

**No. 365****Regulations for the Bank of Finland**

Issued in Helsinki on December 21, 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.

§ 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. (December 21, 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 (December 21, 1984/890) shall enter into force on December 31, 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. (December 31, 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. (December 23, 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. (December 23, 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 (December 23, 1976/1014) shall enter into force on January 1, 1977.

§ 7. (December 30, 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—10 have been cancelled by the Act (December 28, 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; (December 30, 1965/744)
- 3) to buy and sell foreign currency;
- 4) to discount bills;
- 5) to grant credit other than on bills; (October 29, 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 (October 29, 1982/771) shall enter into force on November 1, 1982.

§ 12. (December 22, 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 (December 31, 1986/1060).

§ 14. (December 22, 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 these regulations for the Bank Supervisors. The Board of Management is composed of a Chairman and not more than five members. (June 24, 1968/348)

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. (March 21, 1952/142) It is the duty of the Bank Supervisors:

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

2) to establish 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 questions concerning the manufacture of new denominations and types of bank notes; (December 28, 1962/678)

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 (December 31, 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; (March 25, 1966/174)

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 establish the remuneration due to the members of the Board of Management and the officials of the Bank and to decide other questions concerning salaries and allowances; (December 31, 1968/790)

21) to decide questions relating to suspension from duty and questions of discipline affecting members of the Board of Management, directors or managers of branch offices; (March 25, 1966/174)

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

23) (cancelled by the Act (December 31, 1968/790)).

Matters referred to in points 1—8 and 14—18 of clause 1, as also matters referred to in points 19—23 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.

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. (December 22, 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. (December 22, 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. (March 25, 1966/174) Besides the offices of members of the Board of Management, there shall be, within the limits of the establishment fixed by the Bank Supervisors, 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. (December 22, 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 Bank Supervisors shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable person.

Members of the staff of the Bank, who are not appointed by the Bank Supervisors, are appointed or engaged by the Board of Management or by the person to whom the Board of Management entrusts the duty.

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. (May 23, 1986/360)

The Act (May 23, 1986/360) shall enter into force on June 1, 1986. It applies to female officials or members of the staff who have entered the employment of the Bank of Finland on May 3, 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 (December 22, 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. (December 31, 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. (December 10, 1971/863)

The application of the law (December 10, 1971/863) begins on July 1, 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 established by the Bank Supervisors.

The Act (December 31, 1968/790) shall enter into force on January 1, 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 February 15 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. (December 21, 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. (December 31, 1986/1060).

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

### **Responsibility of Officials**

§ 31. (March 25, 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 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 Bank Supervisors possess 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.

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 Bank Supervisors possess the same disciplinary powers.

§ 32. (December 30, 1965/744) A charge of neglect of duty against a Bank Supervisor 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 Bank Supervisors, 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 with private individuals or such as must not be divulged in the interests of the Bank. However, if necessary, the Board of Management through one of its members shall be entitled to confer with the manager of another banking institution regarding the credit of a client.

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.

§ 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 February 19, 1895, with the subsequent amendments to them, and the decree of March 19, 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.

---