

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION

Volume E. Europe

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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws

INTERNATIONAL MONETARY FUND MONOGRAPH SERIES

- No. 1. Central Banking Legislation: A Collection of Central Bank, Monetary and Banking Laws, selected and annotated by Hans Aufrecht (1961)
- No. 2. The Fund Agreement in the Courts, by Joseph Gold (1962)
- No. 3. International Monetary Problems, 1957-1963, by Per Jacobsson (1964)
- No. 4. Central Banking Legislation: A Collection of Central Bank, Monetary and Banking Laws; Volume II, Europe, selected and annotated by Hans Aufrecht (1967)

Volume II: Europe

Statutes and related materials
selected and annotated by

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- Janssens, Valéry, "Banque nationale de Belgique," in *Eight European Central Banks* (London and New York, 1963), pp. 13-53.
- Johnson, Sylvia M., and R. S. Sayers, "Belgium," in R. S. Sayers, ed., *Banking in Western Europe* (Oxford, 1962), pp. 234-258.
- Lamfalussy, A., "Belgian banks in a changing economy," *Banker* (London), March 1966, pp. 151-157.
- Ponlot, D., *Le statut légal des banques et le contrôle des émissions de titres et valeurs* (Brussels, 1958).

RELATED LAWS

BILLS OF EXCHANGE AND CHECK LAW

Loi du 31 décembre 1955 qui rectifie et interprète diverses dispositions de la loi du 10 août 1953 concernant l'introduction dans la législation nationale de la loi uniforme sur les lettres de change et billets à ordre et sa mise en vigueur, et qui la coordonne avec ladite loi uniforme (Law of December 31, 1955 which corrects and interprets various provisions of the Law of August 10, 1953 concerning the introduction into the national legislation of the uniform law on bills of exchange and promissory notes and its entry into force, and which consolidates the aforementioned law).

Loi du 1^{er} mars 1961 concernant l'introduction dans la législation nationale de la loi uniforme sur le chèque et sa mise en vigueur (Law of March 1, 1961 concerning the introduction into the national legislation of the uniform law on checks and its entry into force). See also section entitled "Belgien" (text in French, Flemish, and German) in Schettler and Büeler, *Das Wechsel- und Scheckrecht aller Länder* (Cologne, 1957—, loose-leaf).

COMPANY LAW

Loi sur les sociétés commerciales coordonnées le 30 novembre 1935 (Law on commercial companies consolidated as of November 30, 1935). This law contains provisions on company law relating to general partnership (Arts. 15-17), partially limited liability company (Arts. 18-25), joint-stock company (Arts. 26-104), company partially limited by shares (Arts. 105-115), limited liability company (Arts. 116-140). For the text of this law as amended to 1963, see Fernand Baudhuin, *Code économique et financier*, 2nd ed. (Brussels, 1964 supplement), pp. 1228-1264.

See also section entitled "Belgique" in *Jura Europae: Droit des sociétés; Gesellschaftsrecht* (Berlin, Munich, and Paris, 1964—, loose-leaf; bilingual edition in French and German), vol. I.

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Publication of Statutes and Regulations

Statutes, decrees, and international agreements are published in the *Lovtidende*, which is issued in three parts, A, B, and C. Other official notifications of general interest are published in the *Statstidende*.

The National Bank of Denmark Act, 1936¹

NOTE:—The National Bank in Copenhagen (Nationalbanken i Kjøbenhavn) was founded by Charter of July 4, 1818, which was renewed by Law No. 157 of July 12, 1907 for a period of thirty years expiring on July 1, 1938. Under Art. 11 of the Regulations of the National Bank in Copenhagen, 1908, the Bank had the sole right to issue in Denmark notes payable to bearer on demand, a privilege originally granted by Art. 42 of the 1818 Charter. In accordance with Sec. 1 of Act No. 116 of April 7, 1936, the National Bank of Denmark (Danmarks Nationalbank) was established as the central bank of the country with effect from May 28, 1936 and became the successor of the National Bank in Copenhagen.

OBJECTS OF THE BANK

Sec. 1. The National Bank of Denmark, which, at the coming into force of this Act (see Section 33), takes over The National Bank in Copenhagen, shall as the central bank of this country have the object in conformity with this Act and the regulations issued under this Act of maintaining a safe and secure currency system in this country and facilitating and regulating the circulation of money and the extension of credit.

GENERAL CAPITAL FUND AND DOMICILE

Sec. 2. The General Capital Fund of the Bank shall be fifty million kroner.

The Head Office and domicile of the Bank shall be in Copenhagen.

MANAGEMENT

Sec. 3. The management of the Bank shall be entrusted to a Board of Directors, a Committee of Directors and a Board of Governors.

The members of the Board of Directors, the Committee of Directors and the Board of Governors shall be Danish subjects with domicile in Denmark; in addition, they shall be of age, enjoy the reputation and confidence pre-

¹ Lov om Danmarks Nationalbank. Act No. 116 of April 7, 1936 as amended through July 31, 1966. For a consolidated text in Danish, see *Bestemmelser Vedrørende Danmarks Nationalbank* (Copenhagen, 1942), pp. 1-16. In the version published here, the word Section (Sec.) corresponds to the sign §. Also, all references to the national legislature have been changed from Rigsdag to Folketing, in accordance with the Constitution of the Kingdom of Denmark Act of June 5, 1953.

requisite to the offices (appointments, tasks) and not be deprived of the right to dispose of their estate.

