia_Acceso.aspx) applies to the entire Institution. In addition to this resolution, Resolution D/26/2019 (https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones%20de%20Directorio/RD_26_2019.pdf) specifically delegates to the SSF, the responsibility for handling requests for access to information where the issues fall under its responsibility.</p>
Review	<i>Expanded</i>
Comments	Although the BCU publishes the legal framework of its confidentiality framework, including the classification of information under the range of categories established and the content that is classified under the Board Resolutions, the framework is not well explained for the public. The BCU should also explain the nature and context for updates to the confidentiality framework to the public and stakeholders on the website.
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The functions and objectives of the BCU are set forth in Article 3 of the OCOT that establishes the BCU mandate of safeguarding the stability of prices that foster growth and employment and the regulation and supervision of the payment system and the financial system (see also Principle 1.1).</p> <p>In addition, as described on the website, the objective of safeguarding the stability of prices implies maintaining low and stable price inflation. To achieve this objective, the BCU carries out its statutory duties using actions and strategies that are part of its monetary policy framework. As described on the BCU website, monetary policy is based on IT and a floating exchange rate regime. It is committed to using the necessary instruments to keep annual Consumer Price Index (CPI) inflation within the target range established by the MCC (currently around 5 percent, within a tolerance range of plus or minus two percentage points).</p> <p>Article 7 of the OCOT empowers the BCU to use monetary, foreign exchange and credit instruments to meet its objectives. The OCOT also establishes two committees related to monetary policy:</p>

	<p>(i) COPOM that advises the Board on monetary policy and monitors the money market, the macroeconomic environment in the short run and the financial program (Article 31); and (ii) the MCC in which the MOEF and the BCU exchange information regarding BCU's duties and economic policy in general. The MCC is responsible for establishing the BCU's target inflation (price stability objective) and the exchange rate regime (Article 41).</p> <p>Regarding the coordination of monetary and fiscal policies, the BCU publishes on its website the communiqués that are issued after the meetings of the MCC and of the Debt Committee (see also Principle 5.1.1).</p> <p>Since September 2020, the BCU carries out its monetary policy by influencing the daily interbank interest rate. The BCU conducts its monetary policy by controlling the supply of reserves, so that the resulting interest rate is close to the target rate.</p> <p>The new monetary regime was communicated to the public in a COPOM communique (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Comunicados%20del%20Copom/COPOM_Comunicado_20200903.pdf) and explained to stakeholders in a joint conference by the BCU President and the Minister of Finance; during which broader issues of monetary and fiscal policies coordination to support the BCU price stability mandate were discussed. The move away from targeting money supply growth to a short-term policy rate was motivated by the desire to improve monetary policy signaling and allow fine-tuning operations at higher frequency.</p> <p>The BCU recently published the rationale behind its decisions regarding the monetary policy interest rate. In a methodological box, the MPR (Informe de Política Monetaria) for the first quarter of 2021 (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Reportes%20de%20Politica%20Monetaria/pepmam04i0321.pdf) detailed the monetary policy rules considered in each of the models utilized by the BCU.</p> <p>The Annual Report of the BCU-Memoria Annual (https://www.bcu.gub.uy/Acerca-de-BCU/MemoriaBCU/bcu_memoria_2020.pdf) provides a summary of the monetary policy framework, including the changes implemented during the review period.</p>
Review	<p><i>Comprehensive</i></p> <p>The BCU discloses its monetary policy framework and strategy for achieving its objectives using several tools, including publicly available reports on monetary policy and press releases on monetary policy decisions. Furthermore, it has an articulated strategy for the practical implementation of its policy framework that is regularly communicated to the public, including the context behind monetary policy decisions.</p>
Comments	<p>The BCU is currently working on improving its communication with the public. The Strategic Plan 2021-2015 (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/4-Plan-Estrategico.pdf) includes specifically as one of the objectives the strengthening of the relationship with society, by including new publications, strengthening the communication channels and expanding the educational contents it publishes. For example, in April 2021, the BCU released the first newsletter (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/La-inflacion-y-sus-expectativas.aspx) which aims at transmitting the monetary policy framework to the general public translating key elements of the MPR discussions into a short note written in non-technical language.</p> <p>Additional disclosures—including greater accessibility—on monetary and fiscal policies coordination would enhance transparency, including giving high prominence of the implementation of policy</p>

	initiatives at the MOEF that are supportive of the BCU price stability mandate, as well as on the work of the PDCC (see also Principle 5.1.1).
Principle 2.1.2.	Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.
Description	<p>On the same day after each COPOM Meeting, a monetary policy communiqué is released, reporting the monetary policy decision and the economic background that was taken into account in order to arrive to that decision (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Copom.aspx).</p> <p>Within 72 hours after each COPOM, the BCU publishes its COPOM minute (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Copom-Minutas.aspx), which establishes the target interbank rate sought by the central bank. This document describes the external and domestic economic environment, monetary policy analysis and the monetary policy decision the committee has adopted, disclosing if the decision was taken by the unanimity or the majority of its members.</p> <p>Three weeks after each end-of-quarter COPOM, a MPR is published. This report analyzes the main factors influencing inflation, which include the international and regional environment, activity and employment in the Uruguayan economy, public finances, money market, recent price developments, private sector expectations, and the BCU's forecasts. The MPRs are available on the BCU website (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Reportes-de-Politica-Monetaria.aspx).</p> <p>The Board's rationale for its policy decisions is published in the monetary policy communiqué, the COPOM minute and the MPR. These documents are usually referred to by the local press.</p> <p>On April 2020 the COPOM introduced changes in the way the monetary policy is carried out and communicated to the public (https://www.bcu.gub.uy/Comunicaciones/Paginas/Copom-Abril-2020.aspx). Among these changes, it doubled the frequency of the meetings and it published for the first time, the schedule of meetings for the entire year. The schedule for 2021 was published in the last Monetary Policy Communiqué of 2020 (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Comunicados%20del%20Copom/COPOM_Comunicado_20201223.pdf).</p> <p>The Annual Report of the BCU (<i>Memoria Annual</i>) includes a summary of the monetary policy strategy implemented during the period under review. Annexes to the Annual Report available on the website include, among others, COPOM communiqués and MPRs.</p>
Review	<p><i>Expanded</i></p> <p>The BCU discloses its monetary policy decisions in detail in the context of its monetary policy objective and framework in a timely fashion.</p>
Comments	<p>The BCU is currently working on enhancing its communication to improve its credibility, as stated in the policy document "Towards a Quality Currency" (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Documentos%20de%20Trabajo/4.2021.pdf).</p> <p>Regular venues (e.g., press conferences) for the media to ask questions and further clarify the rationale for the decisions would enhance transparency.</p>

Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>The quarterly MPR analyzes recent economic trends and events in Uruguay as well as the global economy. The MPR is intended to guide the readers in understanding the external and domestic macroeconomic developments that have an impact on the monetary policy decisions.</p> <p>The MPR provides a comprehensive projection scenario for GDP, real exchange rate, headline inflation and core inflation. It also provides a risk analysis for the GDP and inflation projections (including a fan chart covering a two-year period), as well as a discussion on the main risks to the baseline scenario. The BCU also discloses information and analysis on specific topics, in particular, through the publication of methodological boxes in the MPR within the document (e.g., monetary policy rules; historical decomposition in the BCU's DSG methodology for computing the Real Effective Exchange Rate; methodology for measuring international reserves adequacy (<i>Reservas de comfort</i>)).</p> <p>The COPOM communiqué explains the main reasons that led the BCU Board to make the decision it adopted. The communiqué is explicit about the economic background that was considered, and how it fits into the monetary policy strategy.</p> <p>Several BCU Working Papers detail the economic models used in the forecasting of the main macroeconomic variables. These are available in the BCU website:</p> <ul style="list-style-type: none"> • Quarterly macroeconomic model: https://www.bcu.gub.uy/Comunicaciones/Jornadas%20de%20Economa/iees03j3111010.pdf0 • Semi structural macroeconomic model: https://www.bcu.gub.uy/Comunicaciones/Jornadas%20de%20Economa/Guenaga.pdf. • General equilibrium model: https://www.bcu.gub.uy/Comunicaciones/Jornadas%20de%20Economa/DSGE_JAE_XXXI.pdf. • Short-term GDP projection model: https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Documentos%20de%20Trabajo/10.2016.pdf. • Inflation forecasting model: https://www.bcu.gub.uy/Comunicaciones/Jornadas de Economa/iees03j3221112.pdf. <p>A description of the survey and its results used by the BCU for the analysis of the behavior of inflation expectations are disclosed on the BCU website. Information is also provided on: (i) changes introduced in the most recent period with a view to broaden the coverage of the survey; and (ii) the rationale for using the median (value of expectations that accumulates the first 50 percent of their distribution) as the indicator the BCU utilizes for its analysis of the behavior of inflation expectations (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Encuesta-Inflacion.aspx).</p> <p>The BCU has disclosed on its Q2-2021 MPR the methodology it uses for assessing the Real Effective Exchange Rate-REER, which is an element in its assessment of the external and domestic macroeconomic developments that have an impact on monetary policy decisions (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Reportes de Poltica Monetaria/IPOM_2021-II.pdf).</p> <p>In addition to disclosures regarding the economic models used in the forecasting of the main macroeconomic variables, over the years, the BCU has disclosed its research on topics particularly relevant given the specific features of the economy of Uruguay, such as among others: (i) the analysis of inflation inertia in Uruguay, in particular the impact of wage determination on inflation inertia in Uruguay (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Documentos de Trabajo/6.2017.pdf); (ii) the strength of the exchange rate pass-through (https://www.bcu.gub.uy/Estadisticas-e-</p>

	<p>Indicadores/Documentos de Trabajo/8.2021.pdf); and (iii) fiscal policy and inflation expectations (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Documentos de Trabajo/4.2020.pdf).</p> <p>The comprehensive list of BCU working papers is accessible on the BCU website (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Documentos-de-trabajo.aspx).</p>
Review	<p><i>Comprehensive</i></p> <p>The BCU reports forecasts and scenario analysis to help explain how its policy decisions foster attainment of its policy objectives as well as to highlight the risks that may affect the economic outlook. The BCU also discloses the relevant models used for forecasts and scenario analysis that inform its policy decisions.</p>
Comments	<p>The BCU has followed an agenda to include more information to the MPR. The September 2021 Report should also include the perspective for the monetary policy rate.</p>
Principle 2.2.	<p>Cross-Border Financial Flows and Foreign Exchange Administration: The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</p>
Principle 2.2.1.	<p>Objectives and Framework: The central bank discloses the policy's objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.</p>
Description	<p>In accordance with the OCOT (Article 24) the BCU is responsible to regulate the FX market. Article 34 of the OCOT states that the BCU, through the SSF, will exercise the regulation and audit of the entities of the financial system, whatever their legal nature, including in relation the specified FX activities for which they are licensed. The BCU activities encompass the authorization of entities to conduct FX activities.</p> <p>To this end, regulation https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Paginas/Operaciones_Recopilacion.aspx disclosed on the BCU webpage outlines the BCU's responsibility regarding FX market as: (i) the disclosure of a list of entities that are authorized to participate in FX markets, including banks, external financial institutions, financial intermediation cooperatives, exchange houses and financial services companies; and (ii) the authorization of the activities that licensees can perform to include purchase and sale of foreign coins and banknotes; arbitrage; exchange of currencies; purchase and sale of precious metals; and, issuance and acquisition of advance payment orders in foreign currency; sale of traveler's checks, purchase and sale of currencies on a date future at a predetermined exchange rate (future exchange market).</p> <p>Since 1975, Uruguay has an open capital account and current account (Ley 14.371) with no restrictions on the capital account in place.</p>
Review	<p><i>Core</i></p> <p>The legal and institutional frameworks of the FX administration policy are defined in the OCOT and disclosed.</p> <p>The attributions, responsibilities, and powers of the central bank with respect to FX administration policy are clearly distinguished from those of the government/ other agencies in this area and are</p>

	included in the OCOT which is disclosed. There is no delegation of authority and this is clearly disclosed.
Comments	The BCU could include a section on its website explaining to the public, the relevance of Law 14.371 to its mandates and explain its role in FX administration with clear reference to this law and the OCOT.
Principle 2.2.2.	Policy Decisions: Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.
Description	See Principle 2.2.1
Review	<i>Not applicable*</i>
Comments	
Principle 2.2.3.	Supporting Analysis: The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.
Description	See Principle 2.2.1
Review	<i>Not applicable*</i>
Comments	
Principle 2.3.	Foreign Exchange Management: The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.
Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>As stated in Article 41 of the OCOT, the MCC is responsible for the definition of the exchange rate regime.</p> <p>The role of the BCU regarding FX management, is stated in the OCOT to: (i) apply the necessary instruments (Article 7); (ii) regulate the foreign exchange market (Article 24); and (iii) buy and sell foreign exchange (Article 26).</p> <p>In the context of the BCU's monetary policy based on IT and a floating exchange rate regime, the BCU sees FX intervention as a policy tool to reduce excessive volatility that affects inflationary expectations and uncertainty (see Principle 2.1.1).</p> <p>Given the floating exchange rate arrangement, FX intervention is not often used. Whenever it is activated, the BCU discloses daily intervention levels by type of instruments used (spot, forward, and NDF) as well as purchases of foreign exchange from the government on its website (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Cierre-del-Mercado-de-Cambios.aspx), and a summary is also presented in the MPR, together with relevant explanation, in particular the nature of the flows that impacted the FX market. This involves also the disclosure of the motivations that may have led to FX intervention in the case of episodes of excessive volatility that</p>

