

# No. 214/1998

## ACT ON THE BANK OF FINLAND

Issued in Helsinki on 27 March 1998

### CHAPTER 1

#### GENERAL PROVISIONS

#### **Section 1. *Status***

The Bank of Finland is the central bank of Finland. It is an independent institution governed by public law.

The Bank of Finland shall act as part of the European System of Central Banks in the manner laid down in the Treaty establishing the European Community, hereinafter referred to as '*the Treaty*', and the Statute of the European System of Central Banks and of the European Central Bank, hereinafter referred to as '*the Statute*'.

In performing tasks of the European System of Central Banks, the Bank of Finland shall act in accordance with the guidelines and instructions of the European Central Bank.

#### **Section 2. *Objective***

In accordance with the Treaty, the primary objective of the Bank of Finland shall be to maintain price stability.

Without prejudice to the objective laid down in paragraph 1, the Bank of Finland shall also support the achievement of other economic policy objectives in accordance with the Treaty.

#### **Section 3. *Tasks***

The task of the Bank of Finland shall be to contribute to the execution of monetary policy as defined by the Governing Council of the European Central Bank.

The Bank of Finland shall also:

- 1) contribute to maintenance of the currency supply and issuance of bank notes;
- 2) contribute to holding and management of foreign exchange reserves;
- 3) participate in maintaining the reliability and efficiency of the payment system and overall financial system and participate their development; and

4) provide for the compilation and publication of statistics as necessary for carrying out its tasks.

#### **Section 4. *Independence and cooperation with other authorities***

In performing tasks of the European System of Central Banks, neither the Bank of Finland nor members of its governing bodies shall seek or take instructions concerning such tasks from entities other than the European Central Bank.

The Bank of Finland shall cooperate as necessary with the Council of State and other authorities.

#### **Section 5. *Powers***

In order to carry out its tasks, the Bank of Finland is empowered to:

- 1) grant and obtain credit;
- 2) accept and make deposits;
- 3) engage in trade in securities, precious metals and foreign exchange;
- 4) handle payment transactions and clearing of payments;
- 5) engage in other activities in the securities, money and foreign exchange markets; and
- 6) issue rules and instructions concerning the handling of notes and coins to banks and other monetary institutions and to other similar entities.

The Bank of Finland may own shares, other participations and real estate to the extent necessary for carrying out its tasks and organizing its activities.

#### **Section 6. *Prohibition of public financing***

The Bank of Finland is not allowed to grant credit to any institution or body of the European Union or to any Member State of the European Union or its regional, local or other authorities, or to any other public entity.

Nor is the Bank of Finland allowed to subscribe to debt instruments issued by entities referred to in paragraph 1.

With the exception of credit institutions, the provisions laid down in paragraphs 1 and 2 shall apply also to companies in which a public entity referred to in paragraph 1 exercises control. Publicly owned credit institutions shall be given the same treatment as private credit institutions in the context of the supply of reserves by central banks.

### **Section 7. *Collateral***

The Bank of Finland shall hold adequate collateral in connection with the granting of credit.

Such rights of the Bank of Finland as relate to collateral used in connection with the performance of tasks prescribed in Section 3 shall remain valid in the event that insolvency or other similar proceedings have been initiated in respect of the provider of collateral. Such collateral shall not be cancelled pursuant to Section 14 of the Act on Recovery by a Bankrupt's Estate (758/1991), provided it posted without undue delay following the Bank's acquisition of the right to require collateral. (18 December 1998/1004)

### **Section 8. *Capital***

The Bank of Finland shall have primary capital and a reserve fund.

The reserve fund can be used for increasing the primary capital or for covering losses, as prescribed in section 21.

## **CHAPTER 2** **ADMINISTRATION**

### **Section 9. *Governing bodies***

The Bank of Finland's governing bodies are the Parliamentary Supervisory Council and the Board.

### **Section 10. *Parliamentary Supervisory Council***

The Parliamentary Supervisory Council, which shall consist of nine members elected by Parliament, shall elect a chairman and a deputy chairman from among its members.

A member of the Parliamentary Supervisory Council is obliged to resign if he is appointed as a member of the Council of State or a member of the Board, or if he has undertaken an occupation that, according to a unanimous decision of the Parliamentary Supervisory Council, is incompatible with membership on the Parliamentary Supervisory Council.

