

No. 365

Act
on the Bank of Finland
(title changed on 11 June 1993/504)

Issued in Helsinki on 21 December 1925

In accordance with the ruling of the Diet the following [regulations] are hereby issued for the Bank of Finland:

Fundamental Rules

§ 1. The object of the Bank of Finland is to maintain a stable and secure monetary system and to assist and facilitate the circulation of money in Finland.

Provisions concerning the Financial Supervision Authority, which functions in connection with the Bank of Finland, are laid down in the Act on the Financial Supervision Authority (503/93). (11 June 1993/504)

§ 1a. (28 June 1993/583) To carry out the object referred to in § 1, the Bank is entitled to require that a deposit bank, a credit institution or a branch of a foreign credit institution in Finland (hereinafter 'mandatory reserve holder') shall hold non-interest-bearing minimum reserves at the Bank of Finland not exceeding 5 per cent of the mandatory reserve holder's liabilities.

The Bank determines the principles for calculating the reserve and issues other requirements and conditions necessary for the application of clause 1.

If the mandatory reserve holder has not met the obligation defined in clause 1 within the time set by the Bank, the mandatory reserve holder shall pay annual penalty interest on the deficient part of the reserve to the Bank at a rate which is 5 percentage points above the highest rate of interest payable on central bank credit at the time in question.

The Act (28 June 1993/583) shall enter into force on 30 June 1993.

Any cash reserve deposits held by a mandatory reserve holder at the Bank at the time the Act enters into force can be counted in favour of the mandatory reserve holder when calculating the reserve in accordance with this Act.

The Act on special deposits held by financial institutions at the Bank of Finland (745/65), issued on 30 December 1965, and all subsequent changes made thereto are hereby repealed.

§ 2. The Bank carries on its business under the guarantee and supervision of the Diet.

§ 3. The Bank has the sole right of issuing bank notes in the Republic.

§ 4. (21 December 1984/890) The funds of the Bank shall consist of:

the primary capital, amounting to and maintained at a level of five thousand million marks;

the reserve fund, which shall be increased as provided for later in [these regulations] and in which the value of the real estate and furniture of the Bank must not be included, nor the value of shares held by the Bank.

The Act (21 December 1984/890) shall enter into force on 31 December 1984.

§ 5. The business of the Bank shall be transacted at a head office and at branch offices, as well as through agencies when necessary.

The head office shall be situated in the capital of the Republic.

The Note Issue

§ 6. (31 December 1974/1000) The amount of the Bank's notes in circulation may not exceed the aggregate amount of the gold holdings of the Bank and the undisputed balances of the Bank with its foreign correspondents by more than one thousand five hundred million marks. The undisputed balances include bills payable abroad in foreign currency, foreign bonds listed on foreign Stock Exchanges, bonds and

interest coupons in foreign denomination which have fallen due, and foreign currency. (23 December 1976/1014)

In the event of the Bank's notes in circulation exceeding the total amount of the assets specified in clause 1, the cover for the notes must consist of domestic bills maturing not later than within three months for the payment of which at least two reliable persons or firms are responsible.

The drafts of the Bank in Finnish currency and other liabilities payable on demand, as well as the undrawn amounts on cheque credits shall be included in the note circulation.

If circumstances render it unavoidably necessary, the maximum amount specified in clause 1 may, on the representation of the [Bank Supervisors], be increased for a fixed period by decree to a limit of one thousand eight hundred million marks. (23 December 1976/1014)

The gold holdings of the Bank and the funds in foreign denominations referred to in clause 1 shall be recorded at not more than their current value, whereas bills shall be recorded at not more than their cost price and bonds at not more than their nominal value, if these values are below the current value.

The Act (23 December 1976/1014) shall enter into force on 1 January 1977.

§ 7. (30 December 1965/744) The gold holdings of the Bank are considered to consist of the gold of the Bank, stored in Finland or on deposit elsewhere or in transit for the Bank's account.

§ 8 has been cancelled by the Act (28 December 1962/678).

§ 9 has been cancelled by the Act (28 December 1962/678).

§ 10 has been cancelled by the Act (28 December 1962/678).

The Business of the Bank

§ 11. The Bank of Finland is entitled:

- 1) to carry on the exchange of money;
- 2) to buy and sell gold and other precious metals;
(30 December 1965/744)
- 3) to buy and sell foreign currency;
- 4) to discount bills;
- 5) to grant credit other than on bills; (29 October 1982/771) and
- 6) to transact other business appropriate to ordinary banking operations.

The facilities to be offered by the Bank to the State are specified separately.

The Act (29 October 1982/771) shall enter into force on 1 November 1982.