	<p>affects inflationary expectations and uncertainty, as was the case in April 2020 at the beginning of the COVID-19 pandemic (see the April 2020 Copom minute and the 2020-Q1 MPR).</p> <p>Monthly data is also provided on the BCU website (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Informe-Diario-Pasivos-Monetarios.aspx).</p>
Review	<p><i>Comprehensive</i></p> <p>The OCOT and the documents available on the webpage disclose the policy objectives and legal, operational, and institutional frameworks, consistent with the current <i>de jure</i> floating exchange rate regime.</p>
Comments	
Principle 2.3.2.	Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.
Description	<p>In the case of a FX intervention caused by an episode of excessive volatility that affects inflationary expectations and uncertainty, the BCU Board decision is explained in the BCU monetary policy meetings and disclosed in the related communications and in the MPR.</p> <p>For instance, the disclosure of the activation of FX interventions in April 2020 (see Principle 2.3.1) was discussed in the context of the impact of the COVID-19 crisis on the economy of Uruguay and of the region, as well as policy actions taken by the main central banks of the world.</p>
Review	<p><i>Comprehensive</i></p> <p>The rationale for recent FX interventions, as well as the process for reaching a policy decision have been clearly timely explained to the public, with a particular focus on the impact of FX market volatility on the ability of the BCU to deliver its price stability mandate.</p>
Comments	
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	<p>As discussed in Principle 2.3.2, BCU communications in relation to the activation of FX interventions in April 2020 included a discussion on the assumptions, transmission channels, and analysis backing the policy decision.</p> <p>While there is not a regular document analyzing the impact of FX interventions in general over time, a paper was prepared in 2019 evaluating the FX interventions, in coordination with the IMF (see https://www.elibrary.imf.org/view/journals/002/2019/065/article-A002-en.xml).</p>
Review	<p><i>Expanded</i></p> <p>The BCU discloses some information related to assumptions, transmission channels, and analysis backing the policy decisions on FX interventions.</p>
Comments	A regular systematic ex-post evaluation of the economic impact of FX interventions in the case of episodes of excessive volatility that affects inflationary expectations and uncertainty would enhance transparency.

Principle 2.4.	Foreign Exchange Reserve Management: The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	<p>The broad objectives for holding reserves are communicated in each quarterly Reserve Management Report published on the BCU's website https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Gestion-Reservas.aspx. This report discloses the legal requirement for the BCU to determine the appropriate level and administer FX reserve assets (Article 28 of the OCOT), the economic justification for maintaining reserves and links the objectives for setting reserve tranches to the central bank's mandate and the operations for foreign exchange management.</p> <p>The governance structure for foreign reserves management comprises: (i) the Reserve Management Policy Committee (COMPAR) that defines the criteria and strategic objectives for the administration of FX reserves, determines the adequacy of FX reserves, and define the different tranches and instruments in which reserve assets are held to meet the objectives; and (ii) the Investment Committee (COMINV) that selects the benchmarks for reserve tranches and defines the operational guidelines for investments of FX reserves. The protocols for COMPAR and COMINV are published through Board resolutions R.No.:D-234-2012 and R.No.:D-235-2012. https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones%20de%20Directorio/dec_3066.pdf</p> <p>The BCU's Board of Directors, through COMPAR, has approved investment guidelines that contemplate tolerable levels for credit risk, market risk, liquidity risk, and operating risk. Broad risk categories are discussed in the quarterly Reserve Management Report, and the specific details on risk exposures and investment benchmarks attributed to foreign reserves management are discussed in the Notes of the annual Audited Financial Statement [Audited Financial Statements: https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Estados-Contables-del-BCU.aspx]</p>
Review	Expanded
Comments	<p>The BCU discloses its objectives, governance and oversight responsibility, tolerable risk levels, investment structure and risk limits. However, the basis for reserve management tranches and the size for respective tranches are not disclosed. It discloses how its reserve management structure interacts with its primary mandate and other policies and obligations (e.g., foreign exchange management, debt payments).</p> <p>The Review of the adequacy of reserves is disclosed in its technical form in Working Paper https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Documentos%20de%20Trabajo/15.2011.pdf which has been 'translated' for wider use through a simplified summary published in the quarterly MPR for the fourth quarter of 2020, pp. 28–29. https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Reportes%20de%20Politica%20Monetaria/pepmam04i1220.pdf</p>
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	The Reserve Management Report defines the key elements in relation to policy formulation and decision-making authority for reserves management. Policy decisions on the composition of the FX reserves portfolio are discussed in the quarterly Reserve Management Report and the policy decisions on tolerable risk exposures are discussed in the annual Financial Statement. The

	<p>allocation of responsibilities for the investment and oversight for operationalizing the reserve management function is outlined in the Reserve Management Report.</p> <p>The minutes of the Reserves Management Policy Committee and the Investment Committee are not published due to the nature of discussions that contain strategic actions, which if disclosed, could potentially risk adverse reactions of markets/counterparties, and may undermine the scope for the BCU's decision-making.</p> <p>Minutes of COMPAR and COMINV are classified as 'restricted information' according to Article 9 of Law 18.381. (See Principle 1.8 for the description of the classification).</p>
Review	Core
Comments	The BCU could improve transparency by publishing, ex-post, the key assumptions, and methods that motivate investment decisions. These disclosures could provide information about the factors that influence investment decisions for the reporting period.
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and Review process related to its policy decisions.
Description	The composition of the FX reserves portfolio based on their strategic allocation are disclosed in the quarterly Reserve Management Report and the annual Financial Statements.
Review	Core
Comments	Improving transparency in reserve management could be achieved with the publication of the assessments that determine the strategic allocation of the reserves in tranches and their respective size limits. In addition, the criteria for the identification of eligible assets held in reserve portfolio as a whole and for the respective tranches could be disclosed.
Principle 2.5.	Macroprudential: The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>While the BCU does not have an explicit mandate to undertake macroprudential policy, the OCOT provides a broad mandate to "regulate and supervise payment and financial systems in order to promote soundness, solvency, efficiency and development." (Article 3B). On this basis, the BCU has introduced macroprudential policy instruments that are aimed at safeguarding the stability of the banking system (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Carta-Organica/carta_organica_toco.pdf).</p> <p>Article 34 describes the supervised entities, and Article 35 enumerates the powers of the SSF, to which regulation and supervision is delegated.</p> <p>The BCU discloses this mandate and its powers through publication of the OCOT on its website, and this function is acknowledged in the Strategic Framework of the SSF (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/Documentos%20SSF/Marco_Estrategico.pdf), also published on the BCU website.</p>

	The Operational Framework of the SSF (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/Documentos%20SSF/Marco_Operativo.pdf) has limited additional detail on the conceptual framework underlying the BCU's macroprudential policy function.
Review	<p><i>Core</i></p> <p>Aspects of a macroprudential policy framework are in place and their function described separately, but disclosure of their interrelationships and responsibilities within the context of a comprehensive framework is not disclosed.</p> <p>For example, the responsibilities of the inter-agency FSC, consisting of representatives of the BCU, the MOEF, COPAB, and the SSF, is described in the Decree 224/011, establishing its function (https://www.bcu.gub.uy/Acerca-de-BCU/Documents/Comit%C3%A9%20de%20Estabilidad%20Financiera/decreto_224_2011.pdf), and the BCU discloses in Board Resolution D/96/2019 the creation of an internal FSC to support the work of the external FSC (https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones%20de%20Directorio/RD_96_2019.pdf). Documentation describing objectives, instruments, strategy, and individual agency responsibilities within a broader framework does not exist in published form.</p> <p>However, the Operational Framework of the SSF provides the minimum information necessary to establish the conceptual framework for the macroeconomic policy function of the BCU.</p>
Comments	To enhance the transparency about the macroprudential policy function, as the agency with the main supervisory mandate, the BCU could develop and publish a comprehensive policy framework that includes objectives, instruments, and strategy, as well as a description of the responsibilities of the various government actors in relation to macroprudential policy framework and objectives.
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner, and discloses the decision-making process leading up to macroprudential action.
Description	<p>The Decree 224/011 establishes the inter-agency FSC (https://www.bcu.gub.uy/Acerca-de-BCU/Documents/Comit%C3%A9%20de%20Estabilidad%20Financiera/decreto_224_2011.pdf) and discloses as one of its functions to propose strategies to manage risks in the financial system, so that relevant agencies may execute their respective mandates effectively. Its function is not to take policy decisions, which are within the remit of the individual member agencies.</p> <p>Within the BCU, the SSF implements macroprudential policies through its various prudential instruments. It discloses the process of implementation of prudential measures, (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/Procesos%20de%20Emision%20de%20Normas/SSF%20Emision%20de%20normas.pdf), and discloses its Action Plan for development of additional prudential tools (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Normas-y-Plan.aspx and https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Proyectos-Normativos.aspx).</p> <p>Policy decisions are published on the BCU website (https://www.bcu.gub.uy/Paginas/Instituciones-Financieras-Circulares.aspx).</p>
Review	<p><i>Core</i></p> <p>Macroprudential policy decisions are announced chronologically on the BCU website among the other policy decisions of the SSF.</p>

	The decision-making process is clearly disclosed in a policy document, and this process is evident in the publicly available documentation on individual policy decisions.
Comments	<p>The BCU's contribution to the FSC on macroprudential policies and decisions could be more transparent by: (i) providing a summary of the main outcomes (resolutions) from the interagency FSC that fall within the purview of the BCU; and (ii) providing a more detailed explanation of the rationale and benefits of individual policy decisions in the context of the larger macroprudential policy objectives as part of a comprehensive policy framework.</p> <p>Also, the policy decisions could be categorized and organized to more explicitly identify macroprudential policy decisions, as distinctly related to outcomes from the deliberations of the FSC.</p>
Principle 2.5.3.	Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.
Description	<p>The SSF prepares and publishes an annual Report on the Financial System (RFS) (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Reportes%20del%20Sistema%20Financiero/RSF_IV_20.pdf), the purpose of which is mostly descriptive.</p> <p>A Financial Stability Report is prepared by the Technical Committee of the FSC ahead of each meeting, but this document is routinely classified as "reserved" by the FSC and is not available to the public.</p> <p>While global results of stress tests are published once a year in the Financial System Report, an analysis of other indicators of financial stability is not routinely disclosed.</p> <p>A "Risk Map" methodology has been published (https://www.bcu.gub.uy/Acerca-de-BCU/Documents/Comit%C3%A9%20de%20Estabilidad%20Financiera/Mapa%20de%20riesgos%20-%20metodolog%C3%ADa.pdf), but its current status is not routinely disclosed.</p>
Review	<p><i>Not implemented</i></p> <p>The annual Report on the Financial System is not intended to serve as a tool for assessing the need for macroprudential measures. Annual disclosure of stress test results is cursory and not discussed in the context of macroprudential policy.</p> <p>Financial soundness indicators are published as part of statistics on individual institutions (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Boletin-SSF.aspx), but aggregated indicators of systemic risk are not routinely published and the periodic Financial Stability Reports prepared for the FSC are classified as "reserved" and hence not made available to the public.</p>
Comments	<p>To achieve core implementation in the area of supporting analysis, (a version of) the periodic Financial Stability Report prepared for the semi-annual FSC meetings could be made available to the public, with an analysis of financial stability issues and a description of how macroprudential tools are expected to mitigate risk.</p> <p>In addition, it would be useful for the BCU to publish regularly in its statistics section of the website—under its own heading—an aggregated set of core financial soundness indicators.</p>
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not applicable

