

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION

Volume II. Europe

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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws

INTERNATIONAL MONETARY FUND MONOGRAPH SERIES

- No. 1. Central Banking Legislation: A Collection of Central Bank, Monetary and Banking Laws, selected and annotated by Hans Aufricht (1961)
- No. 2. The Fund Agreement in the Courts, by Joseph Gold (1962)
- No. 3. International Monetary Problems, 1957-1963, by Per Jacobsson (1964)
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Statutes and related materials
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Publication of Statutes and Regulations

Statutes, decrees, and other public notifications are published in the Statute Roll of Finland (*Suomen asetuskokoelma* in Finnish; *Finlands förfatningssamling* in Swedish), while treaties and international agreements are published in the official Treaty Series (*Suomen asetuskokoelman sopimussarja* in Finnish; *Finlands förfatningssamlings fördragsserie* in Swedish). Other public notices are published in the Official Gazette (*Virallinen lehti* in Finnish; *Officiella tidningen* in Swedish).

A consolidated edition of Finnish law in two volumes is published in Finnish, usually at intervals of two years, as *Suomen laki*. The latest edition of Volume I—covering all major laws and decrees in fields other than public law—was edited by Erkki Ailio and published in Helsinki in 1965; the latest edition of Volume II—covering all major laws and decrees relating to public law—was edited by Matti Paloheimo and published in Helsinki in 1964. There is also a Swedish edition in one volume entitled *Finlands lag*, edited by Nils H. Sundberg and published in Helsinki in 1963.

The Regulations for the Bank of Finland, 1925¹

NOTE:—The history of the Bank of Finland (Suomen Pankki in Finnish; Finlands Bank in Swedish) is traditionally traced back to December 12, 1811, the day on which the Emperor of Russia, Alexander I, in his capacity as Grand Duke of Finland, proclaimed the establishment of a bank called the Exchange, Loan and Deposit Office (Waihetus-Laina-ja Depositioni-Contori in Finnish; Wäxellåne och Depositions-Contoiret in Swedish). By a decree of December 9, 1867, which entered into force on January 1, 1868, the name of this bank was changed to the Bank of Finland, and by the end of the nineteenth century the Bank of Finland was exercising central banking functions.

The Bank is at present governed by the Regulations for the Bank of Finland of December 21, 1925, as amended, which were issued in accordance with the second paragraph of Art. 73 of the Constitution Act of July 17, 1919. It is under the supervision of the Diet, pursuant to Art. 73 of the Constitution Act of July 17, 1919 and Arts. 50 and 83 of the Rules for the Diet of January 13, 1928; these constitutional provisions are published below, pages 155–156.

FUNDAMENTAL RULES

Art. 1. The object of the Bank of Finland is to maintain stability and security in the monetary system of Finland and to assist and facilitate the circulation of money in the country.

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

Art. 3. The Bank has the sole right to issue bank notes in the Republic.

¹ The title in Finnish is *Suomen Pankin Ohjesääntö, annettu Helsingissä 21. p:nä joulukuuta 1925*; in Swedish it is *Reglemente för Finlands Bank, givet i Helsingfors den 21 december 1925*. In the version given here (which incorporates all amendments through July 31, 1966), the word Article (Art.) corresponds to the sign § in the Finnish and Swedish texts; also, all value figures are expressed in terms of the new markka, in accordance with Art. 2 of the Act on Implementation of the Currency Act, which entered into force on January 1, 1963 (1 new markka equals 100 old markkas—see p. 167, below).

Art. 4. The funds of the Bank consist of:

the capital, which shall be raised to three hundred million markkas and maintained at that amount; and
 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 belonging to the Bank.

Art. 5. The Bank carries on its business 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.

NOTE ISSUE

Art. 6. The amount of the Bank's notes in circulation may not exceed the aggregate amount of the gold reserve of the Bank and the undisputed balances of the Bank with its foreign correspondents by more than five hundred million markkas.² The undisputed balances include bills payable abroad in foreign currency, foreign bonds listed on foreign stock exchanges, bonds and interest coupons in foreign currency which have fallen due, and foreign money.