Sec. 4. The Board of Directors shall consist of twenty-five members, viz.:

- (a) Eight members with a seat in the Folketing. These are to be elected according to the rules of Section 31 of the Constitution.² In case one of these members resigns his seat in the Folketing, a new election shall be held for the remaining term of office of the resigning member. The resigning member keeps his seat on the Board of Directors until a successor has been elected.
- (b) Two members of which one shall be an economist and the other a lawyer. These members, who may not be members of the Folketing, shall be appointed by the Minister of Trade, Industry and Shipping.
- (c) Fifteen members with a thorough knowledge of the economy. These members, who may not be members of the Folketing, shall be elected by the entire Board of Directors so that three members retire every year. Due regard shall be paid at the election to establishing a comprehensive representation of the various sectors of the economy, including the workers employed in these sectors, and, further, that the various geographic areas of the country are represented.

The members mentioned in (a)-(c) shall be elected or appointed for five years. In case a member retires before the expiration of his term of office, a new member shall be elected for the rest of the term.

The Board of Directors shall elect for one year at a time a chairman and a deputy chairman.

Before amendments of the provisions governing the Bank are made, the Board of Directors shall have an opportunity to give its opinion.

Sec. 5. The Committee of Directors shall be composed of the two members of the Board of Directors mentioned in Section 4(b), together with five members elected for one year at a time by the Board of Directors from among its members.

The proportional representation system shall be applied, in conformity with rules laid down in the By-Laws of the Bank, if three members of the Board of Directors demand it.

The Committee of Directors shall elect for one year at a time a chairman and a deputy chairman. The election shall be approved by the Minister of Trade, Industry and Shipping.

Sec. 6. The Board of Governors shall consist of three members. One of the Governors shall be nominated by the King, and the other Governors shall be appointed by the Board of Directors on the recommendation of the Committee of Directors. The first-mentioned Governor shall be chairman of the Board of Governors.

² This reference to the Constitution is to the Constitution of the Kingdom of Denmark Act of June 5, 1953.

The Governors shall reside in Copenhagen or in places near Copenhagen. They shall not have a seat in the management of trade organizations or companies nor carry on or take part in private trading activity. The Governors shall be under the obligation to send in their resignation before the expiration of the month in which they complete their seventieth year.

THE ROYAL BANK-COMMISSIONER

Sec. 7. The Minister of Trade, Industry and Shipping in his capacity as Royal Bank-Commissioner shall see that the Bank fulfills its obligations under this present Act and under the ordinances and provisions given pursuant to this present Act.

The Royal Bank-Commissioner presides at the meetings of the Board of Directors. He shall have admission to the meetings of the Committee of Directors and shall be supplied with information concerning the Bank to the extent he may desire.

Decisions of a particularly far-reaching character cannot be taken at a meeting of the Committee of Directors when the Royal Bank-Commissioner is not present, unless he has been informed in advance that the case will be dealt with at the meeting.

BANK NOTE ISSUE

Sec. 8. The Bank shall have the sole right to issue notes.

The notes issued by the Bank shall be legal tender in private transactions and for payments and disbursements which take place in public pay offices.

When the Minister of Trade, Industry and Shipping gives his permission notes may be called in, and they shall then cease to be legal tender from the date which may be fixed by ordinance from the Minister of Trade, Industry and Shipping. After the expiration of twelve months from this date the called-in notes shall no longer be a valid claim against the Bank, provided that the Bank shall have the right to redeem the notes after this time if circumstances justify it.

The denominations, text and form shall be approved by the Minister of Trade, Industry and Shipping.

Sec. 9. The Bank shall be permitted to put into circulation the amount of notes which at any time may be found to be required.

The Bank shall, however, possess free from any encumbrance:

- (a) a gold fund, as set forth in Section 10;
- (b) assets of the nature laid down in Section 11 at a value corresponding to not less than that part of the active note circulation which is not covered by the gold fund.

Sec. 10. The gold fund shall cover at least twenty-five per cent of the total active note circulation. It may consist of:

- (a) gold, be it in coin or ingots, either in the custody of the Bank or handed over by the Bank to the Royal Mint to be coined or melted;

(b) gold which properly secured has been deposited abroad or which is in transit through, to or from foreign countries, provided that such gold shall not count when the Bank's right to dispose thereof is restricted; the gold under this subsection shall not exceed five per cent of the total active note circulation.

For up to five per cent of the note circulation, non-interest-bearing net credit balances on demand with foreign central banks, approved for this purpose by the Royal Bank-Commissioner, may take the place of gold.

The value of legal-tender gold coin shall be determined by the nominal value, and the value of other gold coin and of gold in ingots shall be determined by their content of fine gold, the price of the gold in Danish currency being calculated in conformity with the provisions of the Coinage Act. Credit balances in foreign currency shall not be calculated at a price higher than that quoted on the Royal Exchange on the day of settlement.

Sec. 11. The following may serve as cover for that part of the note circulation which need not be covered by the gold fund: gold and net credit balances on demand with foreign banks, provided that they have not been included under Section 10; bills of exchange; Treasury bills; bonds that are quoted on the Royal Exchange; and advances for which proper security has been given.

Sec. 12. The Bank shall at the end of every month report to the Royal Bank-Commissioner on the cover for the notes in circulation.

In case of any deviation from the rules set forth in Sections 9-11 governing the cover for the notes issued by the Bank, it shall be the duty of the Bank to correct the deviation before the end of the succeeding month.

