

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION



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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws



Statutes and related materials
selected and annotated by

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Publication of Statutes, Orders, and Codes

There is an official (monthly) loose-leaf edition of laws and ordinances, entitled *Hōrei Zensho (Insatsukyoku)*. A privately published, consolidated edition, also in Japanese, of measures re-published, relating to six selected fields of law, including constitutional law, which contains amendments adopted during the past year, appears annually as *Roppo Zensho (Book of Six Laws)*; the topics covered in this collection are Constitution, Civil Code, Code of Civil Procedure, Commercial Code, Penal Code, and Code of Penal Instructions. In addition, the *EHS Law Bulletin Series: Series of Japanese Laws in English Version* is published in loose-leaf, or pamphlet, form by Eibun-Hōrei-Sha, Inc. The individual pamphlets are to be assembled in separate binders; vol. VI, for example, contains laws relating to banking.

The Bank of Japan Law¹

CHAPTER I. GENERAL PROVISIONS

Art. 1. The Bank of Japan has for its object the regulation of the currency, the control and facilitation of credit and finance, and the maintenance and fostering of the credit system, pursuant to the national policy, in order that the general economic activities of the nation might adequately be enhanced.

The Bank of Japan shall be a juridical person.

Art. 2. The Bank of Japan shall be managed solely for achievement of national aims.

Art. 3. The Bank of Japan shall handle, in accordance with the provisions of laws and ordinances, affairs of the State relating to currency and finance.

The expenses incurred in handling the affairs prescribed in the preceding paragraph shall, in accordance with the provisions of laws and ordinances, be borne by the Bank of Japan.

Art. 4. The Bank of Japan shall have its head office in Tokyo.

The Bank of Japan may, with the permission of the competent Minister of State, establish branches and sub-branches at such places as it may deem necessary, or the Bank may have a part of its business handled by such agents as shall be designated by the competent Minister.

Art. 5. The capital of the Bank of Japan shall be Yen 100,000,000, divided into 1,000,000 units of a subscription of Yen 100 each.

The Government shall subscribe to the capital of the Bank of Japan to the amount of Yen 55,000,000, in accordance with the provisions of Imperial Ordinance.

Art. 6. [Repealed]

Art. 7. The Bank of Japan shall issue subscription certificates to the subscribers.

All necessary matters relating to subscription certificates mentioned in the preceding paragraph shall be prescribed by Imperial Ordinance.

¹ Law No. 67 of February 24, 1942 as amended by subsequent legislation up to and including Law No. 135 of May 27, 1957. The version given here is a translation supplied by the Bank of Japan.

Art. 8. The subscriber may transfer his holdings in accordance with the provisions of Imperial Ordinance.

Art. 9. The Bank of Japan shall prescribe in the By-Laws the following matters:—

- (1) Object;
- (2) Name;
- (3) Location of the head office, branches and sub-branches;
- (4) Matters relating to the capital, subscriptions and assets;
- (4-2) Matters relating to the Policy Board;
- (5) Matters relating to the officers;
- (6) Matters relating to its business and execution thereof;
- (7) Matters relating to bank-note issue;
- (8) Business period;
- (9) Matters relating to accounting;
- (10) Mode of public notification.

No alteration of the By-Laws shall be valid without the permission of the competent Minister.

Art. 10. The Bank of Japan is required to register in accordance with the provisions of Imperial Ordinance.

Regarding matters to be registered in accordance with the preceding paragraph, the Bank shall have no recourse against a third party until after the registration.

Art. 11. [Repealed]

Art. 12. In case circumstances require the dissolution of the Bank of Japan, the procedure to be taken in such an eventuality shall be prescribed by a separate law.

In the event of the dissolution of the Bank of Japan, any property remaining in excess of the paid-up capital shall come into the possession of the National Treasury.

Art. 13. The provisions of Articles 44, 50, 54 and 57 of the Civil Code and of the first paragraph of Article 35 of the Law of Procedure in Non-Contentious Matters shall apply *mutatis mutandis* to the Bank of Japan.

CHAPTER I-2. POLICY BOARD

Art. 13-2. There shall be established a Policy Board in the Bank of Japan. It shall be the duty of the Policy Board to formulate, direct and/or

supervise currency regulation, credit control and other basic monetary policies pertaining to: (1) the operation of the business of the Bank of Japan as prescribed in Item 1 of Article 13-3, (2) the functions of the Bank of Japan as the central bank, and (3) its contractual relations with other financial institutions; so as to meet the requirements of the national economy.

Art. 13-3. The Policy Board shall be charged with the following matters:—

- (1) Deciding on basic policies for the operation of the business of the Bank of Japan to be executed by officers and staff prescribed in Chapter II;
- (2) Fixing or changing of the rates for the discounts mentioned in Item 1 of Article 20 and of rates of interest on loans mentioned in Item 2 of the same Article;
- (3) Deciding on or changing of the kinds and qualifications of bills to be discounted by the Bank of Japan pursuant to the provisions of Item 1 of Article 20, and of the kinds, qualifications and value of the collateral for loans made by the Bank of Japan pursuant to the provisions of Item 2 of the same Article;
- (4) Deciding on or changing of the kinds, qualifications and value of telegraphic transfers, bankers' acceptances, bills of exchange and securities to be purchased or sold by the Bank of Japan pursuant to the provisions of Item 5 of Article 20, either from or to domestic financial institutions, foreign banks, firms, corporations or individuals, or the time to start or suspend such open market operations;
- (5) Fixing, changing or abolishing of the maximum rates of interest of the financial institutions prescribed in Article 2 of the Temporary Interest Rate Adjustment Law;
- (6) Fixing, changing or abolishing of the reserve rates in accordance with the provisions of Article 4 of the Law Concerning Reserve Deposit Requirement System;²
- (7) Deciding on or changing of controls over loans and investments made to security dealers (those defined by paragraph 9 of Article 2 of the Securities and Exchange Law) by banks (exclusive of the Bank of Japan), trust companies, insurance companies, *mujin* companies, Central Cooperative Bank of Agriculture and Forestry, Central Bank for Commercial and Industrial Cooperatives, Credit Associations, Federation of Credit Associations or other deposit-receiving associations, or the kinds, qualifications and limit of the value of collateral for such loans;

² Law No. 135 of May 27, 1957 (cited below, p. 457).