Review	
Comments	
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>The key features of the BCU ELA framework are disclosed in the OCOT (Article 32), including:</p> <ul style="list-style-type: none"> • <i>Eligibility:</i> Financial intermediation institutions. • <i>Collateral:</i> Letters of credit, coupons, promissory notes issued or delivered with commercial, industrial, or agricultural purposes maturing within 180 days including two or more authorized signatures, of which at least one is that of a financial intermediary. • <i>Decision making process:</i> (i) terms and conditions determined by unanimous vote of BCU Board members (ELA cannot exceed one and half times the amount of its net assets); or (ii) decision making process also involving the SFF and the Bank Savings Protection Corporation (COPAB) that may request the Bank's Board to limit liquidity provision to percentages below 50 percent of the recipient's net assets. <p>The tripartite Memorandum of Understanding (MOU) signed between the BCU, the SSF and the COPAB for the exchange of information and, more broadly, implementation of Article 32 of the OCOT is not published.</p>
Review	Core
Comments	Transparency of the scope and objectives of the ELA framework would be enhanced by the disclosure of the operational framework that: (i) distinguishes between bilateral and market-wide liquidity support; (ii) provides conditionality, including the basis for determining solvency is forward-looking, and the ability of the supervisory authority to monitor whether the use of the liquidity provided is consistent with the objectives of the liquidity support; (iii) provides for supervisory intrusion; (iv) outlines procedures for the mobilization of unconventional collateral, in particular credit claims; and (v) the process for coordination across relevant agencies and departments within the BCU for the activation of ELA. See also Principle 5.2 regarding the MOU.
Principle 2.8.	Resolution: Selected principles from KA.
Description	Not applicable
Review	
Comments	
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not applicable
Review	
Comments	

Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>AML/CFT Supervision Policies and Powers:</p> <p>The OCOT establishes that the SSF is the designated supervisor of specified types of “financial system entities.” Article 35 of the OCOT empowers the SSF to issue “general rules of prudence and specific instructions, aimed at [the] prevention and control of money laundering and terrorist financing.” The SSF is also tasked to “carry out the activities assigned to the Bank in order to combat the offenses of money laundering and terrorist financing under current rules.” The BCU’s Strategic Framework also discloses that the tasks of the SSF include the “prevention and control of money laundering and terrorist financing.”</p> <p>Within the SSF, the Intendency for Financial Services (IFS) is responsible for AML/CFT supervision. The BCU’s Operational Framework (Section 2, p. 6) states the responsibilities of the ISF, which includes “supervision of the different risks”. Section 1.1.4.2. further specifies these risks, which include ML/TF/PF risks. The Operational Framework also specifies whether AML/CFT supervision is included for different types of supervised entities. Section 1.2.2. presents further information on AML/CFT supervision, such as entities for which the primary supervisory focus lies on AML/CFT. These types of entities are supervised by the Financial Intelligence Unit (UIAF). The Operational Framework is disclosed on the BCU’s website (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/Documentos%20SSF/Marco_Operativo.pdf).</p> <p>The BCU’s Strategic Framework (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Marco-Estrat%C3%A9gico-P%C3%ABlico.aspx) disclose general information on the BCU’s policies on AML/CFT supervision and powers, such as the types of entities supervised for AML/CFT and frequency of on-site visits based on assigned risk.</p> <p>The BCU’s 2017 Minimum Management Standards (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/estandares_minimos_010717.pdf) (Articles 67–74) establish the BCU’s “mechanisms for the independent and periodic review of the ML/TF risk management process. The results of the reviews must be reported directly to the Board of Directors and Senior Management” (Article 74). The Minimum Standards describe the role of Management and the Board of Directors, who approve the BCU’s AML/CFT supervisory strategy and policies and review them periodically (Article 67). The Minimum Standards disclose general evaluation criteria and regulatory expectations for AML/CFT supervised entities, including the requirement of AML/CFT policies, practices, and procedures to identify, evaluate, monitor, and mitigate ML/TF risks.</p> <p>The BCU does not disclose further specific information on how it assesses the ML/TF risks of its supervised institutions that would define its supervisory policies.</p> <p>AML/CFT Internal Control Framework:</p> <p>The BCU explained that it does not disclose a description of its internal control framework relating to the BCU’s activities or services that may give rise to ML/TF risk. The BCU’s AML/CFT Risk Prevention Manual discloses a general description of the internal control framework as it relates to the organizational functions of the Directors, ML/TF Risk Prevention Committee, Compliance Department and BCU staff. While the BCU’s financial counterparties can request a copy, there is no specific request link on the website, nor is the Manual disclosed publicly.</p>

	<p>The Department of the Compliance Officer also prepares a quarterly report on its activities. The BCU's AML/CFT Risk Prevention Committee prepares an annual report on the activities Department of the Compliance Officer for the Board of Directors. Both reports are however not disclosed publicly.</p>
Review	<p><i>Core</i></p> <p>The BCU discloses an overview of its AML/CFT supervisory policies, as well as information on its AML/CFT supervisory powers through the OCOT, Operational Framework, Strategic Framework, and Minimum Management Standards.</p> <p>The BCU does not disclose information on its internal control AML/CFT control framework relating to the BCU's activities or services that may give rise to ML/TF risks. While the Department of the Compliance Officer issues an internal AML/CFT Risk Prevention Manual and prepares regular reports with information on the internal AML/CFT control framework, this information is not publicly available.</p>
Comments	<p>The BCU could disclose a more detailed description of its internal control framework relating to its activities or services that may give rise to ML/TF risks. Specifically, the BCU could disclose the existence of its internal AML/CFT control framework on its website and explain the respective legal provisions for its confidentiality. In the absence of the designation of the related documents under the confidentiality framework (as per the classification in Principle 1.8), the BCU should develop a framework in which it discloses the roles, activities, and outcomes related to the activities or services that may give rise to AML/CFT risks as a part of its accountability framework.</p>
Principle 2.11.	<p>Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.</p>
Description	<p>Institutional Arrangement and Strategy:</p> <p>The role and competencies of the BCU in relation to consumer protection are established in Article 35 of the OCOT in accordance with Law 17.250. These roles are discharged by the SSF that is entrusted to "<i>dictate general norms of prudence as well as particular instructions, aimed at promoting stability, solvency, transparency and the orderly and competitive operation of the supervised entities and the markets in which they operate, as well as for the protection of consumers of financial services....</i>" and "<i>attend to the complaints of the consumers of the supervised companies.</i>"</p> <p>The SSF develops and implements policies on consumer protection and discloses these policies in the Strategic Framework of the SSF on the BCU website. The SSF has responsibility for consumer protection for all financial institutions in Uruguay (Articles 34 and 35 (lit, A) and W of the OCOT). Such competency is disclosed in the Strategic Framework, pages 6, 8, and 9. The BCU's Strategic Plan for 2020-2028 refers the strategy and action plan on consumer protection (see Strategic Line LE3.1 and Action Lines LA 3.1.1., LA 3.1.2, and 3.1.3).</p> <p>Measures and Transparency of Financial Institutions and Legal Framework for Consumer Protection that Relates to Fair Treatment and Business Conduct:</p> <p>The SSF has as one of its commitments "<i>the design of a regulatory framework aligned with sound international practices, aimed at achieving good management of the supervised companies, greater efficiency and transparency of the markets and that allows a fair treatment of users as well as settling differences in an efficient and equitable; systematic supervision and monitoring actions promoting user protection...</i>" In this sense, the SSF has issued several regulations regarding consumer protection that covers general principles, code of good practices, attention to claims, and conditions for contracts and abusive clauses. These are disclosed in Book IV (Libro IV—Protección al Usuario del Sistema</p>

Financiero) and Book V (Libro V) Transparencia y Conductas de Mercado) of the Recopilación de Normas de Regulación y Control del Sistema Financiero ([TCRSF](#)).

There is a compilation of regulation for each market:

- For financial institutions: [Recopilación de Normas de Regulación y Control del Sistema Financiero](#).
- For the stock market: [Recopilación de Normas de Mercado de Valores](#).
- For insurance companies: [Recopilación de Normas de Seguros y Reaseguros](#).
- For pension funds: [Recopilación de Normas de Control de Fondos Previsionales](#).

Libro IV of the TCRSF *"promotes the application of sound practices in the relationship of supervised institutions with their clients trying to generate greater confidence in the financial system."*

The [circulars](#) that are then gathered and ordered in the "Recopilación de Normas" are published on a daily basis on the website.

Data Protection and Privacy Usage of Customer Data and Information Sharing of Consumer Data:

In Uruguay, Law 18.331 regulates Personal Data Protection and "Habeas Data", which is implemented by Agencia del Gobierno Electrónico y Sociedad de la Información y del Conocimiento (AGESIC), that is an agency that is located within the Executive. All financial institutions are subject to the provisions of this law. Specific to the BCU is that the SSF complies with the personal data protection law, both in the processing of administrative files as well as in the publication of activities related to consumer protection (such as the case of personal data contained in the resolution 246/2020). In addition, the OCOT establishes that supervised entities must comply with the laws and regulations that govern the financial system, within which lies the law on personal data protection.

The BCU is engaged in the protection of customer personal data through the possibility that a complaint with the SSF for non-compliance with the law on personal data protection may be received and processed, although Law 18.331 which is under the control of the AGESIC covers a broader perimeter of obligated parties than financial entities.

Dispute Resolution Mechanism and Attending to Complaints and Inquiries:

The definition of complaint which the BCU establishes is that *"it is a notice or knowledge that the user makes to the BCU, related to an event presumed as an infringement of the rules that regulate supervised institutions."*

BCU and the Consumer Defense Area that depends on the MOEF investigate consumer protection-related, or practices in information-sharing and dispute resolution mechanisms, but with different scopes and responsibilities. The Consumer Defense Area only acts in cases regarding consumer matters. For the purposes of user protection, the SSF works on complaints and inquiries from users of financial services. There is a cooperation agreement signed with the Consumer Defense Area that depends on the MOEF to handle complaints in the topics they share competence by Law. The agreement is mentioned in the Memoria Annual on page 7.

Development of Financial Education:

Article 7 of the OCOT indicates that the BCU's is responsible for *"promoting and developing education and economic and financial culture."* This is discharged through the SSF that develops economic and financial education to *"contribute to the economic and financial education of society by developing informative content aimed to the financial user, educational and informative."*

Review	---
Comments	<p>The mandate for consumer protection is clearly established in the OCOT and the Law on Consumer Protection 17.250 that establishes the BCU with sole responsibility for the disclosure of measures and transparency towards the public, the fair treatment of customers and good business conduct of financial institutions in Uruguay.</p> <p>The BCU has a shared responsibility in the grievance system/ dispute resolution system since some customers or affected persons could choose to present their claims at the MOEF. However, the complaint handling and redress mechanism at the BCU is the basis on which sanctions are imposed on financial institutions in adjudicated infringements of customer rights.</p> <p>The BCU has also a regulatory power over the financial system that includes a robust regulatory process on consumer protection that enables the participation of financial institutions. The BCU promotes the participation of the public in relation to the enactment of consumer protection regulations through the elaborate system to receive public complaints, process complaints and actively disclosing information to stakeholders.</p> <p>Since a financial user can file a complaint with the BCU (or to AGESIC) for non-compliance with the law on personal data protection, which complaint is received and processed by the SSF, the Usuario Financiero webpage could emphasize this by making a link this law on data protection.</p>
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	<p>The operational framework for systemic liquidity management, including the various tools that can be used, as well as their actual activation, are well understood by the BCU counterparties. Transparency in implementation is supported by reliance on the money market platform operated by the Stock Exchange Market of Uruguay-BEVSA (see Principle 3.1.3 for details).</p> <p>Since September 2020, as disclosed on the BCU website (see Principle 2.1.1 for relevant website references), the current monetary policy in Uruguay is identified as an IT framework based on an interest rate operating target. In this monetary arrangement, the main reference variable (operational target) is the overnight interbank money market rate and monetary policy seeks that this rate transmits its signal to the rest of the interest rates in the economy consistent with the inflation objective.</p> <p>The BCU relies on a set of open market operations (OMOs) and standing facilities. The BCU also relies on reserve requirements for banks as a direct instrument of monetary policy to regulate market liquidity, and to generate an asymmetry between the reserve requirements in foreign currency and domestic currency (see Principle 3.1.2 for details).</p>
Review	<p><i>Comprehensive</i></p> <p>The set of monetary policy instruments and the operational target are clearly defined and disclosed to the public. The role of reserve requirements is disclosed to the public.</p>
Comments	Transparency for the public at large would be enhanced by a generic description on the BCU website of the operational framework, including reliance on the money market platform operated by BEVSA.