Sec. 13. Under special circumstances the Board of Directors shall, after having obtained the permission of the Minister of Trade, Industry and Shipping, for a period of up to three months at a time be allowed to deviate from the rules prescribed for the note cover. A decision to this effect shall be adopted by at least two thirds of all the members of the Board of Directors. It shall be the duty of the Bank as soon as possible to re-establish the normal cover ratio.

REDEMPTION OF THE NOTES OF THE BANK, ETC.

Sec. 14. The Bank shall be under the obligation to redeem at its Head Office on demand the notes issued by the Bank, at their face value, either with legal-tender gold coin or with gold ingots of ordinary fineness and weight, when notes are delivered in items corresponding to the value of an ingot.

The Bank shall likewise be under the obligation to buy at its Head Office from any person who might desire it ingots of fine gold at a price corre-

sponding to the gold price fixed by the Coinage Act with the deduction of one-fourth per cent seigniorage.

The above provision can only be suspended by law.³

OTHER FUNCTIONS OF THE BANK

Sec. 15. The functions of the Bank shall comprise in particular receipt of money on folio account and current account, receipt of deposits in safe custody, granting of advances and discounting of bills of exchange, as well as transactions in gold, foreign currency and securities.

Advances shall be granted only against satisfactory security and normally for one to three months but not more than six months. Advances may be renewed.

Further provisions governing the general functions of the Bank shall be laid down in the By-Laws of the Bank.

Sec. 16. The Bank shall receive payments and make disbursements for the State. The monthly balance sheet shall give the figures of the credit and/or debit balances of the State with the Bank.

ACCOUNTS AND DISTRIBUTION OF PROFIT

Sec. 17. The financial year of the Bank shall be the calendar year. As soon as possible after the expiration of the financial year the books shall be balanced and the accounts for the expired year drawn up. The accounts shall contain a working account and a balance sheet.

The accounts shall, after careful consideration of existing values and obligations and after the necessary write-offs and allocations, be rendered as proper and cautious business practice dictates.

Securities admitted to public quotation on the Royal Exchange shall not be entered at a higher value than the latest buying rate quoted at the close of the financial year.

Securities not admitted to public quotation on the Royal Exchange shall be entered at the estimated value on the day of settlement, but the value shall not exceed the price at which they were acquired.

Foreign currency shall not be entered at a higher value than the rate of exchange quoted at the close of the financial year.

Real estate shall not be recorded at a higher value than the buying price with addition of costs of improvements and deductions corresponding to the depreciation through age and use and not exceeding the value assessed for land and building tax.

The book value of other assets shall not exceed the market value.

³ Sec. 1 of Ordinance No. 344, effective December 31, 1937, provides as follows: "The National Bank of Denmark shall for the time being—apart from the cases where the Royal Bank-Commissioner might order otherwise—be exempted from its duty to redeem with gold the notes issued by the Bank and to buy gold."

The accounts, when approved by the Board of Directors, shall be sent to the Minister of Trade, Industry and Shipping together with a report on the work of the Bank during the year expired.

When the accounts have been approved by the Royal Bank-Commissioner, they shall be published together with the Bank's report for the year expired.

Sec. 18. The accounts for the financial year shall be audited by two chartered accountants appointed by the Minister of Trade, Industry and Shipping for one year at a time.

Sec. 19. The profit earned by the Bank shall go to the Treasury if it is not allocated to the Reserve Fund or to special guarantee funds.

Out of the profit of the financial year the Treasury shall, prior to other payments, receive one million kroner.

Thereafter twenty-five per cent of the remainder shall be allocated to the Reserve Fund if this fund is less than twenty-five million kroner.

The rest of the profit shall be paid to the Treasury under the following rules:

If the rest of the profit does not exceed four million kroner, one half of the amount shall be paid to the Treasury and the other half used to pay off the General Capital Fund Certificate. If the rest of the profit exceeds four million kroner, two million kroner shall be paid and the remainder used to pay off the General Capital Fund Certificate. When this certificate has been redeemed in full, all the rest of the profit goes to the Treasury unless the Board of Directors with the approval of the Royal Bank-Commissioner decides to allocate a part of the amount to reserves.

In case the losses of preceding years have entailed drawing on the General Capital Fund, all payments to the Treasury shall be suspended until the drawings on the General Capital Fund have been repaid.

In case the losses of preceding years have reduced the Reserve Fund to less than the amount it constituted when the Bank commenced business, the payment under the second subsection of this section shall be made; apart from this, the whole profit shall be used to increase the Reserve Fund until it has regained its original size.

GENERAL PROVISIONS

Sec. 20. The Minister of Trade, Industry and Shipping may at the request of the Board of Governors of the Bank supply the Board with such information concerning banks, savings banks and the stock exchange as is to be had from the Bank Inspectorate, Savings Banks Inspectorate and the Stock Exchange Inspectorate and which the Bank and the Minister find of interest to the Bank in its capacity as the central bank of the country.

In the same manner the Minister may on application from the aforesaid Inspectorates and for their use ask for such information from the Bank as is of interest for the work of supervision.

Sec. 21. The Bank shall be exempt from any direct tax and levy, provided, however, that the Bank shall pay taxes upon real estate which is not used for its own activity and such levies as have the character of special contributions.

Sec. 22. The Bank may use unstamped paper for its notes and books and for the drafts, bonds and other documents executed in the course of banking.