- (8) Deciding on the estimate of expenditures, appraisal of assets, settlement of accounts and other matters relating to the accounting of the Bank of Japan;
- (9) Besides those enumerated above, such matters of policy pertaining to credit control and examination of financial institutions as are entrusted to the Policy Board by virtue of other laws and/or contractual relationships;
- (10) Making of annual reports to the Diet through the competent Minister with respect to:—
 - (a) The condition and operation of financial institutions;
 - (b) Necessary changes in laws;
 - (c) Changes in supervisory policies during the year;
 - (d) Policy actions taken and reasons therefor.

Art. 13-4. The Policy Board shall be composed of seven members. The members shall be as follows:—

- (1) The Governor of the Bank of Japan;
- (2) A person representing the Ministry of Finance;
- (3) A person representing the Economic Planning Agency;
- (4) Two persons of superior experience and knowledge of financial business; one to be experienced in and having knowledge of banking in a local bank and the other in a large city bank;
- (5) A person of superior experience and knowledge of commerce and industry;
- (6) A person of superior experience and knowledge of agriculture.

Those members coming under Items 4 to 6 of the preceding paragraph (hereinafter to be called appointive members) shall be appointed by the Cabinet with the consent of both Houses of the Diet.

The appointive members shall be deemed as being engaged in public service by virtue of the provisions of laws and ordinances.

The expenses of the Policy Board, including allowances for appointive members, shall be borne by the Bank of Japan.

Art. 13-5. The term of office of the appointive members shall be for four years, provided that any member selected to fill a vacancy shall serve for the remainder of the term of his predecessor.

The members shall be eligible for reappointment.

In case the term of office of any appointive member expires while the Diet is not in session or the House of Representatives is dissolved, he shall continue to serve until his successor is appointed by the Cabinet with the

consent of both Houses at the first session of the Diet immediately following the expiration of his term, notwithstanding the provisions of the first paragraph.

Appointive members serving less than the full term of four years shall be ineligible for two years after their retirement to hold any office or position in any financial institution supervised by the Policy Board.

Art. 13-6. Except in cases coming under any one of the following items, appointive members shall not be dismissed against their will during their tenure of office:—

- (1) In case of having been adjudicated incompetent, quasi-incompetent or bankrupt;
- (2) In case of having been sentenced to imprisonment or having been inflicted any other heavier punishment;
- (3) In case of having been deemed incapable of discharging their duties by the Cabinet, because of physical or mental disorders;
- (4) In case of having been deemed disqualified for membership by the Cabinet, owing to violation of their official duties.

Should any of the appointive members come under any one of the preceding categories, he shall be dismissed from office by the Cabinet.

Art 13-7. There shall be a chairman in the Policy Board.

The chairman shall be elected by mutual vote of the members within thirty days after the establishment of the Policy Board or within thirty days after the occurrence of a vacancy in the post of chairman. Failing this, the Cabinet shall nominate the chairman from among the members.

The chairman shall preside over the business of and represent the Policy Board.

Art. 13-8. The members mentioned in Items 2 and 3 of the second paragraph of Article 13-4 shall have no voting rights at the meetings of the Policy Board.

The proceedings of the Policy Board shall be decided by majority vote of the members having voting rights.

Art. 13-9. The appointive members may not, during their term of office, pursue any of the following activities:—

- (1) Become a candidate for the National Diet or the assemblies of any local public body or of any elective public office, or positively engage in political activities;
- (2) Engage in any other remunerative work, except when permitted by the Cabinet;
- (3) Engage in commerce or other business for pecuniary gains.

CHAPTER II. OFFICERS AND STAFF

Art. 14. The officers of the Bank of Japan shall be composed of a Governor, a Vice-Governor, three or more Directors, two or more Auditors and a number of Advisers.

Art. 15. The Governor shall represent the Bank of Japan and execute its entire business in accordance with the policies decided by the Policy Board.

The Vice-Governor shall, whenever the Governor is prevented from attending to his duties, act in place of the latter. Whenever a vacancy occurs in the office of Governor, the Vice-Governor shall exercise the duties appertaining to the said office.

The Vice-Governor and the Directors shall assist the Governor and execute the business of the Bank of Japan in accordance with the provisions of the By-Laws.

The Auditors shall inspect the business of the Bank of Japan.

The Advisers shall respond to the consultations of the Governor and may express to the Governor their views on any important affairs concerning the business of the Bank of Japan.

Art. 16. The Governor and the Vice-Governor shall be appointed by the Cabinet.

The Directors shall be appointed by the competent Minister from among persons recommended by the Governor.

The Auditors shall be appointed by the competent Minister.

The Advisers shall be appointed by the competent Minister from among persons engaged in finance or industry, or men of learning and experience.

The term of office shall be for five years for the Governor and the Vice-Governor, four years for the Directors, three years for the Auditors and two years for the Advisers.

Art. 17. The Governor may appoint representatives authorized to take all actions in or out of the court of law in connection with the business of the head office, branches, or sub-branches of the Bank of Japan.

Art. 18. The Governor, the Vice-Governor, the Directors and the Auditors may not engage in any other occupations, provided that this restriction shall not apply in case permission of the competent Minister has been obtained.

Art. 19. The officers and staff of the Bank of Japan shall be deemed as being engaged in public service by virtue of the provisions of laws and ordinances.

The officers and staff mentioned in the preceding paragraph shall be delimited by Imperial Ordinance.