Principle 3.1.2.	Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.
Description	<p>As disclosed to the public on the website, the BCU uses monetary regulation bills/central bank bills (<i>Letras de Regulacion Monetaria-LRM</i>) at different tenors (30, 90, 180, and 360 days) to regulate market liquidity in order to maintain and develop the very short term of the yield curve in Uruguayan pesos (https://www.bcu.gub.uy/Ingles/Documents/Instruments.pdf).</p> <p>The BCU discloses counterparties allowed to participate in the primary market (see Principle 3.1.3 for details), as well as the key features of the instrument.</p> <p>The calendar of issuance of the BCU monetary regulation bills is published weekly for the next two weeks (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Calendario-Deuda/calendario_deuda.pdf).</p> <p>In addition, as disclosed to the public on the website, the BCU may carry out OMOs on the secondary markets of securities issued by the government, public or private entities, and BCU securities. (Libro VI in the RNO https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Paginas/Operaciones-Recopilacion.aspx). The BCU is currently conducting such operations for maturities going from overnight to 29 days, on the secondary markets of securities issued by the BCU or the Government, denominated in Uruguayan pesos and in indexed units (Uruguayan pesos linked to the CPI).</p> <p>As disclosed to the public in the RNO the BCU maintains a standing deposit facility, currently at 1 percent, and a standing credit facility/Lombard Facility (see Libor V in "<i>recopilacion de normas de operaciones</i>"), currently at 15 percent. Changes in the rates applied to the standing facilities are published in a timely fashion (https://www.bcu.gub.uy/Comunicados/seggco20297.pdf, http://www.bcu.gub.uy/Circulares/seggci2355.pdf).</p> <p>The BCU also relies on reserve requirements for banks as a direct instrument of monetary policy. The regulatory regime for reserve requirements is disclosed in Libro XIV of the BCU "<i>recopilacion de normas de operaciones</i>" (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Recopilacion-de-Normas/Operaciones/libro14.pdf). As discussed in the BCU website, a considerable reduction in reserve requirements in domestic currency was recently implemented. Another objective is to generate an asymmetry between the reserve requirements in foreign currency and domestic currency.</p>
Review	<i>Expanded</i>
Comments	<p>Transparency would be enhanced by the disclosure of general information on the reserve requirements framework and OMO calibration to include: (i) how the level of the reserve requirement is determined to achieve the objective; (ii) all the parameters of the reserve requirement, including whether averaging provisions are in place; (iii) the determination of the size and tenor for OMO calibration, including the auctioning method, haircuts, etc.; and (iv) the use of forward guidance, (if any) as it pertains to the evolution of the operating target.</p> <p>Disclosures on the work of the joint BCU/MOEF Debt Committee would enhance the transparency of the coordination of monetary and fiscal policies at the operational level (see also Principle 5.1.1).</p>
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	According to the Primary Dealer Program Regulations for instruments issued by the BCU (http://www.bcu.gub.uy/Circulares/seggci2256.pdf), currently the BCU only issues its monetary

	<p>regulation bills in the competitive tranche to banks that are Primary Dealers. The Primary Dealers are responsible for distributing the securities to other market players. As also stipulated in https://www.bcu.gub.uy/Ingles/Documents/Instruments.pdf, there is also a non-competitive tranche (where the amount is a percentage of the amount tendered—currently 20 percent) available to institutions that are not primary dealers, including the rest of the banks, pension funds, insurance companies, brokers and other financial institutions. The current list and changes in the list of Primary Dealers are publicly disclosed in the BCU webpage (see https://www.bcu.gub.uy/Comunicados/seggco21188.pdf).</p> <p>To conduct its OMOs and Standing Facilities monetary operations, the BCU relies on the money market platform operated by BEVSA (https://web.bevsa.com.uy/Bevsa/Manuales.aspx – <i>Manual de Operaciones del Mercado de Dinero</i>). Counterparties to the BCU are those financial institutions allowed to operate on the money market platform operated by the Stock Exchange Market of Uruguay. The list of participants in the interbank market is disclosed on the BCU website (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/bancos_Instituciones_Lst.aspx).</p>
Review	<i>Comprehensive</i>
Comments	Transparency for the public at large would be enhanced by the disclosure on the eligibility criteria of monetary policy counterparties for OMO and standing facilities as well as the terms and conditions (if any) for participating in central bank operations.
Principle 3.2.	Cross-border Financial Flows and Foreign Exchange Administration: The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.
Principle 3.2.1.	Instruments: The central bank’s instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.
Description	<p>As mentioned in Principle 2.2.1 Uruguay has an open capital account since 1975 (Law 14.371) and the BCU does not apply restrictions to current account and capital account transactions. The instruments for policies within this principle are related to the general licensing requirements of the entities allowed to conduct foreign exchange transactions and in which instruments.</p> <p>According to the Article 1 of the regulation Operaciones Recopilacion the list of entities comprise banks, financial companies, external financial institutions, cooperatives, and exchange houses.</p> <p>Licensing requirements for these entities are specified in the Reordenamiento Instituciones which provides general rules for the authorization of different types of entities. Articles 16 to 19 specifies rules for the authorization and licensing of banks and cooperatives. Articles 105 and 106 contains provisions for the licensing of exchange houses. The provisions for the licensing of financial services companies are specified in Articles 92 and 93. Articles 12 and 13 specifies the transactions that external financial institutions are authorized to perform, in particular FX operations.</p> <p>This document covers different aspects of micro-prudential, macroprudential, AML/CFT and consumer protection but does not have any specific provision on cross-border financial flows and foreign exchange administration or reporting requirements for FX management as transactions are conducted through BEVSA.</p> <p>Consistent with Ley 14.371 there are no specific provisions, regulations, or instruments designated for the management of cross-border financial flows.</p>
Review	<i>Core</i>

Comments	
Principle 3.2.2.	Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.
Description	<p>The Regulation Operaciones Recopilación disclosed in the BCU webpage indicates that natural persons and firms are authorized to freely perform FX operations without any identification requirements. Article 1 of the said document lists the entities that are authorized to perform FX activities, including the purchase/sale of foreign currency, precious metals, foreign currency notes and foreign exchange derivative transactions. This list of entities comprises banks, financial companies, external financial institutions, cooperatives, and exchange houses.</p> <p>The BCU only performs foreign exchange transactions in the context of its FX management policies or related to payments associated with the government.</p>
Review	<p><i>Core</i></p> <p>The BCU clearly defines the types of activities, persons, and transactions allowed to perform activities in the foreign exchange system. The reporting requirements required by the BCU are not designed for the purposes related to cross-border financial flow management or FX administration, which is consistent with Ley 14.371.</p>
Comments	The disclosures on the FX administration function could be enhanced with additional information on licensing, including: (i) the considerations underlying the decisions on granting the license/approval (or denial of it) for the various activities/persons; (ii) the procedure for granting licenses/approvals, including the time limit within which a decision must be made and communicated; and (iii) the role and responsibilities of the various bodies involved in the licensing process.
Principle 3.3.	Foreign Exchange Management: The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>Consistent with the de jure exchange rate arrangement (see also Principle 2.3), the BCU does not have a policy of intervention in the foreign exchange market, nor does it establish intervention criteria of any kind. The BCU eventually intervenes in the foreign exchange market only to avoid sudden fluctuations in the dollar/peso exchange rate, with the aim of smoothing the trend.</p> <p>Based on the FX intervention data, the BCU instruments to carry out FX interventions are: (i) direct interventions or auctions in the spot market; (ii) interventions in futures; and (iii) interventions in NDF or full delivery forwards.</p> <p>The BCU intervenes exclusively through the FX market platform operated by BEVSA (https://web.bevsa.com.uy/Bevsa/Manuales.aspx).</p> <p>The conditions for financial institutions to participate in the FX market are disclosed in the BCU website:</p> <ul style="list-style-type: none"> • https://www.bcu.gub.uy/Comunicados/seggco04316.pdf

	<ul style="list-style-type: none"> • https://www.bcu.gub.uy/Comunicados/seggco06009.pdf • https://www.bcu.gub.uy/Comunicados/seggco09153.pdf • https://www.bcu.gub.uy/Comunicados/seggco09159.pdf • https://www.bcu.gub.uy/Comunicados/seggco10018.pdf <p>A regulation governing the conduct of market participants in the FX market, as well as sanction rules is published on the website of BEVSA that operates the FX market platform (https://web.bevsa.com.uy/Bevsa/Manuales.aspx—<i>Manual de Control de la Operativa en los Mercados</i>).</p> <p>In the case of a FX intervention caused by an episode of excessive volatility that affects inflationary expectations and uncertainty, the Board decision is explained in the BCU monetary policy meetings and explained in its communications and in the MPR (see also Principle 2.3.1).</p> <p>The modalities of the FX operations provided by the BCU related to the coverage of their FX exposures are disclosed on the BCU website, including the rationale for such operations (https://www.bcu.gub.uy/Acerca-de-BCU/Resoluciones de Directorio/RD_153_2019.pdf).</p>
Review	<p><i>Expanded</i></p> <p>The BCU discloses the rationale for the use of FX interventions consistent with the <i>de jure</i> floating exchange rate regime.</p>
Comments	<p>Transparency of FX intervention for the public at large would be enhanced by a generic description on the BCU website of the rationale for the choice of the various instruments that may be used utilized.</p>
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	<p>As disclosed on its website, the BCU is the regulator of the FX market and as such defines who can participate and what kind of transactions they can carry out, according to the profile defined by type of financial institution (Libro I and II in “<i>recopilacion de normas de operaciones</i>” https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Recopilacion-de-Normas/Operaciones/libro1.pdf and https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Recopilacion-de-Normas/Operaciones/libro2.pdf).</p> <p>The market and agents who are targeted by the FX management policy include the institutions that are authorized to operate in the foreign exchange market. The list of each subcategory of institutions authorized to operate in the FX market is disclosed on the BCU website.</p> <p>A regulation governing the conduct of market participants in the FX market and sanction rules is published on the website of BEVSA that operates the FX market platform (https://web.bevsa.com.uy/Bevsa/Manuales.aspx—<i>Manual de Control de la Operativa en los Mercados</i>).</p>
Review	<i>Comprehensive</i>
Comments	<p>Accessibility of the information disclosed on the BCU website on the list of institutions authorized to operate in the FX market could be enhanced by the publication of a consolidated list with the number for the various categories of institutions identified.</p>

Principle 3.4.	Foreign Exchange Reserve Management: The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	<p>The OCOT establishes that the BCU will manage the external reserves as defined by international practices to take account of risk, the liquidity and profitability of assets.</p> <p>The BCU divides this authority for reserves management into two arms: funds that are managed by the BCU and funds managed by external administrators.</p> <p>For different funds managed by the BCU, the Liquidity Fund and the Precautionary Fund (required to fulfil a 'safe' role for the Liquidity Fund) are required to attend to daily operations, with liquidity and security dominating investments for these funds. Instruments that reflect high credit quality are a priority and the maximum investment horizon is for 6 months to allow BCU to easily undo its position and meet daily operations of placements, withdrawals, and payments. The Investment Fund and the Special Fund are managed with less focus on liquidity and security, although the limits of risks outlined by the Reserve Management Policy Committee are observed.</p> <p>For the portfolio managed by external administrators, instruments are outlined in the quarterly Reserve Management Report and include eligible assets as mortgage-backed securities backed by the Government of US or issued by agencies sponsored by that government, and corporate bonds for issuers rated at a minimum of A-.</p>
Review	<i>Core</i>
Comments	Eligible instruments and associated risks are not disclosed for the main funds indicated in the strategic tranches.
Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	<p>BCU discloses the criteria to select eligible market counterparties. The rules and methods for the selection of counterparties are disclosed in the annual Financial Statements published on its website.</p> <p>Aggregate exposures for the groups of counterparties are disclosed in the quarterly Reserve Management Report and the annual financial statements.</p> <p>The respective investment limits for each category of counterparties are detailed across the five categories, with institutions that are excluded from the credit rating Review clearly identified. In addition, the aggregated exposures to the respective category of counterparty are presented at the end of each financial year.</p>
Review	<i>Expanded</i>
Comments	Publishing minimum criteria for the selection of external fund managers and other service providers could enhance transparency practices in the selection process.
Principle 3.4.3.	Review: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.