Bonds by which collateral security is pledged to the Bank shall be made on unstamped paper.

Sec. 23. When evidence placed before the Bank shows to the satisfaction of the Bank that a receipt for money received on deposit or a memorandum of deposit probably has been lost, the Bank shall be entitled by a notification, which is to be inserted in the first number of the *Statstidende* published in a quarter of a year, to call the bearer to appear within three months. If nobody appears the Bank may pay the amount of the document to the person who is the rightful creditor according to the books of the Bank.

Sec. 24. In case a guarantee has been given for the repayment of an advance granted by the Bank, and the borrower fails to meet payments due in respect of the principal, installment or interest, notification thereof shall, not later than six months after the maturity of the contribution mentioned, be sent by registered mail to each of the guarantors or to the guarantor or guarantors authorized by the others to receive such notification on behalf of all the guarantors. Failure to do so shall have the effect that the Bank loses its claim on the sureties to the extent to which the remedy of the sureties as against the borrower has been reduced in value through such failure.

Sec. 25. The Bank shall be subject to the provisions laid down in the Commercial Bank Act, No. 122 of April 15, 1930, Section 9, subsections 1-4 and 6-9, provided that the Governors of the Bank and Branch Managers shall not obtain advances from the Bank or the guarantee of the Bank for advances or be guarantors for debts to the Bank. Furthermore, Section 21 of the same Act shall apply correspondingly with regard to this present Act, the regulations given under this present Act, and the resolutions of the Board of Directors.

Sec. 26. The Board of Directors shall, on the recommendation of the Committee of Directors and subject to confirmation by the Minister of Trade, Industry and Shipping, draw up the By-Laws of the National Bank of Denmark, by which rules shall be laid down governing the functions and the management of the Bank and the salaries and old-age pensions for the Board of Governors and the staff, etc., and the duties of the auditors.

The By-Laws may be amended by the Board of Directors subject to confirmation by the Minister of Trade, Industry and Shipping. The amend-

ments shall be valid when passed by a simple majority of the whole Board of Directors.⁴

AGREEMENT ON THE TAKING OVER OF THE
NATIONALBANK I KJØBENHAVN

Sec. 27. By agreement between the Nationalbank i Kjøbenhavn on one side and the Minister of Trade, Industry and Shipping and the Minister of Finance as representatives of the National Bank of Denmark on the other side, it may be decided that all the assets and liabilities, rights and duties of the old Bank shall pass to the new Bank against a consideration in the form of bonds which are to be redeemed within a certain number of years. The Government guarantees the interest and redemption of the bonds. The consideration which the shareholders of the old Bank receive in the form of bonds shall not as far as any part thereof is concerned be included in the taxable income of the holder in question.

At the same time as the new Bank commences business the old Bank shall cease to exist. The winding-up proceedings shall be conducted by the National Bank of Denmark. The statutory winding-up rules need not be observed. The aforesaid bonds shall be issued to bearer. The bonds as well as transfers endorsed thereon, besides all other documents made for the purpose of the taking over, shall be exempt from stamp duty nor shall any fee be paid for the registration at the courts of law.

ABOLITION OF THE ROYAL CHARTER, ETC.

Sec. 28. The Royal Charter of July 4, 1818, as supplemented or modified by Act No. 157 of July 12, 1907, Act No. 483 of August 30, 1919 and Act No. 201 of May 20, 1933, shall be repealed. The duty of the Bank to pay to the Treasury the profit arising from the exemption to redeem with gold the notes issued by the Bank shall likewise end.

The statutory provisions which otherwise apply to the Nationalbank i Kjøbenhavn shall in future apply to the National Bank of Denmark.

TRANSITIONAL PROVISIONS

Sec. 29. The entire General Capital Fund mentioned in Section 2 shall be subscribed by the Government in the form of a General Capital Fund Certificate at the coming into force of this Act. Gradually, as portions of the annual profit are allocated to the General Capital Fund, corresponding amounts shall be used to pay off the General Capital Fund Certificate.

The payment of interest on the bonds mentioned in Section 27 shall be made out of the working account of the Bank before the profit of the year is ascertained.

⁴ For the text of the By-Laws, see below, pp. 116-125.

Sec. 30. The members of the Board of Directors elected at the meeting of shareholders of the old Bank shall become members of the Board of Directors of the new Bank and take over the functions conferred on the members mentioned in Section 4(c). They shall remain on the Board of Directors until their term of office expires under the rules hitherto in force. After the new elections which the Board of Directors holds, and until the end of the month of July 1938, the provisions of Section 4(c) shall not apply in the case of a re-election.

Sec. 31. When the bonds mentioned in Section 27 are to be allotted to the shareholders of the Nationalbank i Kjøbenhavn, they shall be delivered to the person who holds the shares with legal title in due form.

In exchange for shares registered in the name of the holder in the books of the Bank, bonds may also be handed out under the following rules:

(a) When evidence placed before the Bank shows to the satisfaction of the Bank that a share certificate probably has been lost, the National Bank of Denmark shall be entitled by a notification in the *Statstidende* to call the person who might be in possession of the share certificate to appear within six months. If nobody appears, the Bank may deliver the bonds corresponding to the share certificate to the person registered in the books of the Bank as owner of the share certificate.

(b) In case of defects in the transfer of title endorsed on a share certificate, the National Bank of Denmark shall, if it is of the opinion that the asserted ownership of the bearer is well founded, be entitled to call the person or persons who might have any objection to the bearer's ownership of the share certificate to appear within the aforesaid notice. If no objections are made the Bank may deliver the bonds to the bearer of the share certificate.