### **Section 11. *Tasks of the Parliamentary Supervisory Council***

As a body supervising the administration and activities of the Bank of Finland, the Parliamentary Supervisory Council shall perform the following tasks:

1) confirm, upon proposal of the Board, the basic principles applied in drawing up the annual accounts of the

Bank of Finland;

2) decide, on the basis of the auditors' report, on the confirmation of the Bank's balance sheet and profit and loss account;

3) decide, upon proposal of the Board, on measures concerning the Bank's profit or loss for the financial year;

4) report annually to Parliament on the Bank's activities and administration and on the main issues dealt with by the Parliamentary Supervisory Council; and

5) as necessary, submit to Parliament reports on the execution of monetary policy and the other activities of the Bank of Finland.

In respect of the Bank's administration, the Parliamentary Supervisory Council shall:

1) make proposals to the Council of State on the filling of positions as members of the Board;

2) decide on the principles for determining salaries, leaves of absence and annual leaves of members of the Board as well as on the execution of their duties during leaves of absence exceeding one week;

3) decide on the issuance of warnings to members of the Board and settle other issues related to their service;

4) appoint, upon proposal of the Board, directors of the Bank of Finland;

5) appoint the Deputy Chairman of the Board;

6) confirm the Bank of Finland's Pension and Survivors' Pension Regulations and issue regulations concerning the management of the Bank's pension liability, upon proposal of the Board, and

7) issue, upon proposal of the Board, regulations concerning the language skills required of officials of the Bank of Finland.

In addition, the Parliamentary Supervisory Council shall:

1) decide on motions to be put before Parliament;

2) decide on proposals to be submitted to the Council of State in highly important matters of principle;

3) confirm the bases for fees and remunerations to be paid to auditors elected by Parliament and their secretary;

4) confirm, upon proposal of the Board, the Bank of Finland's rules referred to in paragraph 3 of section 15; and

5) order payment of compensation for appointment of an employee of the Bank for a fixed term without statutory grounds.

The Parliamentary Supervisory Council shall have the right to obtain any information necessary for carrying out its

tasks laid down in this section.

**Section 12.** *Decisionmaking by the Parliamentary Supervisory Council*

Six members of the Parliamentary Supervisory Council shall constitute a quorum. An opinion that is seconded by the majority of the Council shall be considered a decision. In the case of a tie vote, the Chairman's vote shall be decisive.

The members of the Board shall have the right to be present and to be heard at meetings of the Parliamentary Supervisory Council.

**Section 13.** *Board*

The Board shall consist of the Chairman and a maximum of five other members, as appointed by the President of the Republic without public announcement of vacancies. The Chairman of the Board is appointed for a seven-year term and the other members of the Board each for a five-year term. A member of the Board must possess the expertise required for the tasks involved.

The Chairman of the Board shall be the Governor of the Bank of Finland.

One and the same person can be appointed as a member of the Board for a maximum of three terms. However, one and the same person can be appointed Chairman of the Board for two terms even if the said person has previously been a member of the Board.

**Section 14.** *Tasks of the Board*

The Board shall be responsible for the administration of the Bank of Finland and for ensuring that all tasks assigned to the Bank are duly executed, except for statutory tasks of the Parliamentary Supervisory Council and matters that are otherwise provided for in the Act on the Financial Supervision Authority (503/1993).

The activities of the Bank shall be organized in an efficient and cost-effective manner.

The Board shall have the right to issue more detailed regulations on the tasks and powers of the Bank's units and employees.

The Governor and the other members of the Board shall be obliged to provide the Parliamentary Supervisory Council with information on a regular basis concerning the execution of monetary policy and other activities of the Bank of Finland.

**Section 15. *Decisionmaking by the Board***

Three members of the Board shall constitute a quorum. An opinion seconded by the majority of the Board shall be considered a decision. In the case of a tie vote, the Chairman's vote shall be decisive.

The independence and the powers of the Governor of the Bank of Finland in respect to the performance of his duties in the Governing Council of the European Central Bank are laid down in the Treaty and the Statute.

More detailed provisions on the Board's decisionmaking procedure and related presentations may be laid down in the Bank's rules.