§ 12. (22 December 1938/440) The assets of the Bank shall not be invested in shares.

Such an investment is permissible, however, when it is considered necessary for acquiring equipment for manufacturing bank notes or for printing the notes or when the [Bank Supervisors] consider the investment necessary for other reasons that are of special importance from the point of view of the business of the Bank.

§ 13 has been cancelled by the Act (31 December 1986/1060).

§ 14. (22 December 1938/440) If a loan, for which security has been provided, is not repaid on the due date, the Bank is entitled, without notice to the debtor and at its own discretion to realize the security.

If the security is auctioned, the Bank may purchase it, but it must be converted into money as soon as it is considered in the interests of the Bank to permit it.

Administration and Management

§ 15. The administration of the Bank and management of the affairs thereof shall be under the surveillance of the [Bank Supervisors of the Diet] in accordance with [these regulations] and the instructions drawn up for them by the Diet.

§ 16. The administration of the Bank and management of the affairs thereof are entrusted to the Board of Management, except in the case of those duties that are reserved in this Act for the Parliamentary Supervisory Board or unless otherwise provided by the Act on the Financial Supervision Authority. The Board of Management is composed of a Chairman and not more than five members. (11 June 1993/504)

In the decisions of the Board of Management each member shall have one vote. The opinion of the majority shall be considered to be the decision of the Board of Management. In the event of the votes being equal, the Chairman shall have a casting vote.

The Board of Management shall act in all its dealings in such a way that the currency of Finland should maintain its legally established value.

§ 17. (21 March 1952/142) It is the duty of the Parliamentary Supervisory Board (11 June 1993/504):

1) to fix the base rate of the Bank and other rates of interest applied by the Bank and the limits thereon;
(31 December 1986/1060)

2) to confirm the principles for balancing the books of the Bank;

3) to grant the Bank's debtors such clemency as circumstances may call for, and to decide in regard to proposals for compounding debts and to the transfer of outstanding balances to doubtful claims as well as to writing them off the books;

4) to decide on the manufacture of new denominations and types of bank notes and the annulment of the validity of bank notes; (16 April 1993/359)

5) to deal with matters concerning the purchase, utilization and sale of real estate and also concerning the investment of funds referred to in clause 2 of § 12;

6) to decide whether to take up foreign credit and to determine the amount and terms thereof;

7) (cancelled by the Act (31 December 1986/1060));

8) to decide as to the appointment of correspondents abroad;

9) to organize and control a check on the Bank's cash, vaults, loan and security documents, mortgages and deposits, and to issue instructions in this respect;

10) to examine the Bank's credit grants and investments, and transactions in foreign currency;

11) to decide regarding representations and proposals made to the Diet or the Cabinet;

12) to submit annually to the [Bank Committee] of the Diet a report on the position, business and management of the Bank, and on important matters dealt with by the [Bank Supervisors] during the year;

13) to decide, on receipt of the auditors' report, as to exempting the Board of Management from responsibility;

14) to determine the division of duties among the members of the Board of Management;

15) to decide as to the opening of branch offices and, by agreement with the Cabinet, as to closing them;

16) to decide as to the establishment of agencies, their duties and management, and as to closing them;

17) to appoint directors and branch office managers and members of the Board of Management of the Financial Supervision Authority and to name the chairman and vice-chairman of the Board of Management of the Financial Supervision Authority and the deputy of the director; (11 June 1993/504)

18) to appoint controllers of branch offices and their deputies;

19) to decide whether officials or members of the staff of the Bank may retain their positions on reaching the age of retirement;

20) to confirm the remuneration due to the members of the Board of Management, the director of the Financial Supervision Authority and the officials of the Bank, to determine the remuneration due to the members of the Board of Management of the Financial Supervision Authority and to decide other questions concerning salaries and allowances; (11 June 1993/504)

21) to decide questions relating to suspension from duty and questions of discipline affecting members of the Board of Management, the director of the Financial Supervision Authority, directors or managers of branch offices; (11 June 1993/504)

22) to confirm pensions and family pensions regulations for the employees of the Bank and [its note printing works]; (31 December 1968/790) and

23) to confirm rules of procedure for the Financial Supervision Authority. (11 June 1993/504)

Matters referred to in points 1–8 and 14–18 of clause 1, as also matters referred to in points 19–22 shall, in so far as they do not affect members of the Board of Management, be dealt with on the representation of the Board of Management. Matters referred to in points 17 and 23 concerning the Financial Supervision Authority shall be dealt with on the representation of the Board of Management of the Financial Supervision Authority, except for the appointment of members to the Board of Management of the Financial Supervision Authority. (11 June 1993/504)

The members of the Board of Management shall attend the meetings of the [Bank Supervisors] and are entitled to voice their opinions.