When evidence placed before the Bank shows to the satisfaction of the Bank that a share certificate which according to the books of the Bank is made out to bearer probably has been lost, and the person notifying the loss possesses the coupons belonging to the share, the National Bank of Denmark shall be entitled to pay to such person the interest due on the bonds corresponding to the share. If the Bank does not find to its satisfaction that the share certificate has been destroyed, the interest shall not be paid to him until February 1, 1937. If nothing to invalidate the right of the person notifying such loss has occurred within five years from the taking effect of this Act, the Bank may deliver the bonds to him.

In case cash amounts are to be allotted to the shareholders, payment shall be made against presentation of the dividend coupon for the year current at the taking effect of this present Act.

After the expiration of five years from the taking effect of this Act, all rights to claim bonds in exchange for the old shares or cash allotments shall be forfeited, and the undelivered bonds and cash amounts shall fall to the National Bank of Denmark without compensation to the former shareholders. Amounts that have accrued in this way shall be allocated to the Reserve Fund of the Bank.

Sec. 32. In the period until the expiration of the year 1948, the above provisions can only be amended by the consent of a majority of all the members of the Board of Directors; see, however, the last subsection of Section 14.

ENTRY INTO FORCE

Sec. 33. The first subsection of Section 27 shall take effect at once. Otherwise, the Act shall take effect on such date as may be fixed in the agreement mentioned in Section 27. The Minister of Trade, Industry and Shipping shall publish the date of the entry into force of this Act.

With which all those concerned shall have to comply.

The By-Laws of the National Bank of Denmark¹

I. MANAGEMENT

A. BOARD OF DIRECTORS

Sec. 1. The Board of Directors shall consist of twenty-five members, viz.:

- (a) Eight members with a seat in the Folketing. These are to be elected according to the rules of Section 31 of the Constitution.² In case one of these members resigns his seat in the Folketing, a new election shall be held for the remaining term of office of the resigning member. The resigning member keeps his seat on the Board of Directors until a successor has been elected.
- (b) Two members of which one shall be an economist and the other a lawyer. These members, who may not be members of the Folketing, shall be appointed by the Minister of Trade, Industry and Shipping.
- (c) Fifteen members with a thorough knowledge of the economy. These members, who may not be members of the Folketing, shall be elected by the entire Board of Directors so that three members retire every year. Due regard shall be paid at the election to establishing a comprehensive representation of the various sectors of the economy,

¹ Reglement for Danmarks Nationalbank. As amended through July 31, 1966. Pursuant to Sec. 26 of the National Bank of Denmark Act, 1936 (see above), the By-Laws were adopted on May 28, 1936 by the Board of Directors of the National Bank on the recommendation of the Committee of Directors of the Bank, and they were confirmed on the same day by the Minister of Trade, Industry and Shipping in his capacity as Royal Bank-Commissioner.

In the version published here, the word Section (Sec.) corresponds to the sign §. Also, all references to the national legislature have been changed to read Folketing, in accordance with the Constitution of the Kingdom of Denmark Act of June 5, 1953.

² This reference to the Constitution is to the Constitution of the Kingdom of Denmark Act of June 5, 1953.

including the workers employed in these sectors, and, further, that the various geographic areas of the country are represented.

The members mentioned in (a)-(c) shall be elected or appointed for five years.

The members mentioned in (c) shall be elected at the meeting of the Board of Directors where the annual accounts are submitted for approval. The term of office shall commence on the ensuing April 1.

The members mentioned in (a) and (b) shall be elected or appointed for a corresponding term of office.

If a member of the Board of Directors dies or retires before the expiration of the term of office, another member shall be elected for the rest of the term.

The Board of Directors shall elect for one year at a time a chairman and a deputy chairman. The elections shall take place at the meeting of the Board of Directors where the annual accounts are submitted for approval. The term of office shall commence on the ensuing April 1.

Sec. 2. The Board of Directors shall meet once every three months and otherwise as often as the chairman deems it necessary, or when the Royal Bank-Commissioner or five members demand it. The Board of Directors constitutes a quorum when fifteen members are present.

Decisions shall be passed by a majority of votes; in the case of a tie, the chairman shall have the deciding vote.

The Royal Bank-Commissioner shall preside at the meetings of the Board of Directors.

When the chairman deems that for special reasons a case should be decided without a meeting being held, the decision of the Board of Directors may be made in writing unless the Royal Bank-Commissioner or at least five members of the Board of Directors demand that the case be dealt with in a meeting.

Sec. 3. No person in the service of the Bank may be a member of the Board of Directors.

During the absence of a Governor a member of the Board of Directors may temporarily be appointed Governor; but the person appointed shall not in that period be entitled to vote on the Board of Directors. A deputy of the Governor nominated by the King shall be appointed by the Royal Bank-Commissioner. A deputy of a Governor appointed by the Board of Directors shall be appointed by the chairman of the Board of Directors, as far as possible after consultation with the Committee of Directors.

Sec. 4. All matters of special importance which may be considered to be outside the domain of daily business shall to the greatest extent possible be submitted to the Board of Directors. However, if the case be so urgent, that in the opinion of the Board of Governors the decision cannot prudently be postponed until such submission, the Board of Governors shall act, if possible after previous consultation with the Committee of Directors, and shall see to it that the case as soon as possible is submitted to the Board of Directors.