In the event of the Bank's notes in circulation exceeding the total amount of the assets specified in the first paragraph, the cover for the notes must consist of inland bills maturing in not more than three months, for the payment of which at least two trustworthy persons or firms are responsible.

The drafts of the Bank in Finnish currency and other liabilities payable on demand, as well as the undrawn overdraft facilities, shall be classified with the note circulation.

If circumstances render it unavoidably necessary, the maximum amount specified in the first paragraph may, on the representation of the Bank Supervisors, be increased for a fixed period, by decree, to five hundred and eighty million markkas.

The gold reserve of the Bank shall be booked at a value equivalent to the par value of the markka.

The assets of the Bank in foreign currency specified in the first paragraph shall be booked at not more than their current value, or at cost price if the latter is below the current value; but bonds shall be booked at not more than their face value.

Art. 7. The gold reserve of the Bank is considered to consist of the gold of the Bank, stored in Finland or on deposit elsewhere or in transit for account of the Bank.

Arts. 8-10. [Repealed]

² By a decree of November 16, 1956, issued pursuant to the fourth paragraph of Art. 6, this amount was increased to five hundred and eighty million markkas (i.e., fifty-eight thousand old markkas) for the period January 1, 1957-December 31, 1959.

BUSINESS OF THE BANK**Art. 11.** The Bank of Finland is entitled:

- (1) to carry on the exchange of money;
- (2) to buy and sell gold coin and other precious metals;
- (3) to buy and sell foreign currency;
- (4) to discount bills;
- (5) to grant credit other than against bills, provided that its aggregate amount shall not exceed the Bank's own assets; 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.

Art. 12. 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 for the business of the Bank.

Art. 13. The Bank is entitled to pay interest on the balances of its foreign correspondents on current account.

In other cases, interest shall not be paid on funds deposited with the Bank unless it has been decided to make an exception in view of special circumstances. The payment of interest should cease when the reasons for it no longer exist.

Art. 14. If a loan for which collateral 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 convert the collateral into money.

If the collateral is sold at auction the Bank may purchase it, but it must be converted into money as soon as the interests of the Bank are deemed to permit it.

ADMINISTRATION AND MANAGEMENT**Art. 15.** The administration and management of the Bank are subject to review by the Bank Supervisors of the Diet in accordance with these regulations and the instructions drawn up for them by the Diet.**Art. 16.** The administration and management of the Bank are entrusted to the Board of Management, except for such matters as are reserved in the regulations for the Bank Supervisors. The Board of Management is composed of a chairman and not more than four members, one of whom must be versed in law.

In the decisions of the Board of Management, each member shall have one vote. The opinion supported by the majority shall be considered to be the decision of the Board of Management. In the event of a tie, the chairman shall have the deciding vote.

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

Art. 17. It is the duty of the Bank Supervisors:

- (1) to fix the discount rate of the Bank and the rates of interest and commissions on other credits;
- (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 concerning the manufacture of new denominations and types of bank notes;
- (5) to deal with questions concerning the purchase, erection and sale of bank premises, as well as matters regarding the investment of funds referred to in the second paragraph of Art. 12;
- (6) to decide about taking up foreign credits and to determine the amount and terms thereof;
- (7) to decide regarding the payment of interest referred to in the second paragraph of Art. 13 and its suspension;
- (8) to decide on the appointment of correspondents abroad;
- (9) to perform and control the checking of 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 grants of credit and investments, and transactions in foreign currency;
- (11) to decide regarding representations and proposals to the Diet or the Government;
- (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 the basis of the report of the auditors, 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 on the opening of branch offices and, by agreement with the Government, on closing them;
- (16) to decide on the establishment of agencies, their duties and management, and on closing them;
- (17) to appoint directors and managers of branch offices;
- (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 offices or posts after reaching the age limit;
- (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 of salaries, pensions, family pensions and allowances;
- (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;

- (22) to establish regulations regarding pensions for the employees of the note printing works of the Bank; and
- (23) to establish regulations regarding family pensions for the employees of the Bank and of the note printing works of the Bank.