**Section 16. *Dismissal of a member of the Board***

The President of the Republic may dismiss a member of the Board only if the member no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct.

A member of the Board other than the Chairman of the Board may appeal a decision referred to above in paragraph 1 to the Supreme Administrative Court as prescribed in applicable provisions of the Act on Application of Administrative Law (586/1996). The Statute provides for the right of appeal of the Chairman of the Board.

**Section 17. *Permit for a secondary occupation of a member of the Board***

A member of the Board shall neither accept nor carry on a secondary occupation unless the Parliamentary Supervisory Council, upon application, grants him a permit to do so. Such a permit can also be granted for a fixed term or with restrictions. A permit for a secondary occupation can also be withdrawn for justifiable reasons.

When considering the granting of a permit for a secondary occupation, the Parliamentary Supervisory Council shall ensure that the secondary occupation does not disqualify the member of the Board from his position. Nor shall the secondary occupation jeopardize confidence in the member of the Board in respect of his performance of tasks of the European System of Central Banks or other tasks or otherwise impede the appropriate performance of his duties.

For the purposes of paragraphs 1 and 2 above, secondary occupation shall mean a position, paid or unpaid work, or a duty that the member of the Board is entitled to refuse, or a profession, trade or business.

### **Section 18.** *Election of auditors*

Parliament shall elect five auditors and a deputy for each of them, for the purpose of auditing the Bank of Finland's annual accounts and accounting system and management.

A minimum of two of the auditors and their respective deputies must be auditors approved by the Central Chamber of Commerce or must have passed the Chartered Public Finance Auditor's examination.

The auditors shall elect a chairman from among themselves and appoint as secretary a person who is an auditor approved by the Central Chamber of Commerce.

## **CHAPTER 3**

### **ANNUAL ACCOUNTS, MONETARY INCOME, ALLOCATION OF PROFITS AND AUDITING**

### **Section 19.** *Annual accounts*

The Bank of Finland's financial year is the calendar year.

The Bank of Finland's annual accounts, which comprise the balance sheet, profit and loss account, notes to the financial statements and the annual report, shall be drawn up by the end of February and published by the end of April.

The annual accounts shall provide a true and fair view of the Bank of Finland's financial condition and on the composition of its profit or loss. The annual accounts are drawn up and signed by the Board of the Bank of Finland.

The Bank's balance sheet shall be published monthly during the financial year.

### **Section 20.** *Accounting*

In respect of its accounting procedures, the Bank of Finland shall observe generally accepted accounting principles.

Provisions can be made in the annual accounts if necessary for safeguarding the real value of the Bank's funds or for smoothing out variations in profit or loss arising from changes in exchange rates or market values of securities.

Provisions necessary for covering the Bank's pension liability may be made in the annual accounts.

### **Section 21.** *Monetary income and allocation of profits*

The monetary income accruing within the European System of Central Banks in the performance of its monetary policy function shall be calculated and allocated between the national central banks in accordance with the provisions of

the Statute and the decisions made by the Governing Council of the European Central Bank.

Half of the profit, following allocation of the monetary income that has accrued within the European System of Central Banks, shall be transferred to the reserve fund. The remaining profit shall be made available for use in accordance with the needs of the state. The Parliamentary Supervisory Council may decide on use of the profit for other purposes if this is justifiable because of the Bank's financial condition or the size of the reserve fund. Parliament shall decide on the disposal of the profit made available for use in accordance with the needs of the state.

If the Bank's annual accounts show a loss, the loss must be covered out of the reserve fund. If the reserve fund is insufficient to cover part of the loss, the uncovered part of the loss may be left temporarily uncovered. Any profits in subsequent years shall be used first to cover such uncovered losses.

## **Section 22. *Auditing***

The auditors elected by Parliament shall audit the Bank's accounts annually by the end of March following the close of the financial year.

The audit shall be carried out according to generally accepted auditing principles.

Auditors shall have access to all documents and information that they consider necessary for the auditing task.

The powers of auditors approved by the Council of the European Union to examine the accounting system and accounts of the Bank of Finland and to obtain information on the Bank's transactions are laid down in the Statute.

