

THE NATIONAL BANK OF DENMARK ACT

Transformation of the former National Bank in Copenhagen into a Government central bank, the National Bank of Denmark, became effective on May 1, 1936. On April 7, the date of promulgation of the new law, an extraordinary meeting of the shareholders of the National Bank in Copenhagen approved the terms upon which the National Bank of Denmark should take over the old central bank as provided in the law. The notification of the meeting, sent to shareholders, stated the agenda as follows:

Authorisation for the Chairman of the Board of Directors to make an agreement concerning the transfer of the National Bank in Copenhagen to a new self-owned Bank against the redemption of the shares of the National Bank with 4 percent redeemable bonds guaranteed by the Government, in the proportion of 1 to 2 plus 10 percent dividend and bonus for the current financial year.

The official English translation of the law published by the Bank is given below in substantially its original form.

THE NATIONAL BANK OF DENMARK ACT

Act No. 116

April 7, 1936

WE, CHRISTIAN THE TENTH, by the Grace of God, King of Denmark and Iceland, the Vandals and Goths, Duke of Slesvic, Holstein, Stormarn, Dytmarschen, Lauenburg and Oldenburg, do hereby proclaim: The Rigsdag have enacted and We by Our Assent confirmed the following Act.

OBJECTS OF THE BANK

SECTION 1. "Danmarks National Bank" (The National Bank of Denmark) which, at the coming into force of this Act, confer section 33, takes over the "Nationalbanken i Kjöbenhavn" (The National Bank in Copenhagen) shall as the Central Bank of this country have the object in conformity with this Act and the regulations given under this Act to maintain a safe and secure currency system in this country, and to facilitate and regulate the traffic in money and the extension of credit.

GENERAL CAPITAL FUND, DOMICILE

SEC. 2. The General Capital Fund of the Bank shall be Kroner 50 millions. The head office and domicile of the Bank shall be in Copenhagen.

MANAGEMENT

SEC. 3. The management of the Bank shall be committed 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, and they shall also be of age and in possession of the civil rights and not be deprived of the right to dispose of their estate.

SEC. 4. The Board of Directors shall consist of 25 members, viz.:

(a) 8 members with seats in the Rigsdag. These are to be elected according to the rules of section 45 of the Constitution. In case one of these members resigns his seat in the Rigsdag a new election shall be held for the remaining term of office of the resigning member. The retiring member keeps his seat in the Board of Directors until a successor has been elected.

(b) 2 members of whom one shall be an economist and the other a lawyer. These members, who must not be members of the Rigsdag, shall be appointed by the Minister of Trade, Industry and Shipping.

(c) 15 members with a thorough knowledge of trade, industry and agriculture. These members, who must not be members of the Rigsdag, shall be elected by the Board of Directors, so that 3 members retire every year. Due regard shall be paid at the election to establish a comprehensive representation of trade, industry and agriculture including the workers occupied in trade, industry and agriculture, and to secure a representation of the geographical divisions of the country.

The members mentioned in a-c shall be elected or appointed for 5 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 to the provisions governing the Bank be made, the Board of Directors shall have an opportunity to express its opinion.

SEC. 5. The Committee of Directors shall be composed of the 2 members of the Board of Directors mentioned in section 4b together with 5 members elected for 1 year at a time by the Board of Directors from among its members. Proportional election shall take place in conformity with rules laid down in the By-laws of the Bank, in the case 3 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 of by the Minister of Trade, Industry and Shipping.

SEC. 6. The Board of Governors shall consist of 3 members. One of the Governors shall be nominated by the King, and the other Governors 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 closely connected with Copenhagen. They shall not take part in the management of trade and industrial organisations or companies nor carry on or take part in the working of private trading, industrial and agricultural activities. The Governors shall be under the obligation to send in their resignation before the expiration of the month in which they complete their 70th year.

THE ROYAL BANK COMMISSIONER

SEC. 7. The Minister of Trade, Industry and Shipping in his capacity of Royal Bank Commissioner shall see to it that the Bank fulfils 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 the right to be present at the meetings of the Committee of Directors and to be supplied with information concerning the Bank to the extent he might desire.

Decisions of 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 between man and man 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 a date fixed by ordinance from the Minister of Trade, Industry and Shipping. After the expiration of twelve months from this date the retired notes shall cease to constitute a 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 of by the Minister of Trade, Industry and Shipping.

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

Provided, that the Bank shall 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 to 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 25 per centum 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 5% of the total active note circulation.

For up to 5 per centum of the note circulation non-interest bearing net credit balances on demand with foreign central banks, approved of in that respect 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 by the fine gold contents, the price of the gold in Danish currency being calculated in conformity with the provisions of the

Currency Act. Credit balances in foreign currency shall not be calculated at a higher price than that quoted on the Royal Exchange on the day of settlement.

SEC. 11. That part of the note circulation which is not covered by the gold fund may be covered by gold and net-credit-balances on demand with foreign banks, provided they have not been included under section 10, bills of exchange, treasury bills, bonds and debentures subject to quotation on the Royal Exchange, besides advances for which proper security has been given.

SEC. 12. The Bank shall at the expiration of every month report to the Royal Bank Commissioner on the cover for the active note circulation.

In case of any deviation from the rules governing the cover for notes of the Bank under sections 9-11 it shall be the duty of the Bank to redress the deviation within the expiration 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 3 months at a time, be allowed to deviate from the rules prescribed for note cover. A decision to this effect shall be adopted by at least $\frac{2}{3}$ 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 proportion of cover.