Matters referred to in points 1-8 and 14-18 of the first paragraph, as well as matters referred to in points 19-23, shall, insofar as they do not affect members of the Board of Management, be dealt with on the basis of proposals by 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

Art. 18. Branch offices are managed by a manager.

Questions of grants of credit, if not based on decisions of the Board of Management that have been communicated to the office, shall be dealt with at 'controllers' meetings, composed of the manager of the branch office as chairman and two controllers as members.

Controllers and the necessary deputies for them are appointed for a term of one year.

Art. 19. Controllers shall check the branch offices and perform other auditing duties in accordance with instructions given by the Bank Supervisors and the Board of Management.

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

OFFICIALS AND STAFF

Art. 21. 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 and of branch office managers, as well as other permanent posts.

Art. 22. With regard to the official language of the Bank of Finland, the regulations relative to the official language of bilingual official departments 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.

Art. 23. 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 Government 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.

Occupants of permanent posts in the Bank shall receive letters of appointment. In other respects, in filling positions in the Bank the stipulations contained in the instructions for the Bank shall be observed.

Occupants of offices or posts in the Bank are obliged to relinquish their offices or posts, men on attaining the age of sixty-seven and women on attaining the age of sixty.

The Bank Supervisors have the right to decide whether the occupant of an office or post may retain it after attaining the age limit, though for not more than three years.

Art. 24. With regard to the right of occupants of offices and posts in the Bank to a pension, the provisions contained in the pension regulations approved by the Bank Supervisors shall be observed. A full pension shall be as many per cent of the sum of the basic salary and five increments for the years of service of the occupant of an office or post as the civil servants pension law in force stipulates regarding the occupants of government offices and posts in the same or nearest pay-class, provided that the lowest or highest full pension shall be the same as the lowest or highest full pension according to the said law.

The right of an occupant of an office or post to a pension shall not be reduced after he has been appointed to his office or post.

Art. 25. In hardship cases, a former occupant of an office or post in 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

Art. 26. The books of the Bank shall be closed for 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 [*allmänna tidningarna*].

The Board of Management shall submit a report for each year, before the fifteenth day of the following February, on the position, business and management of the Bank. The annual report shall be printed and published.

Art. 27. An audit shall be carried out annually by the auditors who are elected in accordance with the Rules for the Diet, duly observing the instructions drawn up for them by the Diet.⁸

⁸ See the fifth paragraph of Art. 83 of the Rules for the Diet, below, p. 156.

Art. 28. The Board of Management shall hold 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.

Art. 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 financial year.

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

Art. 30. Until the capital and the reserve fund of the Bank amount in all to five hundred million markkas, at least one half of the annual profit of the Bank shall be used to increase 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 used to increase the funds of the Bank may be used, according to the decision of the Diet, for public purposes.

Should the business of the Bank result in a loss, the loss shall be covered out of the undistributed profits of the Bank. Should these prove insufficient for the purpose, the deficiency shall be covered out of the reserve fund. Should the reserve fund have been reduced in this way, the profits for the following years shall be used in the first instance for raising the fund to its former amount.

RESPONSIBILITY OF OFFICIALS

Art. 31. 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 is prosecuted or tried for a crime, the Board of Management may 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 shall 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 shall possess the same disciplinary powers.

Art. 32. An allegation of neglect of duty against a Bank Supervisor or a member of the Board of Management shall be tried before the Helsinki Court of Appeal in the first instance.⁴

SPECIAL REGULATIONS

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

Art. 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 exempted from paying costs of appeal.

Art. 35. The Bank Supervisors, the auditors and the controllers, as well as the members of the Board of Management and the officials of the Bank, are under obligation to keep secret all matters concerning the relations of private individuals to the Bank or matters that must not be divulged in the interests of the Bank. The Board of Management shall, however, be entitled, in case of need, to confer through one of its members with the manager of another banking institution in regard to the credit of a client.

The Bank Supervisors and the Board of Management of the Bank are under obligation to supply all information to the Bank Committee of the Diet with regard to the general business of the Bank which is considered necessary for the performance of the Committee's duties.