CHAPTER III. BUSINESS

Art. 20. The Bank of Japan shall undertake the following business:—

- (1) Discounting of commercial paper, bankers' acceptances and other bills or notes;
- (2) Making loans against collateral in the form of bills or notes, Government bonds and obligations, and other negotiable securities, gold and silver bullion, or merchandise;
- (3) Receiving money for deposit;
- (4) Dealing in domestic exchange;
- (5) Buying and selling of commercial paper, bankers' acceptances and other bills or notes, Government bonds and obligations, and other bonds or debentures;
- (6) Buying and selling of gold and silver bullion;
- (7) Collection of bills or notes, accepting custody of articles of value and performing other business incidental to the business enumerated in the preceding items.

Art. 21. The Bank of Japan shall determine the rates of discount to serve as the basis for the discounts in Item 1 of the preceding Article, and the rates of interest on loans to serve as the basis for the loans in Item 2 of the said Article, and make public notification thereof.

Art. 22. The Bank of Japan may make advances to the Government without taking any collateral.

The Bank of Japan may subscribe to or take up Government loan issues.

Art. 23. The Bank of Japan may, whenever deemed necessary, buy or sell foreign exchanges.

Art. 24. The Bank of Japan may, whenever deemed necessary for international financial transactions, and with the permission of the competent Minister, make contribution of capital or advances to any foreign financial institutions or undertake exchange clearing transactions with such foreign institutions.

Art. 25. The Bank of Japan may, with the permission of the competent Minister, undertake such businesses as are necessary for the maintenance and fostering of the credit system.

Art. 26. The Bank of Japan shall undertake the management of Treasury funds in accordance with the provisions of laws and ordinances.

Art. 27. The Bank of Japan may not undertake any business other than those prescribed in the present law, provided that this restriction shall not apply in case the Bank, deeming it necessary for the attainment of the object of the Bank, has obtained the permission of the competent Minister.

Art. 28. The competent Minister may, whenever deemed necessary for the attainment of the object of the Bank of Japan, order banks and other financial institutions to cooperate in the execution of the business of the Bank of Japan.

CHAPTER IV. BANK-NOTES

Art. 29. The Bank of Japan is authorized to issue bank-notes.

The bank-notes of the preceding paragraph shall have an unlimited circulation for all transactions both public and private.

Art. 30. The competent Minister shall, upon approval of the Cabinet, fix a maximum limit for the bank-note issue provided in the first paragraph of the preceding Article.

The competent Minister shall make a public notification upon fixing the issue limit provided in the preceding paragraph.

Art. 31. The Bank of Japan may, whenever deemed necessary, issue bank-notes in excess of the limit prescribed in the first paragraph of the preceding Article, provided that the Bank of Japan shall obtain the permission of the competent Minister when intending to continue such an excess issue beyond fifteen consecutive days.

Art. 31-2. In case the Bank of Japan shall have continued the issue of bank-notes in excess of the prescribed limit beyond fifteen consecutive days, it shall pay ~~an~~ issuing tax, at a rate fixed by the competent Minister, on the amount of such bank-notes issued in excess of the said limit, as from the sixteenth day, for each day the excess issue was continued.

Art. 32. The Bank of Japan is required to maintain a reserve for bank-notes equivalent in value to the amount of notes issued.

The reserve mentioned in the preceding paragraph shall be limited to the following:—

- (1) Commercial paper, bankers' acceptances and other bills or notes;
- (2) Loans made in accordance with the provisions of Article 20, Item 2, or the first paragraph of Article 22;
- (3) Government bonds and obligations;
- (4) Other bonds or debentures, as mentioned in Article 20, Item 5;
- (5) Foreign exchange;
- (6) Gold and silver bullion, including gold and silver coins.

Bills or notes, loans and foreign exchange, mentioned in Items 1, 2 and 5 of the preceding paragraph, are required to mature in not more than three months, provided that this restriction shall not apply where the permission of the competent Minister has been obtained.

In case capital has been contributed to foreign financial institutions in accordance with the provisions of Article 24, or when otherwise deemed particularly necessary, the Bank of Japan may, with the permission of the competent Minister, use other securities or claims not coming under any of the items enumerated in the second paragraph as the reserve mentioned in the first paragraph.

The Bank of Japan shall determine, for the purpose of the reserve, the value of each item enumerated in the second paragraph and of that of the preceding paragraph, and submit the same to the competent Minister for his permission.

The competent Minister shall fix, for each item mentioned in 1 to 4 of the second paragraph and in the fourth paragraph, the maximum amount which may be assigned to the reserve.

Art. 33. The kinds and forms of the bank-notes shall be decided upon by the competent Minister.

Upon deciding as to the kinds and forms of the bank-notes, the competent Minister shall make a public notification thereof.

Art. 34. The Bank of Japan shall, in accordance with the prescriptions of the competent Minister, make public the amount of the bank-notes issued.

Art. 35. The Bank of Japan shall, in accordance with the prescriptions of the competent Minister, exchange without fees at its head office, branches or sub-branches any of its bank-notes rendered unfit for further circulation due to defacement, mutilation or other causes.

Art. 36. The Bank of Japan shall determine the procedure as regards the printing and cancellation of the bank-notes, and submit the same to the competent Minister for his permission.

CHAPTER V. ACCOUNTING

Art. 37. The Bank of Japan shall, in accordance with the prescriptions of the competent Minister, make an estimate of the expenditures for each business period, and submit the same to the competent Minister for his permission prior to the commencement of the business period. This provision shall apply also to cases where any important alterations in the estimate are to be made.

Art. 38. The Bank of Japan shall, in accordance with the prescriptions of the competent Minister, make an inventory, a balance-sheet and a profit and loss statement for each business period, and submit the same to the competent Minister for his approval within two months after the end of each business period.

Art. 39. The Bank of Japan shall set apart one-twentieth of the surplus for each business period as a reserve fund for covering losses and for dividends.

In addition to the reserve fund prescribed in the preceding paragraph, the Bank of Japan may, with the permission of the competent Minister, establish special reserves for specific purposes.

The Bank of Japan shall obtain the permission of the competent Minister when making dividend payments out of the surplus on the paid-up amount of the capital subscriptions, provided that the rate of such dividends may not exceed five per cent per annum.

The Bank of Japan shall, after deducting from the surplus the reserve funds prescribed in the first and second paragraphs, and the dividends provided for in the preceding paragraph, pay the remainder to the Government within two months after the end of the business period.