Description	<p>BCU discloses its assessment of reserve adequacy and assumptions for liquidity risks and market access in its quarterly MPR.</p> <p>The basis for such determination is also disclosed (see Principle 2.4.1)</p> <p>The most recent Review in March 2021 of reserve adequacy discloses that reserve levels are assessed to be adequate, even in the context of the complete closure of the capital markets.</p>
Review	<i>Expanded</i>
Comments	The BCU does not disclose information on liquidity risks arising from its reserve management activities.
Principle 3.5.	Financial Stability Reviews and Stress Testing: The central bank periodically discloses its Review of domestic financial stability to the public and is transparent about the methods used for such Reviews, including its framework for stress testing.
Principle 3.5.1.	Financial Stability Reviews: The central bank periodically provides to the public its Review of risk to financial stability, including new and emerging sources of vulnerability.
Description	<p>The press releases of the FSC (https://www.bcu.gub.uy/Ingles/Paginas/Financial-Stability-Committee.aspx) are designed to communicate the overall financial stability assessment of the authorities, with some information on developments in existing and emerging areas of risk and vulnerabilities in the financial system.</p> <p>An annual Report on the Financial System is published by the SSF (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Reportes%20del%20Sistema%20Financiero/RSF_IV_20.pdf), but its purpose is more descriptive and offers little in the form of a risk assessment. It includes global stress testing results (section 2.6.5).</p>
Review	<p><i>Core</i></p> <p>The risk assessment in the periodic press releases of the FSC is generally global and lacks significant detail but has the minimum elements of the core implementation of a financial stability assessment. It indicates that the assessment is based on available information and subsequent analysis, as well as discussion among the members of the Committee.</p> <p>The annually published global stress test results are a snapshot of aspects of the health of the banking system, but do not provide a comprehensive picture of financial stability risks.</p>
Comments	A regularly published Financial Stability Report with a comprehensive Review of the main risks to financial stability could enhance transparency in the area of Financial Stability Assessments.
Principle 3.5.2.	Macroprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>The BCU discloses in a communique on its website a detailed guide for individual banks to the bottom-up stress testing exercise that covers capital adequacy (https://www.bcu.gub.uy/Comunicados/seggco20272.pdf). It includes objectives of the exercise, guidance for preparation of the regulatory submission, as well assumptions for macroeconomic scenario tests.</p> <p>The annual Report on the Financial Sector publishes an aggregate assessment of results of the stress-testing exercise (https://www.bcu.gub.uy/Servicios-Financieros-</p>

	SSF/Reportes%20del%20Sistema%20Financiero/RSF_IV_20.pdf , section 2.6.5), as well as a limited description of its objectives and design (Annex).
Review	<i>Expanded</i> Disclosure of the design of the stress tests, with assumptions and risks covered, is extensive through the stress-testing guide provided to banks. Disclosure of the results is global and slight, with annual frequency.
Comments	Transparency of the stress-testing exercise would be enhanced by the publication of a global stress-testing framework of the BCU in addition to the guide to individual banks, including information on any top-down stress-testing that may be performed by the BCU, as well as more detailed disclosure and analysis of the stress-testing results.
Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	The description of the objectives and design of the stress-testing exercise published in the Annex of the Report on the Financial System (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Reportes%20del%20Sistema%20Financiero/RSF_IV_20.pdf) implies that the coverage of the stress tests is limited to banks.
Review	<i>Core</i> The coverage of the stress tests is limited to banks, as is implied by the description of the exercise in the Annex to the Report on the Financial System. There is no mention of the number of institutions covered.
Comments	Transparency could be enhanced by more explicit disclosure of the institutions covered by the stress-testing exercise.
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	The BCU discloses the main purpose of the stress tests both in the Annex to the Report on the Financial System (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Reportes%20del%20Sistema%20Financiero/RSF_IV_20.pdf) and in the stress testing guide for individual banks (https://www.bcu.gub.uy/Comunicados/seggco20272.pdf). The guide indicates that adverse individual stress-testing results would lead to a policy follow-up with the bank in question.
Review	<i>Core</i> The disclosure of the purpose of the stress tests is adequate. There is an indication of individual policy follow-up, but the BCU does not disclose how the aggregate stress-testing results may affect policy decisions.
Comments	Transparency may be expanded with detailed analysis of aggregate stress-testing results and disclosure of how they enter into the design and implementation of macroprudential policy tools, for example the countercyclical capital buffer.

Principle 3.6.	Macroprudential Policy Implementation: The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.
Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	<p>Macroprudential tools are part of the general prudential toolkit of the SSF, and as is common, some tools may be used for both microprudential and macroprudential purposes, but individual tools are not classified as one or the other.</p> <p>As part of the toolkit, the potentially macroprudential tools are subject to the same development and design process as all of its tools (see also Principle 2.5.2). In the methodological notes and other background information on prudential tools, the scope and coverage of these tools are disclosed. See for the case of the countercyclical capital buffer https://www.bcu.gub.uy/Circulares/seggci2350.pdf, https://www.bcu.gub.uy/Comunicados/seggco20266.pdf, and https://www.bcu.gub.uy/Comunicados/seggco20292.pdf.</p> <p>There is also a prescribed consultation process for policy measures of the SSF (see Principle 2.5.2).</p>
Review	<p><i>Core</i></p> <p>Prudential tools are not generally identified as macroprudential and the potential systemic effects (including how various market participants may be affected) are not made explicit. It appears that few tools are in fact used with an explicit macroprudential policy effect in mind.</p> <p>However, the recent example of the development of the countercyclical capital buffer shows that the implementation process is rigorous and shows design aspects and scope of application.</p>
Comments	<p>To enhance transparency, instruments could be classified according to their macroprudential use, including specific objectives, and listed on the BCU website accordingly.</p> <p>In addition, a useful addition to the design process would be to publish the comments on policy tools, including the BCU's response.</p>
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.
Description	<p>Enforcement mechanisms for all prudential measures are authorized in the OCOT (https://www.bcu.gub.uy/Acerca-de-BCU/Normativa/Documents/Carta-Organica/carta_organica_toco.pdf, Article 35) and explained also in the Operational Framework of the SSF (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Documents/Documentos%20SSF/Marco_Operativo.pdf, Section 9), and as such are understood also to apply to macroprudential measures.</p>
Review	<p><i>Core</i></p> <p>Enforcement mechanisms are disclosed in general terms through the system of sanctions of the SSF.</p>
Comments	
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.

Description	Not applicable
Review	
Comments	
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.
Description	No disclosures are observed.
Review	<i>Not implemented</i>
Comments	ELA has not been activated for the past 19 years at the time of the domestic financial crisis. Since then, there has been no ongoing provision of ELA in any form to the financial system.
Principle 3.9.	Resolution: Selected principles from KA
Description	Not applicable
Review	
Comments	
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not applicable
Review	
Comments	
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>AML/CFT Supervisory Processes:</p> <p>The BCU's 2020 UIAF Annual Report (https://www.bcu.gub.uy/Servicios-Financieros-SSF/UIAF/Memoria%20UIAF%202020.pdf) discloses annual statistical information on the completion rates of its off-site and onsite AML/CFT supervisory activities for different types of supervised entities.</p> <p>The BCU's Operational Framework (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Marco-Operativo.aspx) discloses general information on the BCU's AML/CFT supervisory processes, based on its internal risk rating methodology and risk matrix. The BCU explained that both of these documents are classified as confidential through the application of Law 18.381 (Article 9 c) and BCU Board Resolution D-246-2020 Article 1(e).</p> <p>The BCU explained that information on the SSF's human and technical resources allocated to external AML/CFT supervision is available internally, but it is not disclosed publicly on the BCU's website.</p>

	<p>Resources Allocated to Internal AML/CFT Controls:</p> <p>While information on its internal AML/CFT controls is available to staff internally, the BCU does not disclose general information on its internal AML/CFT control activities, the human and technical resources allocated to these internal AML/CFT controls, and statistical information on the completion rates of its internal AML/CFT control activities.</p>
Review	<p><i>Core</i></p> <p>The BCU discloses general information on its approach to off-site and on-site AML/CFT supervisory activities of its supervised entities. However, aside from general statistical information on the number of off-site and onsite AML/CFT supervisory activities for different types of supervised entities, the BCU does not disclose any detailed information on its AML/CFT supervisory activities, nor does it disclose information on the human and technical resources allocated to these activities.</p> <p>The BCU does not disclose general information on its internal AML/CFT control activities, on the human and technical resources allocated to internal AML/CFT controls, nor on the completion rates of its internal AML/CFT control activities.</p>
Comments	<p>Beyond the summary of statistical information provided on yearly AML/CFT supervisory activities, the BCU could disclose more detailed information, including clearly disclosing the overall number of prudential on-site inspections and those with a specific AML/CFT component (based on their risk Review and procedural cycle), and the completion rates of its off-site and onsite AML/CFT supervisory activities.</p> <p>The BCU could disclose information on its internal AML/CFT control activities on behalf of the Compliance Department, including on the human and technical resources allocated to these internal AML/CFT controls and information on the completion rates of its internal AML/CFT control activities.</p>
Principle 3.12.	<p>Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.</p>
Description	<p>The tasks performed by the Superintendency regarding consumer protection are disclosed in its operational framework.</p> <p>Disclosure of Measures and Transparency on Consumer Protection of Financial Institutions:</p> <p>In addition to this, the SSF regulation requires institutions to inform their users (through an appropriate way) that they can file a complaint to the BCU. (See as an example of financial market, the 327 article of the "Recopilación de Normas de Regulación del Sistema Financiero").</p> <p>The SSF has the role and the responsibility under the OCOT to enact and develop regulations on Consumer Protection for the financial system. The regulation process is explained in the Operational Framework, pages 27 to 29 and the regulatory process is accessible for the public also on the BCU website. The SSF also publishes its annual regulation plan to keep the financial institutions informed.</p> <p>Consumer Protection Actions in Relation to Fair Treatment and Business Conduct:</p> <p>There is a "surveillance" system implemented by the SSF regarding consumer protection that takes place along with the monitoring system established for financial institutions. It is made simultaneously with the financial supervision activities.</p> <p>The SSF could also act on its own initiative (<i>motu proprio</i>) and investigate possible situations where fair treatment and business conduct could be compromised. The action from the SSF could start by information in the news, a general claim in social media, or the SSF learns of abusive practices. The</p>

proactivity of the SSF could also be initiated by learning about business products/practices that are not authorized by the SSF.

Dispute Resolution Mechanism:

The public can find on the portal [Definitions of claim, complaint and queries](#) and explanations on how to proceed depending on the situation that needs redress.

The services provided by the Consumer Protection Unit that handles complaints and answers queries/doubts are detailed and available on line through the link "[tramites en línea](#)" on the BCU website as well as on the official government website www.gub.uy for [complaints](#) or [queries](#). Complaints presented to the BCU are resolved by issuing resolutions that are published monthly. [Resolutions](#) are published without the name of the individual(s) that lodge the complains, which is in accordance with data privacy laws.