Branch Offices and Agencies

§ 18. (22 December 1938/440) Branch offices are run by managers.

Questions concerning credit grants, if not covered by the Board of Management decisions communicated to the branch, shall be dealt with at controllers' meetings,

composed of the manager of the branch office as chairman and two controllers as members.

Controllers and their deputies are appointed for a term of one year.

§ 19. (22 December 1938/440) Controllers shall inspect the accounts and inventories of branch offices and shall carry out other duties of surveillance in accordance with instructions given by the [Bank Supervisors] and the Board of Management.

§ 20. The extent and nature of the duties of agencies and the method of managing them shall be determined according to the circumstances of each case.

Officials and Staff

§ 21. (11 June 1993/504) Besides the offices of members of the Board of Management, there shall be, within the limits of the pay regulations confirmed by the Parliamentary Supervisory Board, the posts of directors, of branch office managers and other permanent posts.

§ 22. With regard to the official language of the Bank of Finland the regulations relating to the official language of bi-lingual administrative areas shall apply.

The officials and staff of the Bank are required to possess such linguistic knowledge tested in such manner, as the [Bank Supervisors] prescribe.

§ 23. (22 December 1938/440) The Chairman and members of the Board of Management are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Board shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable person. (11 June 1993/504)

Members of the staff of the Bank, who are not appointed by the Parliamentary Supervisory Board, are appointed or engaged by the Board of Management or by the person to whom the Board of Management entrusts the duty. (11 June 1993/504)

Permanent employees of the Bank shall receive letters of appointment. When other positions in the Bank are filled, the conditions laid down in the instructions for the Bank shall be complied with.

The officials of the Bank shall retire on reaching the age of sixtyseven. Members of the staff shall retire on reaching the age of sixtyfive. (23 May 1986/360)

The Act (23 May 1986/360) shall enter into force on 1 June 1986. It applies to female officials or members of the staff who have entered the employment of the Bank of Finland on 3 May 1977, or thereafter and to male members of the staff who have entered the employment of the Bank of Finland on the date the Act becomes effective or thereafter. With respect to other female officials or members of the staff and male members of the staff, clause 4 of § 23 of the Regulations for the Bank of Finland shall be applied such as it reads when this Act enters into force.

Clause 4 of § 23 (22 December 1938/440) reads as follows:

The male officials of the Bank and male members of the staff shall retire on reaching the age of sixtyseven, while the female officials of the Bank and female members of the staff shall retire on reaching the age of sixty.

The [Bank Supervisors] have the right to decide whether an employee can continue to be employed by the Bank after reaching the age of retirement, but the limit can be extended by three years only.

§ 24. (31 December 1968/790) Employees of the Bank of Finland and [its note printing works] are entitled to old-age, disability and unemployment pensions to be paid from the funds of the Bank, in accordance with the same regulations, where relevant, as govern the pensions of State employees. (10 December 1971/863)

The application of the law (10 December 1971/863) begins on 1 July 1971, the date from which payments according to this law will commence.

If a person included under clause 1 dies, the Bank pays from its funds a family pension, following, where applicable, the regulations on family pensions of State employees.

The pensions and family pensions are conferred by the Board of Management of the Bank of Finland. In the Bank of Finland there is a pensions agent, who is entitled to listen in on the Board of Management's handling of matters relating to pensions. For an amendment of a decision made by the Board of Management regarding a pension or a family pension an appeal may be made to the Supreme Administrative Court in accordance with the regulations for an appeal in administrative cases. The applicant for, and the recipient of, the pension and family pension and the pensions agent are entitled to the right of appeal.

More detailed provisions regarding the payment of, the coverage and the right to pensions and family pensions are given in the pensions and family pensions regulations confirmed by the [Bank Supervisors].

The Act (31 December 1968/790) shall enter into force on 1 January 1969.

§ 25. In cases of real hardship a former employee of the Bank or his widow and children may receive a small allowance out of the funds of the Bank at the discretion of the [Bank Supervisors].

Balancing the Books and Auditing

§ 26. The books of the Bank shall be closed at the end of each calendar year.

A balance sheet of the position of the Bank shall be drawn up four times a month and published in the official gazettes.

The Board of Management shall submit an annual report, before 15 February following the end of calendar year, on the business and management position of the Bank. The report shall be published.

§ 27. An audit shall be carried out annually by the auditors elected in accordance with the Rules for the Diet and they shall duly observe instructions drawn up for them by the Diet.

§ 28. The Board of Management shall place at the disposal of the auditors all the bookkeeping and other documents which the latter consider that they require and otherwise assist them with desired information.