The amount paid to the Government pursuant to the provisions of the preceding paragraph shall, in accordance with the provisions of Imperial Ordinance, be counted as losses in computing income under the Corporations Tax Law, profit under the Special Profit Tax Law, and/or income under the Local Tax Law (Law No. 226 of 1950) in case enterprise tax is levied pursuant to the said law.

Art. 40. [Repealed]

Art. 41. The Bank of Japan shall make public a statement of the general condition of the operation of the Bank for each business period in accordance with the prescriptions of the competent Minister.

CHAPTER VI. SUPERVISION

Art. 42. The Bank of Japan shall be under the supervision of the competent Minister.³

Art. 43. The competent Minister may, if deemed particularly necessary for the attainment of the object of the Bank of Japan, order the Bank to undertake any necessary business, or order alterations in the By-Laws as well as other necessary actions.

Art. 44. The competent Minister may require the Bank of Japan to make reports on the condition of its business and property, make inspection of the Bank's affairs, or issue orders or take such actions as are necessary in the exercise of his supervision.

Art. 45. The competent Minister shall inter alia appoint the Comptroller of the Bank of Japan to oversee the business of the Bank.

³ It is noteworthy that a Foreign Exchange Fund was established by virtue of the Foreign Exchange Fund Special Account Law (Law No. 56 of March 30, 1951, cited below, p. 457). Under Art. 2 of that Law, the Special Account to be set up pursuant to Art. 1 shall be administered, managed, and operated by the Minister of Finance. Under Art. 6, the Minister of Finance may designate the Bank of Japan to manage the Foreign Exchange Fund for the purpose of buying and selling foreign exchange in accordance with Art. 5 of the Law.

Art. 46. The Comptroller of the Bank of Japan is empowered at any time to inspect the condition of the business and property of the Bank.

The Comptroller of the Bank of Japan may, whenever deemed necessary, order the Bank to make reports on the condition of the business and property of the Bank.

The Comptroller of the Bank of Japan may attend all the meetings of the Bank and express his views.

Art. 47. Whenever the actions of the officers of the Bank of Japan contravene the laws and ordinances, the By-Laws, or orders of the competent Minister, or prejudice public interests, or whenever it is deemed particularly necessary for the attainment of the object of the Bank, they may be dismissed by the Cabinet in the case of the Governor and the Vice-Governor, and by the competent Minister in the case of the Directors, the Auditors and the Advisers.

CHAPTER VII. PENALTY

Art. 48. Whenever the Bank of Japan contravenes the present law or orders issued under this law or any actions taken under such orders, the Governor or the Vice-Governor exercising the duties of or acting in place of the Governor shall be liable to a fine of not more than Yen 5,000, or when such violation concerns the business entrusted to the Vice-Governor or the Directors, the Vice-Governor or the Directors in charge shall be liable to a like fine.

ADDENDA

Art. 49. The present law shall become effective on the day fixed by Imperial Ordinance in respect of each Article.

Art. 50. The Bank of Japan organized under the Bank of Japan Act (hereinafter called the old Bank of Japan) shall, in accordance with the provisions of Articles 51 to 60, become the Bank of Japan under the present law (hereinafter called the Bank of Japan).

Art. 51. The old Bank of Japan shall suspend transfer of its shares in accordance with the provisions of Imperial Ordinance.

Art. 52. The competent Minister shall appoint the Reorganization Committee and cause it to attend to such affairs as are necessary in transforming the old Bank of Japan into the Bank of Japan.

Art. 53. The Reorganization Committee shall draw up the By-Laws and submit the same to the competent Minister for his permission.

Art. 54. Upon obtaining the permission of the preceding Article, the Reorganization Committee shall make allotment of the subscriptions to the capital of the Bank of Japan against the shares of the old Bank of Japan.

The allotment mentioned in the preceding paragraph shall be effected at the rate of two units of the fully-paid subscriptions of the Bank of Japan to one fully-paid share of the old Bank of Japan, and of one unit of the fully-paid subscriptions of the Bank of Japan to one partly-paid share of the old Bank of Japan.

Art. 55. Upon obtaining the permission mentioned in Article 53, the Reorganization Committee shall without delay request the Government to take up the subscriptions on their part.

Art. 56. The moment the allotment of the first paragraph of Article 54 shall have been completed and the request mentioned in the preceding Article complied with, the Governor, the Vice-Governor, the Directors and the Auditors of the old Bank of Japan then in office shall be deemed to have assumed their posts respectively as the Governor, the Vice-Governor, the Directors and the Auditors of the Bank of Japan for the remainder of their terms of office.

Art. 57. Upon the completion of the allotment of the first paragraph of Article 54, and of the subscriptions by the Government mentioned in Article 55, the Reorganization Committee shall hand over its affairs to the Governor of the Bank of Japan.

Art. 58. When the Governor of the Bank of Japan shall have received the transfer of affairs provided in the preceding Article, he shall register the organization of the Bank at the seat of the head office.

The Bank of Japan shall have its organization completed by the registration mentioned in the preceding paragraph.

Art. 59. Upon the organization of the Bank of Japan, the old Bank of Japan shall be absorbed into the former, and all rights and obligations appertaining to the old Bank of Japan shall be succeeded to by the Bank of Japan.

Art. 60. Except for the provisions in the present law, all matters necessary in connection with the old Bank of Japan becoming the Bank of Japan shall be prescribed by Imperial Ordinance.

Art. 61. All permissions, dispositions and other actions performed or given under the provisions of the Bank of Japan Act, the Law No. 14 of the 16th year of Showa (1941) and other laws and ordinances shall be deemed as having been performed or given under the present law, in so far as there are corresponding provisions in this law.

Art. 62. The provisions relating to the old Bank of Japan or its officers and staff contained in other laws and ordinances shall be deemed as the provisions relating to the Bank of Japan or its officers and staff.

Art. 63. The convertible bank-notes issued by the old Bank of Japan shall be deemed as the bank-notes issued by the Bank of Japan under the present law.