The Board of Directors shall see to it that the rules governing the functions of the Bank as laid down in the National Bank of Denmark Act and in these By-Laws are observed, and that notes are not issued in violation of the rules prescribed.

Every three months the Board of Governors shall submit to the Board of Directors balance sheets from the ledgers of the Bank and a statement on the note cover. Moreover, at the quarterly meeting the Board of Governors shall report on the more important business transacted by the Bank since the last quarterly meeting.

It shall be the duty of the Board of Directors:

- (1) To elect on the recommendation of the Committee of Directors two of the three Governors of the Bank. A majority of all the Directors shall be required to validate the election of a Governor.
- (2) To draw up the By-Laws governing the functions of the Bank under Section 26 of the National Bank of Denmark Act, and submit the said By-Laws to the Royal Bank-Commissioner for confirmation.
- (3) To decide on the establishment and closing of branches.
- (4) To make regulations for the salaries and old-age pensions of all the officials of the Bank inclusive of the Governors.
- (5) To elect every three months two directors who together with a member of the Committee of Directors by an examination in the Bank make themselves acquainted with its work and, if convenient, without assuming an auditor's liability, draw samples at random from the holdings and engagements of the Bank in such a way that the members in question in each case shall be free to decide what departments of the Bank they wish to examine.
- (6) On the basis of the report of the Board of Governors and the Committee of Directors to examine the annual accounts of the Bank, to decide upon write-offs and allocations, etc., to determine the distribution of the annual profit and to submit the annual accounts to the Royal Bank-Commissioner for approval.
- (7) To make decisions pursuant to Section 13 of the National Bank of Denmark Act granting permission to deviate from the note cover requirements of the said Act.

Contributions to undertakings for the public benefit may on the recommendation of the Board of Governors and the Committee of Directors be granted by the Board of Directors when approved by the Royal Bank-Commissioner.

B. COMMITTEE OF DIRECTORS

Sec. 5. The Committee of Directors shall be composed of the two members of the Board of Directors mentioned in Section 1(b) together

with five members elected for one year at a time by the Board of Directors from among its members. The election shall take place at the meeting of the Board of Directors at which the annual accounts are submitted for approval. The term of office shall commence on the ensuing April 1.

If three members of the Board of Directors demand it, the proportional representation system according to André's extended method shall be applied.

If a member of the Committee of Directors dies or retires before the expiration of the term of office another member shall be elected for the rest of the term.

The Committee of Directors shall elect for one year at a time a chairman and a deputy chairman. The elections shall be confirmed by the Minister of Trade, Industry and Shipping. The elections shall take place as soon as possible after the meeting of the Board of Directors where the annual accounts are submitted for approval. The terms of office shall commence on the ensuing April 1.

The members of the Committee of Directors shall not have a seat in the management of other banks. The chairman and deputy chairman shall not be affiliated with other banks or savings banks.

Sec. 6. The Committee of Directors shall meet once every month unless another decision is made, and otherwise as often as the chairman deems it necessary, or when the Royal Bank-Commissioner or three members demand it. The Committee of Directors constitutes a quorum when four members are present, including at least one of the two members mentioned in Section 1(b). Decisions shall be taken by a majority of votes; in the case of a tie, the chairman shall have the deciding vote.

The Royal Bank-Commissioner may attend the meetings of the Committee of Directors.

Decisions of a particularly far-reaching character cannot be taken at a meeting of the Committee of Directors when the Royal Bank-Commissioner is not present, unless he has been informed in advance that the case will be dealt with at the meeting.

Sec. 7. The Committee of Directors shall keep itself informed as regards the more important aspects of the functions of the Bank. It may at any time demand from the Board of Governors such information as it might consider necessary in order to comply with the duties assigned to it.

The Committee of Directors and the Board of Governors should enter into mutual negotiation and deliberation on cases and matters which are of a more general importance for the functions of the Bank, including the rules governing the granting of advances, even though a submission to the Board of Directors is not required.

All matters placed before the Board of Directors shall first be submitted to the Committee of Directors. The Committee reports to the Board of Directors on the matter; the report may be accompanied by the recommendations of the Board of Governors. Cases which, owing to their urgent character cannot be postponed until the submission to the Board of Directors

has taken place, shall as far as possible be submitted to the Committee of Directors.

At least once every year the Committee of Directors shall examine the more important liabilities of the Bank and have all the assets of the Bank verified. A report concerning these examinations shall be sent to the Board of Directors.

It shall rest with the Committee of Directors to see to it that the annual accounts, after careful consideration of existing assets and liabilities and after the necessary write-offs and allocations, have been rendered as proper and cautious business practice dictates. Before the Committee of Directors reports to the Board of Directors, it shall negotiate with the Royal Bank-Commissioner concerning the application of the profit of the year on the basis of the recommendation of the Board of Governors.

The Committee of Directors shall see that the daily audit provided for in Section 36 is properly organized.

Furthermore, the Committee of Directors appoints and dismisses on the recommendation of the Board of Governors the officials of the Bank with a higher charge than that of senior clerk (see also Section 14), while the other officials are appointed by the Board of Governors.

C. BOARD OF GOVERNORS

Sec. 8. The Board of Governors shall consist of three members. One of the Governors shall be nominated by the King, and the other Governors shall be appointed by the Board of Directors on the recommendation of the Committee of Directors. The first-mentioned Governor shall be chairman of the Board of Governors.