## **Section 23. *Auditors' report***

The auditors elected by Parliament shall submit a written report to the Parliamentary Supervisory Council, which shall include statements on the observance of the grounds confirmed by the Parliamentary Supervisory Council on the drawing up of annual accounts, on the confirmation of the profit and loss account and balance sheet and on the Board's proposal on measures to be taken concerning the Bank's profit or loss, as well as any comments that may affect confirmation of the profit and loss account or balance sheet.



## CHAPTER 4

### MISCELLANEOUS PROVISIONS

#### **Section 24.** *Administrative procedures and official language*

In dealing with administrative matters, the Bank of Finland shall observe the Administrative Procedures Act (598/1982).

The provisions on the official language of a bilingual administrative district shall apply to the Bank of Finland in respect of its official language.

#### **Section 25.** *Charges*

The Bank of Finland shall be entitled to levy charges for services that it performs. In determining the charges to be levied for such services as part of the Bank's official activities, excluding charges for tasks of the European System of Central Banks, account shall be taken of applicable provisions in the Act on the Grounds for Charges Levied by Government and Public Institutions (150/1992).

#### **Section 26.** *The right to obtain and provide information*

Other provisions on the secrecy obligation notwithstanding, the Bank of Finland shall have the right to obtain from the authorities and credit and financial institutions and other financial market participants any notifications, reports and other information necessary for carrying out the Bank's statutory tasks.

Provisions on the secrecy obligation notwithstanding, the Bank of Finland shall be obliged to provide information to the authority supervising the financial markets and information other than that obtained for statistical purposes to other authorities that are entitled under the law to obtain such information. The Bank of Finland shall be entitled to provide information obtained for statistical purposes to other authorities for statistical purposes, if such authorities are entitled under the law to obtain such information.

Rights to obtain and provide information on the tasks of the European System of Central Banks are also laid down in the legislation of the European Community.

#### **Section 27.** *Obligation to provide information to a Parliamentary committee*

The Bank of Finland shall be obliged to provide any concerned committee of Parliament with all information that

is necessary for the performance of the Committee's tasks.

**Section 28.** *Right to obtain information for the compilation of balance of payments statistics*

For the purpose of compiling balance of payments statistics, any entity shall be obliged to provide the Bank of Finland with the following information on its financial transactions, in accordance with the Bank's instructions:

- 1) payments to and from nonresident entities;
- 2) claims of a resident entity on nonresident entities, other assets located abroad and liabilities to resident entities; and
- 3) other financial transactions that change or may change the claims of a resident entity on nonresident entities or the liabilities of a resident entity to nonresident entities.

The Bank of Finland may oblige any entity to supply it with information as referred to in paragraph 1 under penalty of fine. The Bank of Finland shall decide on the imposition of such a fine.

Decisions referred to above in paragraph 2 may be appealed to the Supreme Administrative Court as prescribed in the Act on Application of Administrative Law (586/1996). A decision that has been appealed may be enforced despite the appeal, unless the appeal authority orders otherwise.

**Section 29.** *Right of action and place of jurisdiction*

The Board shall exercise the right of action of the Bank of Finland before the Court of Justice of the European Communities and other courts as well as other authorities and corporate entities.

In civil cases, the Bank of Finland shall act as defendant at the Helsinki District Court.

**Section 30.** *Impeachment*

Any charges brought against a member of the Parliamentary Supervisory Council or a member of the Board in respect of misconduct in office shall be dealt with in the first instance by the Helsinki Court of Appeal.

## CHAPTER 5

### ENTRY INTO FORCE

#### **Section 31.** *Entry into force and transitional provisions*

This Act shall enter into force at the date when Finland enters the single currency area in accordance with Article 109l of the Treaty. The Act shall repeal the Act on the Bank of Finland enacted 24 July 1997 (719/1997) and all subsequent amendments thereto, hereinafter referred to as '*the previous Act*'. However, chapter 3 and sections 36, 43 and 45–48 of the previous Act shall remain in force until otherwise provided by law.

Paragraph 1 notwithstanding, sections 4 and 15–17 of this Act shall enter into force on 1 May 1998. Until such time, sections 5 and 17–19 of the previous Act shall remain in force in place of the aforementioned sections.

Measures necessary for enforcement of this Act can be taken before the Act enters into force.