The Bank of Japan may, for the time being, and notwithstanding the provisions of the first paragraph of Article 33, issue, as the bank-notes under the present law, bank-notes of the kinds and forms identical with the convertible bank-notes issued by the old Bank of Japan.

Art. 64. Upon the old Bank of Japan becoming the Bank of Japan, the fully-paid old Bank of Japan share certificates shall be deemed as the fully-paid Bank of Japan subscription certificates of so many units at the rate of two units per share; likewise the partly-paid old Bank of Japan share certificates shall be deemed as the fully-paid Bank of Japan subscription certificates of so many units at the rate of one unit per share.

Art. 65. The right of pledge and other similar rights with respect to the old Bank of Japan shares shall continue to exist on the new holdings of the subscriptions allotted to such shares.

Art. 66. Upon the old Bank of Japan becoming the Bank of Japan, the Bank of Japan shall without delay make a public notification thereof in accordance with the provisions of Imperial Ordinance.

Art. 67. In the case of the Bank of Japan succeeding to the rights relating to immovable property from the old Bank of Japan in accordance with the provisions of Article 59, no Registration Tax shall be imposed on the registration relating to their acquisition.

In respect of the transfer of securities to the Bank of Japan from the old Bank of Japan in accordance with the provisions of Article 59, no Securities Transfer Tax shall be imposed.

Art. 68. The Bank of Japan shall pay compensation to persons becoming subscribers of the Bank of Japan in accordance with the provisions of the first paragraph of Article 54.

The basis of computing the amount of the compensation mentioned in the preceding paragraph shall be determined by the competent Minister by taking into consideration the current prices of the old Bank of Japan shares during the 15th and 16th years of Showa (1940-1941) and the value of the holdings of the subscribers on the day of the organization of the Bank of Japan.

The competent Minister is required, in determining the basis of the computation mentioned in the preceding paragraph, to consult the Bank of Japan Share Compensation Investigation Committee.

The composition and authority of the Bank of Japan Share Compensation Investigation Committee shall be prescribed by Imperial Ordinance.

The compensation mentioned in the first paragraph may be delivered in the form of Government bonds.

The delivery value of the Government bonds to be delivered pursuant to the provisions of the preceding paragraph shall be determined by the competent Minister taking their current prices into consideration.

The Bank of Japan may, notwithstanding the provisions of the first paragraph of Article 39, make use of the reserve fund for the purpose of compensation payment mentioned in the first paragraph.

Art. 69. The validity of the right of pledge and other similar rights existing on the subscription holdings, in accordance with the provisions of Article 65, shall extend to the compensation mentioned in the first paragraph of the preceding Article.

Art. 70. Income Tax shall not be imposed in respect of the compensation mentioned in the first paragraph of Article 68.

Art. 71. In the event of the old Bank of Japan becoming the Bank of Japan during any business period, the profits for the last business period of the old Bank of Japan may not be distributed in dividends; provided that, when making dividend payment from the surplus for the first business period of the Bank of Japan, the subscriptions allotted to the old Bank of Japan shares shall be dealt with, in computing the amount of dividends, as though there were such subscriptions in the Bank of Japan from the beginning of the last business period of the old Bank of Japan.

Art. 72. In the event of the old Bank of Japan becoming the Bank of Japan during any business period, the duration from the beginning of the last business period of the old Bank of Japan to the end of the first business period of the Bank of Japan shall, for the purpose of the application of the provisions of Articles 38 to 41, be deemed to constitute one business period of the Bank of Japan.

In the case of the preceding paragraph, the provisions of Article 10 of the Bank of Japan Act and the Law concerning Payments to the Government by the Bank of Japan shall not apply to the last business period of the old Bank of Japan.

Upon the old Bank of Japan becoming the Bank of Japan, the Bank of Japan shall without delay make an estimate of the expenditures for the first business period and submit the same to the competent Minister for his permission. This provision shall also apply to cases where any important alterations are to be made therein.

Art. 73. The following amendment shall be made in the Registration Tax Law:—

In Article 19, Item 7, insert the words, "The Bank of Japan," before "The Pension Bank"; and the words, "The Bank of Japan Law," before "The Pension Bank Law."

Art. 74. The following amendment shall be made in the Stamp Duties Law:—

Add the following item after Article 5, Item 4-2: "4-3. The subscription certificates issued by the Bank of Japan."

Art. 75. In determining the value of the gold bullion and gold coins held by the Bank of Japan in accordance with the provisions of the second paragraph of Article 32, the Bank is allowed for the time being not to abide by the provisions of Article 2 of the Coinage Law.

The Bank of Chosen and the Bank of Taiwan shall for the present appraise the value of the gold bullion and gold coins, which they hold pursuant to the provisions of the first paragraph of Article 2 of the Law No. 15 of the 16th year of Showa (1941), at the price permitted by the competent Minister, the provisions of Article 2 of the Coinage Law notwithstanding.

Art. 76. The provisions of Article 14 of the Coinage Law shall not be enforced for the time being.

Art. 77. The words, "Gold coins or the Bank of Japan convertible notes," in the second paragraph of Article 21 of the Bank of Chosen Law shall be amended to read, "the Bank of Japan notes," and the words, "the Bank of Japan convertible notes," in the first paragraph of Article 22 of the said Law to read, "the Bank of Japan notes"; also the words, "Gold coins or convertible bank-notes," in the second paragraph of Article 8 of the Bank of Taiwan Law shall be amended to read, "the Bank of Japan notes," and the words, "the convertible bank-notes," in the first paragraph of Article 9 of the said Law and in Article 2 of Law No. 15 of the 16th year of Showa (1941) to read, "the Bank of Japan notes."

Art. 78. The Bank of Japan Act, the Convertible Bank-Notes Regulations, the Law concerning Payments to the Government by the Bank of Japan, Law No. 14 of the 16th year of Showa (1941) and the Gold Reserve Revaluation Law shall be annulled.