Complaint's Procedure:

To initiate a complaint, it is required that the financial user would have previously made a claim before the financial institution to whom the claim is addressed. A 15-day period has to pass from this first complaint to lodge the claim before the BCU or from the time extension reported by the financial entity.

The processing of complaints can be initiated through the following channels: email (ssfpublico@bcu.gub.uy), in person, through the BCU website (financial user portal, online procedures) or by sending a note. In all cases, the client must describe the problem, provide a copy of the identity document, the response received from the financial institution (if it has been received), and any other documentation that supports or provides evidence to the complaint made. The Consumer Protection Unit notifies the Financial Institution questioned and gives opportunity to discharge the allegations. Then, once the investigation finished, a resolution is adopted, the client and the entity are notified, and the resolution is published on the web site as well as the sanctions (if applicable).

Once the complaint is received, the process is initiated in a week and the time for a resolution varies depending on the complexity of the matter. The time frame to respond is established in the BCU [administrative regulation](#) (Articles 123 and 125).

Queries Procedure:

The query can be submitted by email (ssfpublico@bcu.gub.uy), by phone, in person, or through the institutional website (online procedures, financial user).

Queries made in writing are answered in 48 hours. Each query is recorded and classified for statistical purposes. Telephone or in person consultations are responded in the act.

Disclosure of the [operational framework](#) (procedures) are found on the website BCU website.

Financial Education on Consumer Protection:

Activities or actions developed to enhance the public knowledge on Consumer Protection are for example the following:

- The SSF oversees the administration of the content of the Portal of the Financial User "Portal del Usuario Financiero" with the aim to inform the public of the products, services provided

	<p>by the financial system, user's rights, and obligations among other things. (https://usuariofinanciero.bcu.gub.uy/Paginas/Default.aspx).</p> <ul style="list-style-type: none"> • A chatbot under the portal of the "Usuario Financiero" to give advice to the public and facilitate communication. • Publicity campaigns for example to alert the public on fraudulent activities and provide recommendations, on this regard see the campaign to promote secure operations published in its website. • There is also an educational activity called "World Investor Week."
Review	---
Comments	<p>The BCU discloses a range of measures to support transparency related to its functions for consumer protection, including:</p> <ul style="list-style-type: none"> • The legal framework that regulates promotional material of financial products and services safeguarding accuracy, honesty, and understandable information, not misleading. • The participation of stakeholders in the policy making process to ensure effective and proportionate financial consumer regime. A recent case for such consultation is in relation to the regulation about visually impaired people and ATM's where the "Unión Nacional de Ciegos del Uruguay" was asked to make comments. • Its involvement in financial education and awareness that is implemented using various means and channels. The financial education to vulnerable groups should continue to reduce financial educational disparities and strengthen the fair treatment conduct in the financial markets. • Awareness about the rights and responsibilities of consumers that are accessible on the specified portal ("Usuario Financiero"). • A well-disclosed and accessible system to handle complaints in a clear, affordable, timely and efficient manner. • A regulatory system that provides a protection mechanism against fraud and misuse, promotes that consumer should be treated fairly and equitably, and oversees that supervision is done with adhesion contracts to encourage responsible business conduct, with the possibility to establish sanctions and penalties and allow possible redress to the customer.
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: <i>The central bank is transparent about the outcome of its monetary policy conduct.</i>
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>The MPR contains the description of the economic context as well as the Central Bank Review of the monetary management and macroeconomic projections.</p> <p>The MCC is an avenue for sharing information related to monetary policy conduct and general economic policies and establish price stability aims to which the Bank commits and the general currency exchange system (Article 41 of Organic Charter of the Central Bank).</p>

	As stipulated in Article 46 of the BCU OCOT, the BCU is accountable to the legislative branch of Government. In that context, each year (1 st of March) the Board of Directors of the BCU sends a report to the Parliament of the Republic regarding the conduct and the output of central bank actions. This report includes a list of the activities performed in the previous year regarding monetary policy conduct, an evaluation on the obtained results regarding the pursued purposes, and the plans for the current year. This report is not disclosed on the BCU website.
Review	<i>Expanded</i>
Comments	Disclosure on the BCU website of the report sent to the Parliament of the Republic – the Memoria Annual - that is prepared annually highlighting the main events of that year would enhance transparency and accountability. This document is prepared and submitted on March 1 in accordance with the OCOT. However, this document is not published on the BCU's website, neither is it classified as confidential.
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	<p>The BCU communicates its monetary regime, which aims for 5 percent annual inflation in a horizon of two years and that should fluctuate within a 2 percent deviation from its target. This target and range will change in September 2022 to a 4.5 percent annual inflation target and a deviation of 1.5 percent (see Principle 2.1 for references).</p> <p>The MPR reports whether the target was achieved. It also discloses the evolution of private sector expectations and the prospects for achieving them is considered in projections. It announces a guide for future monetary policy development considering macroeconomic conditions. It also explains how it expects the transmission mechanisms to operate to achieve the target. Boxes in the MPR have also explained the economic models and the data used in the forecasting of the main macroeconomic variables and of its monetary policy objective of inflation control (see in particular QI-2021 MPR, https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Reportes de Poltica Monetaria/pepmam04i0321.pdf).</p>
Review	<p><i>Comprehensive</i></p> <p>Discussions in the MPR describe progress toward achieving the monetary policy objective, and how it is expected to operate in the short term. The methods, techniques and data underlying monetary policy evaluations are also disclosed.</p>
Comments	
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>The BCU publishes its operational objective (one day money market interest rate) daily, as well as the amounts operated in the one day money market, distinguishing between operations with central bank counterparty and others (see https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Tasa-1-Dia.aspx).</p> <p>The MPR (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Reportes-de-Politica-Monetaria.aspx) analyzes liquidity management, the money and exchange rate markets and interest rates. In particular, it compares the observed one-day money market interest rate with the operational target.</p>

	<p>The MPR provides also detailed information on the outcome of the BCU liquidity providing and absorbing management operations (outcomes of the emission of BCU bills on the primary market; OMOs, most notably the BCU fine tuning operations (<i>instrumentos de sintonia fina-ISF</i>) on the short-term segment of the interbank market. The MPR also provides detailed information on the turnover in the interbank market, and on the level of market rates (overnight operational target and yield curve). Finally, MPR provides detailed data on the various monetary aggregates relevant for the conduct of monetary policy (including the aggregate level of banks' balances with the BCU), as well as on the evolution of the money multiplier. The effect of the reserve requirement on banks' liquidity is also discussed, including information on the free reserves maintained by the banks.</p> <p>Daily volumes and interest rates of monetary operations are disclosed on the BCU website (https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Cierre-del-Mercado-de-Cambios.aspx). Monthly data is also provided on the website (https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Informe-Diario-Pasivos-Monetarios.aspx).</p>
Review	<i>Expanded</i>
Comments	Transparency would be enhanced by disclosure of the realized autonomous liquidity factors.
Principle 4.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses the outcome of its policy implementation.
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	See Principle 2.2.1
Review	Not applicable*
Comments	
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	See Principle 3.3.2
Review	Not applicable*
Comments	
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	See Principle 3.2.2
Review	Not applicable*
Comments	
Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.

Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	<p>The decision-making structure and accountability framework for FX management actions are stated in the BCU OCOT posted on the website:</p> <ul style="list-style-type: none"> • As stated in Article 41, the MCC is responsible for the definition of the exchange rate regime. The role of the BCU regarding FX management, is stated in the BCU OCOT: (i) Apply the necessary instruments (Article 7); (ii) Regulate the foreign exchange market (Article 24); and (iii) Buy and sell foreign exchange (Article 26). • As stipulated in Article 10, the Board of Directors is responsible for the Bank's general administration and policies. To exercise its duties, the Board of Directors has the power to approve orders, resolutions, and rules to put into effect the provisions of Article 7, 24, and 26 of the BCU OCOT. • As stipulated in Article 46, the BCU is accountable to the legislative branch of Government. In that context, each year (March 1) the Board of Directors of the BCU sends a report regarding the conduction and the output of central bank actions to the Parliament of the Republic. This report includes a list of the activities performed in the previous year regarding its foreign exchange management actions, an evaluation on the obtained results regarding the pursued purposes, and the plans for the current year. • As stipulated in Article 41, the MCC is an avenue for sharing information related to the central bank's competences and general economic policies.
Review	<i>Expanded</i>
Comments	Transparency vis-à-vis the public at large would be enhanced by general explanations on the BCU website of the taxonomy of its FX management framework, responsibilities of its governing bodies, and evaluation of the policy actions taken.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	<p>As discussed in Principle 2.3.1, in the context of the BCU's monetary policy based on IT and a floating exchange rate regime, the BCU sees FX intervention as a policy tool to reduce excessive volatility that affects inflationary expectations and uncertainty. The exchange rate of the peso is determined on the basis of supply and demand, although the BCU reserves the right to intervene to cushion abrupt changes in a concentrated market of few transactions. The CB periodically intervenes in the exchange market to smooth excess exchange rate volatility without affecting its fundamentals-driven trends.</p> <p>Every time FX intervention is activated the BCU discloses daily intervention levels by type of instruments used (spot, forward, NDF) on its website, and a summary is also presented in the MPR, together with relevant explanation, in particular the nature of the flows that impacted the FX market. This involves also more detailed disclosure of the motivations that may have led to FX intervention in the case of episodes of excessive volatility that affects inflationary expectations and uncertainty (see Principle 2.3.1 for an example).</p> <p>The BCU Annual Report also provides a summary discussion based on the more detailed information contained in the various MPRs that are attached to the BCU Annual Report.</p>

Review	<i>Expanded</i>
Comments	Transparency for the public at large would be enhanced by generic explanations regarding the rationale for FX intervention given the current microstructure of the Uruguayan FX market characterized by a limited number of participants, and a concentrated market with few transactions.
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	The BCU publishes information on its FX intervention and daily amounts traded on its website differentiating which instrument was used (see https://www.bcu.gub.uy/Politica-Economica-y-Mercados/Paginas/Cierre-del-Mercado-de-Cambios.aspx). Quarterly aggregated amounts are also published in the MPR, distinguishing operations with the central government, and FX interventions spot or forward over the last three years.
Review	<i>Comprehensive</i>
Comments	
Principle 4.4.	Foreign Exchange Reserve Management: <i>The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.</i>
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	The BCU publicly discloses its Corporate Governance related to its Foreign Exchange Reserve Management (see 2.4.1).
Review	<i>Expanded</i>
Comments	The quarterly Reserve Management Report discloses the governance arrangements regularly, and the information herein could be complemented by linking this report to the Board Resolutions that set out the protocols for the two management committees that have been designated responsibilities for FX reserves management on behalf of the BCU Board. The Reserve Management Report could disclose additional measures for internal accountability, wherein minutes of COMPAR and COMINV are required to be submitted to the Internal Audit Inspectorate General, as per Item 4 in R.No.D:234-2-2012 and Item 4 in R.No.D:235-2-2012.
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	The BCU complies with this principle through a quarterly report on Reserve Assets Management and its annual audited Financial Statements (notes), both published on its website. Banco Central del Uruguay discloses data relating to the level of reserve assets, asset composition for respective strategic tranches, distribution by type of counterparty, by credit quality and currency https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Gestion-Reservas.aspx .

	Short-term liabilities of Banco Central del Uruguay are disclosed on its website on a weekly basis https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Planilla-Liquidez-Internacional.aspx .
Review	<i>Comprehensive</i>
Comments	
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	The amount, composition, profit/loss, and risks arising from foreign exchange reserves are clearly disclosed in the annual Audited Financial Statements published on its website.
Review	<i>Core</i>
Comments	The BCU publishes the interest income broken down into accrued and realized. Additional general information on the performance (with respect to the benchmark as defined in 31.2) could be made publicly available.
Principle 4.5.	Macroprudential Policy: The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	Article 46 of the OCOT prescribes an annual written report of the BCU to the General Assembly providing an account of its work and activities, information that is also published in its Annual Report (https://www.bcu.gub.uy/Acerca-de-BCU/MemoriaBCU/bcu_memoria_2020.pdf). Macroprudential policy being part of the mandate of the BCU, accountability for this policy function is included in this process. In addition, the Decree 224/011 of June 23, 2011, establishing the inter-agency FSC (https://www.bcu.gub.uy/Acerca-de-BCU/Documents/Comit%C3%A9%20de%20Estabilidad%20Financiera/decreto_224_2011.pdf), and in it the membership of the BCU and the SSF, imparts accountability to the other members of the FSC and to the public at large.
Review	<i>Core</i> The reporting requirements of the OCOT, as well as the Decree establishing the inter-agency FSC provide a core level of accountability of the BCU on its macroprudential policies. The Annual Report of the BCU operationalizes its accountability in this area by linking to the activities report of the SSF.
Comments	Transparency could be enhanced by providing an explicit mention or focus in the Annual Report on the BCU's macroprudential policy work, including a description of policy objectives and their attainment.
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	There are no ex-post evaluations of macroprudential policies.