§ 29. On completing the audit, the auditors shall submit a report in writing to the [Bank Supervisors] which shall include their opinion as to whether and to what extent the Board of Management may be exempted from responsibility for the year under review.

The [Bank Supervisors] may not refuse to exempt the Board of Management from responsibility, unless they decide at the same time that the members of the Board of Management shall be prosecuted for neglect of duty.

Employment of Profits

§ 30. (21 December 1984/890) It is possible to make reserves in the Bank's Profit and Loss Account, if it is necessary for ensuring the real value of the Bank's own assets and for evening out fluctuations in the Bank's profit or loss caused by changes in exchange rates.

Until the primary capital and reserve fund of the Bank amount in all to ten thousand million markkaa, at least one-half of the annual profit of the Bank shall be employed to augment the reserve fund. Thereafter, at least one-third of the annual profit shall be transferred to the reserve fund. Such part of the profit as is not employed for augmenting the funds of the Bank may be employed, according to the decision of Parliament, for public purposes.

Should the closing of the accounts of the Bank show a loss, this shall, in the first instance, be covered out of the undistributed profits of the Bank and thereafter out of the reserve fund. To the extent that these do not suffice, the loss can be left temporarily uncovered. The profit for the following years shall be employed in the first instance to cover the uncovered losses to restore the reserve fund to its former level. (31 December 1986/1060).

The Act (31 December 1986/1060) shall enter into force on 31 December 1986.

Responsibility of Officials

§ 31. (25 March 1966/174) A [Bank Supervisor] may not be prosecuted for neglect of duty, except by decision of the Diet.

If a member of the staff of the Bank, who is neither the director nor the manager of a branch office, be prosecuted for a crime or tried for a crime, the Board of Management can decide that he shall be suspended from his duties for the duration of the prosecution or trial and forfeit his remuneration, either in part or entirely. The Parliamentary Supervisory Board has the same powers in case a member of the Board of Management, a director or a manager of a branch office is under prosecution or on trial.

(11 June 1993/504)

Should a member of the staff, other than the director, or the manager of a branch office, be guilty of neglect of duty which does not necessitate his dismissal from his post or prosecution at law, the Board of Management shall either warn him privately through its Chairman or reprimand him in the minutes of one of its meetings, or else suspend him from his duties for not more than two months and also decide whether and to what extent he shall forfeit his salary during such time. In the case of the director or the manager of a branch office, the Parliamentary Supervisory Board has the same disciplinary powers. (11 June 1993/504)

§ 32. (11 June 1993/504) A charge of neglect of duty against a member of the Parliamentary Supervisory Board or a member of the Board of Management shall be tried in the first instance before the Helsinki Court of Appeal.

Special Regulations

§ 33. The Board of Management is empowered to represent the Bank in a court of law as plaintiff or defendant.

§ 34. Lawsuits in which the Bank appears as defendant shall be tried before the Town Court of Helsinki in the first instance.

The Bank is exempt from paying [costs of appeal].

§ 35. The members of the Parliamentary Supervisory Board, auditors and controllers, the members of the Board of Management and the officials of the Bank are pledged to secrecy in matters concerning the relations of the Bank or the Financial Supervision Authority with private individuals or such as must not be divulged in the interests of the Bank. However, if necessary, the Board of Management is entitled to authorize its members to confer with the manager of another banking institution regarding the credit of a client. (11 June 1993/504)

The [Bank Supervisors] and the Board of Management of the Bank are bound to supply all information to the [Bank Committee] of the Diet concerning the general business of the Bank, as is considered necessary for the performance of the [Committee's] duties.

The Bank has the right to supply the Financial Supervision Authority with information referred to in clause 1. (11 June 1993/504)

§ 36. All the authorities shall give the Bank prompt assistance, and the Board of Management and the managers of branch offices are entitled to request such assistance by means of official letters.

Regulations for the Transition Period

§ 37. Those members of the Board of Management of the Bank and other employees who were appointed to their

positions before [these regulations] came into force shall retain the rights to which they were entitled under the earlier regulations.

§ 38. Regulations with regard to the business of the Bank which are considered necessary in addition to the stipulations in the present [regulations] shall be issued in instructions approved by the [Bank Supervisors] and published in the [Statute Roll].

§ 39. The present [regulations], by which are repealed the regulations for the Bank of Finland of 19 February 1895, with the subsequent amendments to them, and the decree of 19 March 1908, comprising the establishment for the Bank of Finland, and all other regulations conflicting with them, shall enter into force immediately.

To be observed by all whom it may concern.

The Act (11 June 1993/504) shall enter into force on 1 October 1993.