SUPPLEMENTARY PROVISIONS to Law No. 46 of the 22nd year of Showa (1947)—Law amending the Bank of Japan Law

The date of coming into force of this Law shall be fixed by Imperial Ordinance in respect of each provision thereof.

The provisions necessary for the enforcement of this Law shall be stipulated by Imperial Ordinance.

The revised provisions of the third paragraph of Article 39 and the provisions of the fifth and sixth paragraphs of the present Supplementary Provisions shall be applicable to the business period which covers April 1 of the 20th year of Showa (1945), and subsequent periods.

The Governor and the Vice-Governor of the Bank of Japan holding their respective offices, when the revised provisions of Article 16 take effect, shall be deemed as being in office under the same revised provisions for the remainder of their respective terms.

The Bank of Japan shall, for the time being and so long as no dividend payment is made out of the surplus, set apart, as a special reserve fund, an amount equivalent to five per cent per annum on the paid-up amount of the subscriptions, from the surplus remaining after deducting sums required for purposes of the reserve funds as prescribed in the first and second paragraphs of Article 39 of the Bank of Japan Law.

In case dividend payment has been made out of the surplus by the Bank of Japan, should the amount paid in dividends be less than the amount to be set apart as a special reserve fund, if the preceding paragraph were applicable, an amount corresponding to the difference shall likewise be set apart as prescribed in the preceding paragraph for the time being.

The special reserve fund prescribed in the preceding two paragraphs (hereinafter referred to as the special reserve fund) shall be deemed as the dividends under the provisions of the third paragraph of Article 39 of the revised Bank of Japan Law, so far as the application of the provisions of the fourth paragraph of the said Article is concerned.

The special reserve fund may not be used except for covering losses or for other purposes as determined by the competent Minister.

In case the losses incurred in any business period are not fully covered even by making use of the reserve funds prescribed in the first and second paragraphs of Article 39 of the Bank of Japan Law (with regard to the reserve fund prescribed in the second paragraph of the said Article, only such portions as are available for covering losses or dividends may be so used) and of the special reserve fund hereinbefore provided, the Government shall make good the deficiency for the time being.

In the event of the dissolution of the Bank of Japan, any property remaining which exceeds the total amount of the paid-up capital and the special reserve fund, if any, shall come into the possession of the National Treasury, notwithstanding the provisions of the second paragraph of Article 12 of the Bank of Japan Law.

The Bank of Japan Special Advances and Compensation Law shall be amended in part as follows:

In Article 3, "20 years" shall be amended to read, "25 years."

SUPPLEMENTARY PROVISIONS to Law No. 191 of the 24th year of Showa (1949)—Law amending the Bank of Japan Law

1. This Law shall come into force as from the date of its promulgation.
2. Concerning the appointment of the appointive members of the Policy Board for the first term, the approval of both Houses therefor in the first session of the Diet immediately following their appointment will suffice

in case the Diet is not in session, the provisions of the third paragraph of Article 13-4 notwithstanding.

3. In case the approval of both Houses prescribed in the preceding paragraph fails to be obtained, the Cabinet shall discharge the members in question.

4. Of the first appointive members of the Policy Board the term of office shall be for one year for one of the three members, two years for the second and three years for the third, the provisions of the text of the first paragraph of Article 13-5 notwithstanding.

5. The term of office of each of the members prescribed in the preceding paragraph shall be designated by the Cabinet.

6. The appointment of the first appointive members of the Policy Board shall be made not later than sixty days from the date of promulgation of this Law.

7. The Temporary Interest Rate Adjustment Law—Law No. 181 of the 22nd year of Showa (1947)—shall be amended in part as follows:

In Articles 2, 3 and 6, "the Governor of the Bank of Japan," shall be amended to read, "the Policy Board of the Bank of Japan."

IMPERIAL ORDINANCE No. 174 dated March 14 of the 17th year of Showa (1942)

The provisions of Articles 1 to 60 and Articles 64 to 72 inclusive, of the Bank of Japan Law, shall come into force on and after March 20 of the 17th year of Showa (1942).

IMPERIAL ORDINANCE No. 439 dated April 17 of the 17th year of Showa (1942)

The provisions of Articles 61 to 63 and Articles 73 to 78 inclusive, of the Bank of Japan Law, shall come into force on and after May 1 of the 17th year of Showa (1942).

The By-Laws of the Bank of Japan¹

CHAPTER I. GENERAL PROVISIONS

Art. 1. This Bank is organized in accordance with the Bank of Japan Law and shall be called the Bank of Japan.

Art. 2. [See Art. 1 of Law]

Art. 3. [See Art. 2 of Law]

Art. 4. This Bank shall handle, in accordance with the provisions of laws and ordinances, affairs of the State relating to currency and finance.

The expenses incurred in handling the affairs prescribed in the preceding paragraph shall, in accordance with the provisions of laws and ordinances, be borne by this Bank.

Art. 5. This Bank shall have its head office in Chuo-ku, Tokyo.

This Bank shall maintain branches in the following cities: Kushiro, Sapporo, Otaru, Hakodate, Aomori, Akita, Sendai, Fukushima, Maebashi, Niigata, Kanazawa, Kofu, Matsumoto, Shizuoka, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Matsue, Shimonoseki, Takamatsu, Matsuyama, Kochi, Fukuoka, Oita, Nagasaki, Kumamoto, and Kagoshima.

This Bank may, with the permission of the Finance Minister, delegate a part of its business to such agents as shall be designated by the Finance Minister.

Art. 6. Public notifications by this Bank shall be made by means of publication in the Official Gazette.

Art. 7. No alteration in the present By-Laws shall be valid without the permission of the Finance Minister.

Art. 8. All important rules and regulations relating to the business and other affairs of this Bank shall be subject to the permission of the Finance Minister.

CHAPTER II. CAPITAL AND SUBSCRIPTION CERTIFICATES

Art. 9. [See Art. 5 of Law]

Art. 10. The Government shall subscribe Yen 55,000,000 to the capital of this Bank.

The payment of the subscriptions of the preceding paragraph may be made in Government bonds.