The Governors shall reside in Copenhagen or in places near Copenhagen. They shall not have a seat in the management of trading organizations or companies nor carry on nor take part in private trading activity. The Governors shall be under the obligation to send in their resignation before the expiration of the month in which they complete their seventieth year.

Sec. 9. The Governor nominated by the King as well as the Governors elected by the Board of Directors shall be appointed for an unlimited time, but they may be dismissed by the King and the Board of Directors, respectively. A majority of two thirds of the whole Board of Directors shall be required in the latter case.

The Governors shall be entitled to pension from the old-age pension fund of the National Bank of Denmark.

Sec. 10. The Board of Governors shall meet as often as it is deemed necessary. Decisions shall be passed by a majority of votes. In the case of a tie, the Governor nominated by the King shall have the deciding vote.

The Governors shall by mutual agreement divide the duties assigned them and determine what may be left to a single Governor for decision.

Sec. 11. The Governors shall be present at the meetings of the Committee of Directors and the Board of Directors, unless matters are treated which concern them personally.

The Governors shall be entitled to take part in the deliberations.

Sec. 12. The day-to-day management of the Bank shall be vested in the Board of Governors. It shall particularly be the duty of the Board of Governors:

- (1) To see that all the transactions of the Bank are properly entered in the accounts, and that the staff of the Bank on the whole discharges the duties assigned them;
- (2) To see to the safekeeping of all the assets of the Bank and the valuables entrusted to the Bank;
- (3) To supervise the printing of the bank notes and the safekeeping and destruction of canceled notes;
- (4) To see that the management of the business of the branches is properly supervised;
- (5) To report every month to the Royal Bank-Commissioner, to the chairman of the Board of Directors and to the Committee of Directors on the note cover.

Sec. 13. At least once every month the Board of Governors, itself or through the auditors mentioned in Section 36, shall examine the cash in hand and the holdings of the cashiers of the Bank.

D. GENERAL REGULATIONS

Sec. 14. The regulations for the salaries and old-age pensions of the Governors and other members of the staff of the Nationalbank i Kjøbenhavn shall remain in force for the Governors and staff of this Bank until they are altered in conformity with the rules laid down.

The Board of Directors shall fix the number of the officials of the Bank with a higher charge than that of senior clerk.

Sec. 15. A member of the Board of Directors or the Committee of Directors shall have no vote in cases concerning agreements between the Bank and such member or relating to actions brought against such member nor in case of agreements with or actions brought against a third party insofar as such member has a considerable interest therein which may be in conflict with that of the Bank.

The Directors are under obligation to keep secret what they learn through their work in the Bank.

A Governor shall not make nor take part in decisions which affect him in a manner as stated above.

Sec. 16. It shall rest with the Committee of Directors and the Board of Governors to scrutinize the justification of and security for the transactions between the Bank and an individual member of the Committee of Directors or the Board of Directors or with companies of which these members are managers or directors.

The same shall hold good of engagements which might be contracted with the Bank, by persons linked to the Governors through marriage, relationship or affinity in lineal ascent and descent or as brothers and sisters, or by companies of which such persons are managers.

Sec. 17. If a member of the Committee of Directors or Board of Governors of the Bank, a Branch Manager or other member of the staff of the Bank on behalf of the Bank supervises an undertaking in which the Bank is interested economically, any remuneration of the person in question will have to be defrayed by the Bank. The amount of the remuneration shall be fixed by the Committee of Directors.

Sec. 18. Governors, Branch Managers or other members of the staff of the Bank must not in any form engage or participate in speculative transactions.

Sec. 19. Governors, Branch Managers and auditors must not raise loans in the Bank, obtain the guarantee of the Bank for loans or enter into contracts of suretyship for debts due to the Bank.

Sec. 20. The signatures of two duly authorized persons shall be required to bind the Bank. The chairman of the Committee of Directors shall authorize officials within the Bank to sign on behalf of the Bank. The names of the persons authorized to sign on behalf of the Bank shall be published in the *Statstidende*.

II.—FUNCTIONS OF THE BANK

Sec. 21. The denominations, text and form of the notes shall remain unchanged until otherwise provided under Section 8 of the National Bank of Denmark Act.

Sec. 22. In addition to the issue of notes and the activities and business in connection therewith, the general functions of the Bank shall particularly comprise the following transactions:

- (1) receipt of money on folio account and current account;
- (2) discounting of bills of exchange;
- (3) granting of advances against security;
- (4) drawing of checks on Danish and foreign places;

- (5) issuing of bank promissory notes;
- (6) depositing of money with correspondents;
- (7) purchase and sale of securities;
- (8) purchase and sale of precious metal in coin and ingots;
- (9) purchase and sale of foreign currency;
- (10) receipt of deposits in safe custody.

Sec. 23. The Board of Governors shall fix the rate of interest on folio account and current account. It may decide that no interest is to be paid on money deposited.

Sec. 24. Where an amount of interest originating from previous deposits but no actual deposit has been standing to the credit of an account for five years, such amount may fall to the Bank.

Sec. 25. The Board of Governors shall fix the rate of discount and the rate of interest for advances.

When the Board of Governors wishes to alter the rate of discount (the bank rate), it shall notify the Royal Bank-Commissioner and the Minister of Finance to that effect. The Royal Bank-Commissioner and the Minister of Finance shall be entitled personally or by deputy to take part in the deliberations, but they shall have no vote.