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 amounts 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 corresponding to the gold price fixed by the Currency Act with the deduction of $\frac{1}{4}$ per centum seigniorage.

The above provision can only be suspended by Act.

OTHER FUNCTIONS OF THE BANK

SEC. 15. The functions of the Bank shall especially comprise reception of money on folio account and current account, reception of deposits in safe custody, granting of advances and discounting of bills of exchange besides traffic in gold, foreign currency and securities.

The granting of advances shall take place only on satisfactory security and normally for 1-3 months but not exceeding 6 months. Renewal of advances may take place.

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 year expired drawn up. The accounts shall contain a working account and a balance sheet.

The accounts shall, under careful consideration of existing values and obligations and with the undertaking of necessary writings-off 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 supposed 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 booked 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 booked value of other assets shall not exceed the market value.

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 2 chartered accountants appointed by the Minister of Trade, Industry and Shipping for 1 year at a time.

SEC. 19. The profit earned by the Bank shall go to the Exchequer if it be not allocated to the reserve fund or to special guarantee funds.

Out of the profit of the financial year the Exchequer shall prior to other payments receive Kr. 1 million.

Thereafter 25 per centum of the remainder shall be allocated to the reserve fund if this fund be less than Kr. 25 millions.

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

If the rest of the profit does not exceed Kr. 4 millions, one half of the amount shall be paid to the Exchequer and the other half written off the General Capital Fund Certificate. In case the rest of the profit exceeds Kr. 4 millions, Kr. 2 millions shall be paid and the remainder written off the General Capital Fund Certificate. When this certificate has been redeemed in full the total rest of the profit goes to the Exchequer unless the Board of Directors with the approval of the Royal Bank Commissioner decides to allocate a part of the amount to reserves.

If losses of preceding years have entailed drawing on the General Capital Fund all payments to the Exchequer shall be suspended until the loss of the General Capital Fund has been recovered.

If losses of preceding years have reduced the Reserve Fund to less than the amount it constituted when the Bank commenced business, the payment under subsection 2 of this section shall be made and thereafter the whole profit shall be used to increase the Reserve Fund until it has regained the 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 for 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 paying all direct taxes and rates whatever. Provided 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 consideration for 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 in the Government Gazette to call the bearer to appear within 12 weeks. 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 contract of suretyship has been given for the repayment of an advance granted by the Bank and the borrower makes default in payment of principal, instalment or interest, notification hereof shall, not later than 6 months after the maturity of the contribution mentioned, be sent by registered mail to each of the sureties or to the surety or sureties authorized by the others to receive such notification on behalf of all the sureties.

If the Bank omits to give such notification the Bank shall lose 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 the omission.

SEC. 25. The Bank shall be subject to the provisions laid down in the Bank Act No. 122 of the 15th of April 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 sureties 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, wages 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 amendments shall be valid when passed by a simple majority of the whole Board of Directors.

AGREEMENT CONCERNING THE TAKING OVER OF THE NATIONAL BANK IN COPENHAGEN

SEC. 27. By agreement between the National Bank in Copenhagen 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 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.

THE ABOLITION OF THE ROYAL CHARTER, ETC.

SEC. 28. The Royal Charter of the 4th day of July 1818 (confer Act No. 157 of the 12th day of July 1907, Act No. 483 of the 30th day of August 1919 and Act No. 201 of the 20th day of May 1933) shall be repealed. The duty of the Bank to pay to the Exchequer the profit derived from the exemption to redeem with gold the notes issued by the Bank shall likewise cease.

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

TRANSITORY PROVISIONS

SEC. 29. The General Capital Fund of section 2 shall be paid by the Government in the form of a General Capital Fund Certificate at the coming into force of this present Act. By degrees as funds out of the annual profit are allocated to the General Capital Fund corresponding amounts shall be written 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 be ascertained.

SEC. 30. The members of the Board of Directors elected at the meeting of shareholders of the old Bank shall pass over to the Board of Directors of the new Bank and take over the tasks laid upon the members mentioned in section 4c. They shall remain on the Board of Directors until their term of office expires under the rules hitherto in force. At new elections held by the Board of Directors before the end of July 1938 the provisions of section 4c shall not apply in the case of a re-election.

SEC. 31. When the bonds of section 27 are allotted

to the shareholders of the National Bank in Copenhagen 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 observance of 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 Government Gazette to call the person who might be in possession of the share certificate to appear within 6 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 proprietor of the share certificate.

(b) In case of defects in the transfers of title endorsed on a share certificate the National Bank of Denmark shall, if it is of opinion that the asserted ownership of the bearer is well founded, be entitled to call the person or persons who might have any objections to the bearer's property in the share certificate to appear within the aforesaid period of 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 till the 1st day of February, 1937. If nothing to invalidate the right of the person notifying such loss has transpired within the expiration of 5 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 the production of the dividend coupon for the year current at the taking effect of this present Act.

After the expiration of 5 years from the taking effect of this Act all rights to claim bonds or cash allotments in exchange for the old shares 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 gained in this way shall be allocated to the Reserve Fund of the Bank.

SEC. 32. In the period till 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 (confer section 14, last subsection).

COMMENCEMENT

SEC. 33. Section 27, subsection 1, 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 taking effect of this Act.

With which all those concerned shall have to comply.

Given on Amalienborg, the 7th day of April 1936.