¹A considerable number of the Articles of the By-Laws are identical, or in substance identical, with corresponding provisions of the Bank of Japan Law (see above, pp. 425-439). Such articles of the By-Laws are not reproduced here, but the corresponding Article of the Bank of Japan Law is indicated in brackets.

Whenever this Bank desires to request the Government for payment of the subscriptions of the first paragraph, the permission of the Finance Minister shall be obtained.

Art. 11. This Bank shall issue subscription certificates for the subscriptions, provided that, with respect to the Government subscriptions, the certificates shall be issued after payment of the first installment.

The subscription certificates of this Bank shall be registered, and there shall be issued five kinds thereof, namely, one unit, ten units, one hundred units, one thousand units and ten thousand units apiece.

Art. 12. [Repealed]

Art. 13. [Repealed]

Art. 14. The subscribers or their legal representatives shall upon acquisition of their holdings, and the pledgees or their legal representatives upon registration of the pledge, report to this Bank their names, domiciles and seals; and likewise any changes made thereof.

The subscribers and the pledgees recorded in the subscriber's register or their legal representatives, not having domiciles or residences in Japan, shall either have temporary residences in Japan or designate representatives having domiciles or residences in Japan, and report to this Bank thereof. This provision shall apply also to cases of any changes in these matters.

The provisions of the first paragraph shall apply *mutatis mutandis* to the representatives mentioned in the preceding paragraph.

Art. 15. In the case of any subscriber's holdings being owned jointly by several persons, the joint owners are required to designate one of them to exercise the rights of the subscriber, and report to this Bank thereof.

In the absence of the report mentioned in the preceding paragraph, communications or notices of this Bank made to any one of the joint-owners will suffice.

Art. 16. The subscriber may transfer his holdings with the consent of this Bank.

Art. 17. Any person desiring to have the change of ownership to subscription certificates registered, owing to the transfer of his holdings, shall draw up a written application therefor in accordance with the form prescribed by this Bank, signed and sealed by both parties concerned, and present the same to this Bank accompanied by the subscription certificates and other documentary evidences this Bank may require.

Any person desiring to have the change of ownership to subscription certificates registered, having inherited or otherwise acquired the holdings, shall draw up an application therefor in accordance with the form prescribed by this Bank, and present the same to this Bank, accompanied by the subscription certificates and documents attesting circumstances of the acquisition of the said holdings.

Art. 18. Whenever any subscriber, having his holdings lying in pledge, desires to apply for the registration of that fact, he shall present to this Bank an application for the registration of the pledge in accordance with the form prescribed by this Bank, signed and sealed by both parties concerned, together with the subscription certificates in question.

The provisions of the preceding paragraph shall apply *mutatis mutandis* to cases of making any changes in or cancelling the registration of the pledge, provided that, where adequate documents are produced attesting to the circumstances of the changes or cancellation, an application signed and sealed by either one of the parties concerned may be accepted by the Bank.

Art. 19. Any person desiring to exchange one kind of subscription certificates for another kind shall present to this Bank an application for the exchange of the subscription certificates, drawn up in accordance with the form prescribed by this Bank, together with the subscription certificates.

Any person desiring to apply for the delivery of new subscription certificates by reason of having lost or destroyed his certificates shall draw up an application therefor in accordance with the form prescribed by this Bank, and present the same to this Bank, accompanied by the instrument of the court decision for the cancellation of the rights pertaining to the lost certificates or a copy thereof.

Any person desiring to apply for the delivery of new subscription certificates in exchange for his defaced or damaged certificates shall draw up an application in accordance with the form prescribed by this Bank, and present the same to this Bank, together with his certificates.

Art. 20. For registration of transfer of ownership to the subscription certificates, for registration of the pledge, or for alteration or cancellation thereof; the applicant shall be charged a fee of Yen 2 for each subscription certificate, and for each new subscription certificate issued or delivered in exchange or otherwise, a fee of Yen 10 shall be charged.

Art. 21. This Bank shall suspend transfer of subscription certificates or registration of the pledge and alteration or cancellation thereof from May 1 and November 1 every year until the day previous to the commencement of semi-annual dividend payment, respectively, for the preceding business period.

In addition to the cases mentioned in the preceding paragraph, this Bank may, whenever deemed necessary, suspend, after giving public notice thereof beforehand, transfer of subscription certificates, or registration of the pledge and alteration or cancellation thereof, for a stated period, provided that the said period may not exceed thirty days.

CHAPTER II-2. POLICY BOARD

Art. 21-2. [See Art. 13-2 of Law]

Art. 21-3. [See Art. 13-3 of Law]

Art. 21-4. [See Art. 13-4 of Law]

Art. 21-5. [See Art. 13-5 of Law]

Art. 21-6. There shall be a chairman in the Policy Board.

The chairman shall be elected by mutual vote of the members having voting rights within thirty days after the establishment of the Policy Board or within thirty days after the occurrence of a vacancy in the post of chairman. Failing this, the Cabinet shall nominate the chairman from among the members having voting rights.

The chairman shall preside over the business of and represent the Policy Board.

Whenever the chairman is prevented from attending to his duties, the one elected by mutual vote of the members having voting rights shall act in his place.

Art. 21-7. [See Art. 13-8 of Law]

Art. 21-8. [See Art. 13-9 of Law]

Art. 21-9. Matters relating to the remunerations and other allowances of the members shall be fixed by the Policy Board with the permission of the Finance Minister.

CHAPTER III. OFFICERS

Art. 22. [See Art. 14 of Law]

Art. 23. [See Art. 15 of Law]

Art. 24. The Governor, the Vice-Governor and the Directors shall compose the Executive Board to deliberate on important affairs concerning the execution of the business of this Bank.

The Executive Board shall be presided over by the Governor.

Art. 25. [See Art. 15 of Law]

Art. 26. [See Art. 15 of Law]

Art. 27. [See Art. 16 of Law]

Art. 28. [See Art. 17 of Law]

Art. 29. [See Art. 18 of Law]

Art. 30. Matters relating to remunerations and other allowances of the officers shall be determined by the Governor with the permission of the Finance Minister.