Review	<i>Not implemented</i>
Comments	To achieve core implementation of this principle, the BCU should disclose ex-post evaluations of its macroprudential polices, including by publishing as BCU policy papers some of the background research that may be conducted in various areas of the BCU (including as currently published in working papers).
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not applicable
Review	
Comments	
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	The ELA framework established in Article 32 of the BCU OPCOT does not allow for disclosures of the provision of emergency liquidity assistance support.
Review	<i>Not implemented</i>
Comments	The BCU should consider the context (when, and what information) for the disclosure of ELA within its operational framework, and the ways it will communicate about its accountability for this function that is shared across other institutions. While the provision of ELA should typically be confidential while the operation is ongoing (to preserve financial stability) the BCU should disclose any ELA operations posteriori (e.g., in its Annual Report) in a way that should be agreed with the external auditors. Furthermore, the central bank should be ready to communicate publicly on an ELA operation, if the transparency of its balance sheet makes it evident to external observers that such operation may be ongoing, and in case a proactive communication may support financial stability. These guidelines would need to be undertaken jointly with the other relevant public stakeholders.
Principle 4.8.	Resolution: Selected principles from KA.
Description	Not applicable
Review	
Comments	
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not applicable
Review	
Comments	

Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>Outcomes of AML/CFT Supervisory Actions:</p> <p>The BCU's 2020 UIAF Annual Report (https://www.bcu.gub.uy/Servicios-Financieros-SSF/UIAF/Memoria%20UIAF%202020.pdf) discloses general statistical information on the number of sanctions applied to supervised entities. The BCU discloses a monthly summary of all sanctions imposed by the SSF, including those related to AML/CFT breaches, via Resolutions (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/SancionesDeLaSSF.aspx) and (https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Resoluciones_SSF.aspx). The complete Resolution is disclosed, unless it contains confidential information (under Article 5 of Law 18.381). The information disclosed contains the name of the financial institution and the enforcement actions imposed. If the Resolution is not classified as confidential, the published information includes a description of the AML/CFT breaches identified.</p> <p>The BCU's 'Transparency' webpage (https://www.bcu.gub.uy/Acerca-de-BCU/Paginas/Transparencia.aspx) discloses the existence of Board Resolution RD 246-2020, which describes the classification of reserved and confidential matters applied to sanctions imposed. Resolution RD 246-2020 is available on the BCU website (https://www.bcu.gub.uy/Acerca-de-BCU/Transparencia/Resoluciones/246.pdf), it is however not searchable via the search function and the SSF sanctions webpage does not disclose the Resolution or links to it. The published sanctions indicate the type of breach (e.g., AML/CFT) but cannot be filtered, which makes it difficult to search for specific AML/CFT-related sanctions.</p> <p>The BCU explained that it shares recommendations for remedial actions with sanctioned institutions as applicable and follows up on the implementation. The BCU does however not disclose information regarding the implementation of remedial actions as a result of an imposed sanction, due to confidentiality provisions under Resolution RD 246-2020, article 2(b), which stipulates that <i>"information received physically or electronically from the supervised entities and the information prepared by the SSF based on it, with the exception of [information] intended for inclusion in public records; as well as reports on supervisory actions, particular instructions, reports containing personal data require prior consent for their disclosure."</i></p> <p>Oversight of Internal AML/CFT Controls:</p> <p>The BCU's 2020 UIAF Annual Report discloses general statistical information on the number of suspicious transaction reports submitted to the Unit.</p> <p>The BCU does not disclose information on the outcomes of its internal AML/CFT controls as tested by the Department of the Compliance Officer.</p> <p>The BCU explained that internal audit reports assessing the effectiveness of the BCU's supervision, including AML/CFT internal controls, are presented to the Board of Directors (see description of Pillar 3.11.). The BCU does however not disclose the findings of such reports.</p>
Review	<p>Core</p> <p>The BCU publishes the outcome of its AML/CFT supervisory activities monthly in the form of Resolutions. For imposed sanctions, the information that is disclosed contains the name of the financial institution and the enforcement actions imposed, as well as a brief description of the breaches identified, if the Resolution is not classified as confidential. The BCU does not disclose</p>

	<p>information regarding the implementation of remedial actions as a result of its supervisory actions due to applicable confidentiality provisions.</p> <p>The BCU discloses statistical information on the number of suspicious transaction reports submitted to the financial intelligence unit in the Annual Report of the Financial Intelligence Unit UIAF.</p> <p>The BCU does not disclose the outcomes of its internal AML/CFT controls, nor does it disclose audited findings on the effectiveness of internal AML/CFT controls.</p>
Comments	<p>The BCU could enable a search function for applied sanctions by type of breach (e.g., AML/CFT) to allow a search on its website for specific AML/CFT-related sanctions. In addition, the BCU could disclose information on the implementation of remedial actions, while allowing case-by-case exceptions particularly where publication would jeopardize the stability of financial markets or an on-going investigation.</p> <p>The BCU could disclose findings of the effectiveness of its internal AML/CFT controls, either through the publication of information from an internal independent audit or an independent and reputable third-party auditor.</p>
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	<p>The SSF publishes on an annual basis a general and comprehensive report of the Unit "Atención al Usuario Financiero" with specific comments of the functions and results regarding consumer protection.</p> <p>Regarding the disclosure of new regulation, the SSF publishes the result of its new Consumer Protection regulations according to the previous year plan.</p> <p>Dispute Resolution Outcome:</p> <p>The BCU reports extensively on consumer protection complaints, resolutions, and sanctions resolutions, which are disclosed in the BCU web page:</p> <p>The Portal on Financial User publishes statistics on measures taken by the BCU related to consumer protection-related complaints and queries (https://usuariofinanciero.bcu.gub.uy/Paginas/Reporte-Usuario.aspx).</p> <p>Other general reports, like the Memoria Annual, pages 19 and 20, contain the outcome and of the activities and tasks on consumer protection; the Annual Report of the Consumer Protection Unit and the Financial System Report (page 92). Some more activities preventing fraud or misconduct from financial entities is reported at the Memoria annual 2020.</p>
Review	---
Comments	The BCU-SSF has an adequate accountability system for the redress mechanism. It extensively discloses resolutions, sanctions and statistics regarding complaints and queries.
Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.

Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>The OCOT establishes the advisory role of the BCU to the Executive under article 40 in all matters related with the entity's purposes and competences.</p> <p>MCC:</p> <p>The OCOT (Article 41) establishes a formal mechanism for such interaction with the establishment of a MCC that comprises the Minister of Finance and Economy and two other executives of his party and appointed by him and by the three members of the Central Bank's Board of Directors. Its duties include: (i) to share information related to the central bank's competences and general economic policies; and (ii) to establish price stability aims to which the Bank commits and the general currency exchange system. If there is no agreement between the Bank's representatives and the Ministry, the Executive Branch will take the final resolution.</p> <p>The MCC has no clear calendar of meetings, but its statements are published as a press release under the BCU official website.</p> <p>PDCC:</p> <p>It is created by resolution of the MCC, and facilitates technical bilateral cooperation between the MOEF and the BCU. The Debt Committee is headed by the manager of Economic Policy and Markets of the BCU and the Director of Debt Management Unit of the MOEF. The Debt Committee belongs to the MOEF and Economy, its resolutions are also published in the BCU webpage, and meets four times a year.</p> <p>Exchange of Information:</p> <p>Articles 42 and 43 of OCOT determine the reporting obligation of the BCU to the government on Monetary Policy specifically, but also its duty to "inform in detail all circumstance, factors or situation that can seriously affect the national economy and is able to propose corrective measures." OCOT article 44 determines the power of the BCU to request information from the Executive Branch, State Entities, decentralized services and Departmental Governments... "to fulfill its duties and functions..."</p> <p>BCU discloses the interaction, regarding financial integrity, with other governmental institutions like the Ministry of Internal Affairs, the actions are communicated to the public by press release.</p>
Review	<p>Core</p> <p>The BCU has a clear legal framework that regulates its interaction with the government. The BCU relation with the government, MOEF and economy is established through the MCC as it is disclosed in the OCOT. The Resolution for the creation of the PDCC is also published. However, the rules or operational procedures of the MCC and the PDCC that establish coordination of policies and exchange of information with the government are not fully disclosed on the BCU website.</p> <p>MoU's with other public institutions are not disclosed. Nonetheless the BCU has a regular practice to inform the public of such interactions through press releases. Unfortunately, the press releases are not easily accessible on the BCU website.</p>
Comments	The BCU website should explain the BCU coordination arrangement within the MCC and the advisory role to the government. The BCU should also explain to the public the technical coordination role of the BCU within the PDCC.

	<p>The press releases in general done in conjunction with the MOEF, regarding the MCC and the Debt Committee should be published in an easily accessible manner, decisions from the BCU Board related to relations with the government should also be placed in a single place on the website.</p> <p>The BCU could enhance transparency disclosing MoU's that outline cooperation and exchange of information. The disclosure of procedures of the above-mentioned committees will considerably strengthen transparency.</p>
Principle 5.1.2.	The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.
Description	<p>Financial Transactions with the Government:</p> <p>The OCOT (Article 7) determines the role of the BCU as fiscal agent and banker to the government. Regarding banking services to the government, the BCU has an MoU with the MOEF regarding the cost of the operations. OCOT (Article 27) makes provisions that <i>"banking services on behalf and by order of ...the Executive Branch, the Bank may conclude compensation and Payment agreements or any type of contract with similar aims or related to private or public entities that render these services."</i> These are made operational through an MoU that is classified as confidential.</p> <p>Payment transactions done on behalf of the government are detailed on Book I of the Collection of Payment System Rules that establishes the conditions to open and account at the BCU.</p> <p>Articles 48 and 54 of the OCOT gives the task to the BCU of issuing and managing public securities. The interaction between the BCU and the Ministry of the Economy regarding the issuance of securities is defined in two ways. In the first place the debt issues in the local financial market within a regularity framework in which the government defines a semi-annual issuance schedule. The BCU carries out the bidding, issuance, and settlement of financial instruments.</p> <p>Secondly, the BCU and the Ministry of the Economy may carry out special debt swap operations on behalf of the government. These terms and conditions are established in the Debt Coordination Committee, and their disclosure is on the BCU website: communication of the last of these special operations.</p> <p>Credit to the Government:</p> <p>Policies regarding credit to the government are disclosed under article 45 stating that the <i>"Bank will only give loans to the Executive Branch (or any other public legal entity through purchase, on its own account, of public issuing securities. That will not exceed 10% of the National Budget expenditures that was effectively carried out in the previous fiscal year, nor may they exceed the holding of such securities at any time..."</i> No further explanation in clear and accessible manner is displayed in the BCU website regarding and such operations.</p>
Review	<p><i>Core</i></p> <p>The BCU legal framework publicly discloses policies governing financial transactions with the Government. Terms and conditions could be better developed and disclosed in rules and regulations and made available. It could also include activities in the BCU's role as fiscal agent and the management of the current account and deposits.</p>
Comments	The BCU should disclose in more detail, in accessible manner, easy to understand the functions of the BCU with the government including terms and conditions on credit to the government.