When a decision has been taken, the chairman of the Board of Directors and of the Committee of Directors shall immediately be notified.

Sec. 26. The decisions of the Board of Governors concerning applications for advances or discounts shall as a rule be given orally. No applicant shall be entitled to learn the reason for a refusal.

Sec. 27. Advances shall normally be granted for one to three months, but never for more than six months, and against such collateral as may be considered satisfactory. Advances may be renewed. The Board of Governors shall decide what securities may be accepted as collateral for advances, and what percentage of the value of the collateral may be granted as an advance.

Sec. 28. The Bank may demand prepayment of interest for the full term of an advance or for a part thereof.

Sec. 29. The Bank may issue bank promissory notes to specified persons and payable up to eight days after date or at sight.

Bank promissory notes shall be paid at the Head Office of the Bank as well as at its branches.

Sec. 30. The Board of Governors may decide that checks and transfer orders shall not be issued for amounts of less than two hundred kroner.

Sec. 31. The Board of Governors shall lay down rules governing the purchase and sale of foreign exchange and the purchase and sale of securities.

Sec. 32. The Board of Governors shall fix the price at which the Bank shall purchase and sell precious metal in coin or in ingots; but see Section 14, second and third subsections, of the National Bank of Denmark Act.

Sec. 33. The Bank shall be the legal depositary of monies and securities which are lodged pursuant to Act No. 29 of February 16, 1932 concerning the right of debtors to be released by making a deposit.

Sec. 34. The Bank receives deposits for safekeeping. The rules governing the deposits and the fees to be charged shall be fixed by the Board of Governors.

The Bank shall be entitled to refuse to receive a deposit as well as to rent a safe. Moreover, it shall be entitled to demand the withdrawal of a deposit and to terminate the renting of a safe without stating the reason.

If a deposit has not been claimed for twenty years and the Bank does not know the address of the owner, it shall be entitled, by a notification in the *Statstidende*, to demand that the depositor, or the person or persons who deem themselves owners of the deposit, take possession of the deposit within six months, and if nobody appears, to have the deposit liquidated or sold at public auction, the proceeds of which shall fall to the Bank; see, however, Section 5 of Act No. 29 of February 16, 1932.

Memoranda of deposit drawn up before the coming into force of these By-Laws, and which contain the clause that in case the deposit is prohibited by statute the proceeds shall fall to the Treasury, shall remain in force.

III.—ACCOUNTS AND AUDIT

Sec. 35. The financial year of the Bank shall be the calendar year.

The Board of Governors shall, not later than February 1, hand over the annual accounts to the chartered accountants appointed by the Royal Bank-Commissioner. When the Committee of Directors has made its report on the annual accounts and the negotiations with the Royal Bank-Commissioner have taken place (see Section 7, fifth subsection), the annual accounts shall be submitted to the Board of Directors, but in no case later than March 20.

Sec. 36. The daily audit of all the books of the Bank shall be made by officials appointed for that purpose. At a branch, however, the audit may, on the recommendation of the Board of Governors, be made by an auditor appointed by the Committee of Directors. This audit shall commence immediately at the beginning of the financial year and be continued daily, so that it always follows directly after the daily entries.

The auditors shall keep a record. The auditors' record shall be submitted to the Board of Governors once a month and be presented at the monthly meeting of the Committee of Directors. If the audit at a branch is made by an auditor specially appointed, a report on this audit based on information from this auditor shall be entered into the record.

The auditors shall enter into their records all information that may be of importance to the Board of Governors, the Committee of Directors and the Board of Directors. In case the auditors discover essential irregularities the auditors shall, besides making entries thereof in the records, without delay notify the Board of Governors and the chairman of the Committee of Directors.

It shall be the duty of the auditors to call the attention of the Board of Governors and the Committee of Directors to deficiencies in auditing and bookkeeping if such are found.

Sec. 37. The Minister of Trade, Industry and Shipping shall appoint for one year at a time two chartered accountants to audit the annual accounts of the Bank. The chartered accountants shall be of age, shall not be deprived of the right to dispose of their estate, shall not be in the service of the Bank, shall not be members of the Board of Directors or the Committee of Directors, and shall not be linked to any member of the Board of Directors, the Committee of Directors or the Board of Governors, to accountants or cashiers, by being in their service, through marriage, relationship or affinity in lineal ascent or descent, or as brothers and sisters.

During the audit, which shall be performed after careful consideration of existing values and obligations, the chartered accountants shall be permitted access to all books relating to the bookkeeping of the Bank and to examine the cash in hand and the holdings of the cashiers of the Bank. The Committee of Directors and the Board of Governors shall be under the obligation to give the chartered accountants any information they might demand to ascertain the correctness of the accounts. When the chartered accountants have audited the accounts they shall enter a report on the audit into the chartered accountants' records. This shall be submitted at the first ensuing meeting of the Committee of Directors, and the members of the Committee present shall by their signature confirm that they have taken notice of the contents. Moreover, the records shall be presented at the first ensuing meeting of the Board of Directors.

The chartered accountants are under the obligation to keep secret what they learn through their activity.

Sec. 38. Amendments to these By-Laws may be adopted by the Board of Directors. In order to make an amendment valid, a majority of all the Directors shall vote in favor thereof and the resolution shall be confirmed by the Royal Bank-Commissioner.

Sec. 39. These By-Laws shall come into force when they have been confirmed by the Royal Bank-Commissioner.