CHAPTER IV. BUSINESS OF THE BANK AND ITS EXECUTION

Art. 31. [See Art. 20 of Law]

Art. 32. This Bank shall determine the rates of discount to serve as the basis for the discounts in Item 1 of the preceding Article, and the rates of interest on loans to serve as the basis for the loans in Item 2 of the said Article, and make public notification thereof.

Art. 32-2. Whenever deemed necessary, this Bank shall fix, change or abolish the reserve rate under provisions of Article 4 of the Law Concerning Reserve Deposit Requirement System upon receipt of an approval of the Minister of Finance. The fixation, change or abolition of the reserve rate as referred to in the preceding paragraph shall be made by a public notice.

Art. 33. [See Art. 22 of Law]

Art. 34. [See Art. 23 of Law]

Art. 35. [See Art. 24 of Law]

Art. 36. [See Art. 25 of Law]

Art. 37. [See Art. 26 of Law]

Art. 38. [See Art. 27 of Law]

Art. 39. The Governor shall determine matters necessary for the execution of the business of this Bank.

CHAPTER V. BANK-NOTES

Art. 40. [See Art. 29 of Law]

Art. 40-2. The maximum limit for the bank-note issue shall be fixed by the Finance Minister upon approval of the Cabinet.

This Bank may, whenever deemed necessary, issue bank-notes in excess of the limit prescribed in the preceding paragraph, provided that the permission of the Finance Minister is to be obtained when intending to continue such an excess issue beyond fifteen consecutive days.

Art. 40-3. [See Art. 31 of Law]

Art. 41. [See Art. 32 of Law]

Art. 42. [See Art. 33 of Law]

Art. 43. [See Art. 34 of Law]

Art. 44. [See Art. 35 of Law]

Art. 45. [See Art. 36 of Law]

CHAPTER VI. ACCOUNTING

Art. 46. The business period of this Bank shall be from April 1 to September 30 of any year, and from October 1 of the same year to March 31 of the ensuing year.

Art. 47. [See Art. 37 of Law]

Art. 48. This Bank shall at the end of each business period make an inventory, a balance-sheet, a profit and loss account and a plan for the

disposal of the surplus, and submit the same to the Finance Minister within two months after the end of the business period, in order to obtain approval of the inventory, the balance-sheet and the profit and loss account and permission of the plan for the disposal of the surplus.

Art. 49. This Bank shall set apart one-twentieth of the surplus for each business period as a reserve fund for covering losses and for dividends.

In addition to the reserve fund prescribed in the preceding paragraph, this Bank may, with the permission of the Finance Minister, establish special reserves for specific purposes.

Whenever this Bank intends to make dividend payment out of the surplus on the paid-up amount of the capital subscriptions, the permission of the Finance Minister shall be obtained, provided that the rate of such dividends may not exceed five per cent per annum.

The dividends mentioned in the preceding paragraph shall be paid to the subscribers or pledgees on record in the subscribers' register as of May 1 and November 1.

The date of payment of the dividends mentioned in the third paragraph shall be determined by the Governor, and subscribers or pledgees of the preceding paragraph shall be informed thereof.

Art. 49-2. In case and so long as no dividend payment is made out of the surplus, this Bank shall set apart as a special reserve fund an amount equivalent to five per cent per annum on the paid-up amount of the subscriptions from the surplus remaining after deducting sums required for purposes of the reserve funds as prescribed in the first and second paragraphs of Article 49.

In case dividend payment has been made by this Bank out of the surplus, should the amount paid in dividends be less than the amount to be set apart as a special reserve fund as prescribed in the preceding paragraph, an amount corresponding to the difference shall likewise be set apart.

The special reserve fund prescribed in the preceding two paragraphs (hereinafter referred to as the special reserve fund) may not be used except for covering losses or other purposes as determined by the Finance Minister.

Art. 50. This Bank shall, after deducting from the surplus the reserve funds prescribed in the first and second paragraphs of Article 49 and the dividends provided for in the third paragraph of the said Article, pay the remainder to the Government within two months after the end of the business period.

The special reserve fund shall be deemed as the dividends so far as the application of the provisions of the preceding paragraph is concerned.

Art. 51. In case of any losses being incurred in any business period, this Bank shall cover the same with the reserve funds mentioned in the first and second paragraphs of Article 49; any deficiency yet uncovered shall

be made up with the special reserve fund; provided that, with regard to the reserve fund of the second paragraph of Article 49 and the special reserve fund, only such portion thereof as is available for covering losses or dividend purposes may be so used.

In case the losses incurred in any business period are not fully covered even by making use of the reserve funds and special reserve fund, pursuant to the provisions of the preceding paragraph, the Government shall make good the deficiency to this Bank.

Art. 52. [See Art. 41 of Law]

Art. 53. The Governor shall determine necessary matters relating to the management and disposal of the assets of this Bank.

ADDENDA

Art. 54. Of the capital subscriptions to this Bank, the portion to be allotted to the shares of the Bank of Japan organized under the Bank of Japan Act (hereinafter called the old Bank of Japan) shall be 450,000 units representing total amount paid-up of Yen 45,000,000.

Art. 55. Notwithstanding the provisions of Article 11, the fully-paid old Bank of Japan share certificates shall, pending exchange for new subscription certificates in accordance with the provisions of Article 56, be deemed as the fully-paid subscription certificates of this Bank of so many units at the rate of two units per share; likewise the partly-paid share certificates shall be deemed as the fully-paid subscription certificates of this Bank of so many units at the rate of one unit per share.

Art. 56. This Bank shall prepare new subscription certificates and exchange them without fee for the old Bank of Japan share certificates, which are deemed as subscription certificates in accordance with the provisions of the preceding Article.

In making the exchange of the preceding paragraph, this Bank shall fix the date and procedure beforehand, and inform the subscribers thereof.

Art. 57. The revised provisions of the third paragraph of Article 49 and the provisions of the first and second paragraphs of Article 49-2 shall be applicable to the business period covering April 1 of the 20th year of Showa (1945) and subsequent business periods.