	While terms and conditions are determined on a case-by-case basis, the BCU could enhance transparency by providing general guidelines for its role in the process and the scope of the interaction on financial transactions with the government.
Principle 5.1.3.	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.
Description	<p>The BCU discloses its financial interactions with the MOEF; especially operations that have been determined under the umbrella of the PDCC. The press releases are made by both the MOEF and the BCU.</p> <p>The issuance of public securities is announced in advance and there is a process to communicate to the public every issuance. In this regard, the current issuance schedule and a communication from the BCU that provides the details of a new government security are available on the BCU website. The auctions calendar for government securities, is regularly disclosed in the BCU website, as well of information on the emission of treasury notes.</p> <p>BCU disclosures of the financial transactions conducted on behalf of the government consist of the publication of results of special operations, debt swaps.</p> <p>In reference to the role as banker of the government the BCU discloses information on the interest paid for money in current accounts at the BCU.</p> <p>The BCU also engages in operations to hedge public risk of the public sector enterprises like foreign exchange operations in the futures market.</p>
Review	<p><i>Core</i></p> <p>The instruments used in the interaction of financial transactions between the BCU, and the Government are disclosed on mostly at the website of the MOEF, while the information is only partially disclosed by the BCU in its website.</p> <p>There is no written general guideline published that explains the details of the communication with the markets done in conjunction with or on behalf of the MOEF.</p>
Comments	<p>The BCU should develop further the operational regulations/procedures that could be disclosed to the public in accessible manner regarding the instruments used to fulfill its task of fiscal agent and banker to the government.</p> <p>The BCU should at least replicate the information already disclosed already by other public agencies regarding their interactions. The BCU should publish this information not only under Board Resolutions but also disclose them in a friendly and accessible manner as financial operations performed for the public sector.</p>
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	<p>The annual report of the central bank "Memoria Annual" publishes a paragraph informing on macroeconomic statistics, balance of payment systems harmonized with the national accounts, and reports on payment systems.</p> <p>The MPR refers to and shows data on the variation factors of reserve assets and foreign currency transactions between BCU and the government.</p>

	<p>The monetary base reports, specifically, the concepts 3 and 4 in sheet "BASE MONETARIA" and concept 5 in sheet "ACTIVOS DE RESERVA" (Reserves) refer to instruments used in the interaction between the central bank and the government https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Informe-Diario-Pasivos-Monetarios.aspx, especially lines 1.4 and 1.6 of the reserves spreadsheet.</p> <p>Credit to the government, (Public Debt) reports and statistical methodologies used to inform the public are published under the tab " finanzas publicas" on the Central Bank website.</p> <p>In some other statistics the gross and net public debt is presented broken down according to debtor, creditor, term, instrument, currency, and residence, under the tab "financiamiento gobierno central."</p> <p>BCU report and explains in its Financial Statements the outcome of the BCU's agency role to the government, specifically in paragraph 2.30 and item 32 of the financial statements year 2020.</p>
Review	<p>Expanded</p> <p>The BCU discloses on a regular basis the outcome of its interactions with the government with respect to its role as fiscal agent and banker to the government. Relevant statistical data is disclosed via various platforms and specially in the BCU website. There is reporting and accountability on the exercise of the BCU functions with respect to the government.</p>
Comments	<p>The publication of various statistics and the disclosure on the website of the outcome of the transactions with the government in different types of reports, like the MPR. Additionally, the monetary base report and the Financial Statements provide other information sources where outcome of the transactions with the government are disclosed on a frequent basis.</p>
Principle 5.2.	Domestic Financial Agencies: The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>The Bank Savings Protection Corporation (COPAB) created by Law 18.401 is a public financial agency that interacts with the BCU. Under article 15 of the above-mentioned law, it is established that the Central Bank of Uruguay will coordinate with the COPAB through the convenient means to obtain the public interest aims that both shares.</p> <p>The COPAB is the only financial agency of the government outside the Central Bank of Uruguay.</p> <p>The MoU with COPAB is confidential in accordance with Law 18.381 (see Principle 1.8). The MoU was commented in the Annual Report of COPAB in 2013, and in that way discloses the main objectives the relationship to the public. But this is not disclosed by the BCU.</p> <p>The Financial Stability Committee was established in 2011. The Committee is formed by the Minister of Economy and Finance, the President of the Central Bank of Uruguay, the Superintendent of Financial Services, and the President of the Bank Savings Protection Corporation (COPAB). The Committee's objectives are the following: (i) exchange information and views about the financial system today and future perspectives using a systemic and macro-prudential approach; (ii) foster academic studies that identify and measure systemic risks that could impact the financial system; (iii) propose risk management strategies that will help each organization to effectively fulfill their specific mandates; (iv) provide support to instruments for preventing and effectively managing crises that potentially could have systemic impact, including contingency planning and early warning systems;</p>

	and (v) coordinate with regional and international organizations initiatives in support of financial stability, either by facilitating information exchange between organizations or by building strong working teams to better achieve the established objectives.
Review	<p><i>Core</i></p> <p>BCU legal framework contains provisions establishing cooperation between the BCU and domestic financial institutions, as well as basic terms and conditions with a view to information sharing, coordination of activities, or any other cooperation agreement.</p>
Comments	A designated tab on the BCU website for these relations could enhance transparency about the BCU's relations with the government and its agencies. There is a reference in the institutional, but it is not complete in reflecting the different relations and functions performed by the BCU in relation to the public sector.
Principle 5.2.2.	The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Description	<p>COPAB</p> <p>As mentioned in principle 5.2.1 the operational cooperation agreement with COPAB is confidential, in accordance with the provisions of Law 18.381.</p> <p>Financial Stability Committee:</p> <p>Since it is a forum of cooperation and exchange of information there are no instruments in the interaction, but mostly activities and actions. The outcome of the interaction is disclosed by a press release. All press releases are of the FSC are disclosed and published in the BCU website.</p> <p>The Committee must convene at least once a year per article 4 of the same Decree and must create its basic rules of procedure (“reglamento” in Spanish). The rules of procedure were written and approved in the “Minutes” the very first time the FSC convene after its creation in 2011. Minutes and resolutions made by the FSC are not published, because they are of reserved nature, but they can be accessed through a formal request of information under the Access to Information Law (Law 18.381)—see Principle 1.8.</p> <p>The Technical Commission, created by Decree 224/011 Article under the FSC, is responsible to elaborate required reports and it will be formed by representatives designated by each of the members of the FSC. This technical commission makes analysis and could propose strategies, in accordance with the decree, and each member of the FSC will assume the tasks in accordance with its legal mandate. But none of this analysis done within the FSC is published.</p> <p>The communication between the FSC and the BCU is done through its representatives—the President of the Board and the Superintendent who are the members. To articulate internal actions within the BCU regarding to the above-mentioned inter-agency mechanism the BCU Board created an internal committee on Financial Stability to support the FSC and its Technical Commission. After each meeting there is a press release “comunicado” from the FSC that is published in the BCU website. Also, all the press releases from the FSC are published by date on the same website. The press release is the only information that is disclosed to the public.</p>
Review	<p><i>Core</i></p> <p>The role and responsibilities of BCU as a member of the FSC should be clearly disclosed on the BCU website.</p>

Comments	See comments on 5.2.1
Principle 5.2.3.	With respect to macroprudential policy, the central bank discloses its role, responsibly, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.
Description	The BCU has a broad mandate under article 3 of the OCOT that clearly states BCU responsibility to regulate and supervise payment and financial systems to promote soundness, solvency, efficiency, and development. The mechanism of collaboration on those topics with other public institutions is through the FSC (see principle 5.2.1).
Review	Core The BCU does not disclose explicitly its role and responsibilities on macroprudential policies within the FSC. The disclosures on financial stability and macroprudential roles for the BCU are not identifiable through a press release of the FSC. In the context where each member institution to the FSC implements its responsibilities in accordance with its specific mandate, meeting outcomes are in the form of resolutions, but they are not published (see subprinciple 2.5.1).
Comments	The BCU does not disclose explicitly its role and responsibilities on macroprudential policies within the FSC. The disclosure is done through a press release in general terms and in such press, release does not assign any task to the BCU specifically. Each member institution to the FSC implements its responsibilities in accordance with its specific mandate. The outcome of the meetings is a resolution, but it is not published.
Principle 5.2.4.	With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.
Description	The BCU has a broad mandate under Article 3 of the OCOT that clearly states BCU responsibility to regulate and supervise payment and financial systems to promote soundness, solvency, efficiency, and development. The mechanism of collaboration on those topics with other public institutions is through the FSC (see principle 5.2.1).
Review	Core The BCU does not disclose explicitly its role and responsibilities on financial stability policies within the FSC. The disclosure is done through a press release in general terms and in such press, release does not assign any task to the BCU specifically on financial stability issues. Each member institution to the FSC implements its responsibilities in accordance with its specific mandate. The outcome of the meetings is a resolution, but it is not published.
Comments	
Principle 5.3.	Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.
Description	The OCOT (Article 7, F) establishes the BCU's function to "represent the Government before international financial Institutions and execute the financial transactions related with the State's

	<p>participation in these organizations". In this regard, the BCU discloses on the website the actions taken on behalf and in the representation of the government. It is also explained and disclosed in the website the role and the scope of such representation.</p> <p>The BCU discloses its membership to different foreign agencies, explaining the nature of its relationship and main commitments. The BCU website discloses a list of organizations with whom the BCU interacts through various forms; it gives a brief description of the international institution and the nature of the interaction, even the link to the statutes or international agreements signed by the government of Uruguay.</p> <p>Regarding other types of international institutions, the OCOT(Article 38,U) and Law 16.696 (Article 11), Law18.401 and Law 18.627 on Capital Markets(Article 9,14) give the power to the BCU (and the SSF) to subscribe to MoUs regarding inter-agency cooperation with international financial institutions, other central banks, or other supervisory institutions in areas of its competency and mandate. The BCU then has the power to subscribe MoU regarding cooperation and exchange of information and advice on a bilateral or multilateral basis. Such information is disclosed by the BCU in accordance with the agreement, but the nature of the information as reserve or confidential.</p> <p>A complete list of the MoU or agreements could be found on the website with a link to the agreement.</p> <p>The BCU publishes in press releases or announcements the signature of such MoU and they are also disclosed under Board Resolutions.</p>
Review	<i>Comprehensive</i>
Comments	The BCU discloses in detail terms and conditions of its interactions with international organizations, other central banks, MoU with international agencies for the exchange of information and cooperation. The BCU does it in the most transparent manner, explaining the nature of the interaction and what it entails publishing the agreement itself. The information is disclosed in an accessible manner and plain language and could be found in easily on the website, as press releases, Board decisions, and under the "institutional affairs" tab.
Principle 5.4.	Other Relationships: The central bank discloses its involvement with private or semi-public institutions.
Description	Not applicable
Review	
Comments	

Appendix I. List of BCU Board Members, Executives and Departments, and External Stakeholders

The mission conducted meetings with BCU Board, Executives, and Departments, and met with various stakeholders as follows:

BCU Board and Executive Management

- President Diego Labat
BCU President and Board Chair
- Mr. Washington Ribiero
Vice-President
- Mr. Daniel Artecona
Manager, Legal Advisory Unit
- Mr. Juan Pedro Cantera
Superintendent of Financial Services
- Mr. Jorge Christy
Secretary General
- Gerardo Licandro
Manager, Economic Advice
- Mr. Walter Morales
Manager, General Inspectorate and Internal Audit
- Mr. Adolfo Sarmiento
Manager, Economic Policy and Markets

BCU Departments and Committees

- Accounting and Budget Department
- Audit Committee
- Compliance Officer
- Communications Department
- Economic Policy and Markets Division
- Financial Stability Department
- Human Capital Management
- Internal Audit Department
- Internal Financial Stability Committee

BCU Departments and Committees (concluded)

- Legal Department
- Monetary Policy Committee
- Reserves Management Department
- Strategic Planning and Organizational Development Department
- Superintendency of Financial Services

External Stakeholder Institutions

- La Asociación de Bancos del Uruguay
- Banco de la República Oriental del Uruguay (BROU)
- Bank Savings Protection Corporation (COPAB)
- Canal 10 TV/Radio Carve—media/journalist
- Center for the Study of Economic and Social Affairs (CERES)—Non-profit research center specializing in public bodies
- Chamber of Industry (manufacturing companies account for approximately 75 percent of goods exports in the country)
- El Observador—media/journalist
- El País—media/journalist
- FITCH Rating Agency
- Instituto de Economía Universidad de la República
- Ministry of Economy and Finance—Debt Office
- Santander Bank