Art. 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 TRANSITIONAL PERIOD

Art. 37. Those members of the Board of Management of the Bank and those other officials and members of the staff who were appointed to their offices or posts before these regulations came into force shall retain the rights to which they were entitled according to earlier regulations.

Art. 38. Regulations with regard to the business of the Bank which are considered necessary in addition to the provisions in the present regulations shall be issued in instructions approved by the Bank Supervisors and published in the code of laws.

Art. 39. The Regulations for the Bank of Finland of February 19, 1895 with the subsequent amendments to them, and the decree of March 19, 1908, which together constitute the legal basis for the Bank of Finland, are re-

⁴ Pursuant to Art. 3 of the Law Concerning the Foundation of the Helsinki Court of Appeal, issued on January 18, 1952, charges for neglect of duty shall be tried before the Helsinki Court of Appeal, not the Turku Court.

pealed by the present regulations, which shall come into force immediately. All other regulations conflicting with the present regulations are also hereby repealed.

To be observed by all whom it may concern.

The Constitution Act, 1919¹

ARTICLE 73

The Bank of Finland shall be placed under the guarantee and care of the Diet and shall be subject to review by supervisors whom the Diet shall appoint.

The Bank of Finland shall be administered in accordance with regulations adopted in the manner prescribed for laws.

The Diet shall determine how the profits of the Bank shall be used for the needs of the State.

¹ Issued in Helsinki on July 17, 1919. This is one of a number of laws which together comprise the fundamental law of the land. The title in Finnish is Suomen Hallitusmuoto, annettu Helsingissä 17. p:nä heinäkuuta 1919; in Swedish it is Regeringsform för Finland, given i Helsingfors den 17 juli 1919. In the version published here, the word Article corresponds to the sign § in the Finnish and Swedish texts.

The Rules for the Diet, 1928¹

ARTICLE 50

It shall be the duty of the Bank Committee to examine the administration and position of the Bank of Finland, the work of the Bank Supervisors and of the Board of Management of the Bank and the position and management of the funds guaranteed by the Diet and to submit reports thereon to the Diet.

The Committee shall submit the necessary proposals concerning the enactment, amendment or annulment of regulations for the Bank of Finland and of instructions for the Bank Supervisors, and concerning other decisions regarding the Bank of Finland, as well as draft all the bills and other proposals of the Government on these matters. No decision shall be taken

¹ Issued in Helsinki on January 13, 1928. Sometimes referred to in English as the Parliament Act. The title in Finnish is Valtiopäiväjärjestys, annettu Helsingissä 13. p:nä tammikuuta 1928; in Swedish it is Riksdagsordning, given i Helsingfors den 13 januari 1928. In the version published here, the word Article corresponds to the sign § in the Finnish and Swedish texts.

regarding the disposal of the profits of the Bank of Finland before the Bank Committee has expressed an opinion on the matter.

It shall likewise be the duty of the Committee to prepare matters referred to it which concern the banking and monetary system of the country.

ARTICLE 83

In order to exercise control over the administration and activities of the Bank of Finland and over the administration of the funds guaranteed by the Diet, the Diet shall select nine Bank Supervisors and draw up instructions for them.

Three of the Bank Supervisors, who shall be the ordinary Bank Supervisors, shall deal with all matters which are not within the province of the full meeting of Bank Supervisors, consisting of nine members. Six members shall constitute a quorum at full meetings of the Bank Supervisors.

In the event of one of the ordinary Bank Supervisors being unable to attend or of his resigning, he shall be replaced by a member of the full meeting of Bank Supervisors.

The Bank Supervisors shall be elected at the first ordinary session after an election of the members of the Diet, and they shall enter upon the performance of their duties as soon as they have been elected and shall continue to perform them until a new election of Bank Supervisors has taken place. The election shall be carried out by the electors of the Diet. It shall be decided at the election which three shall be the ordinary Bank Supervisors and which two members of the full meeting of Bank Supervisors shall replace each member among the ordinary Bank Supervisors and in what order. If agreement is not reached at the election, the election shall be carried out by proportional votes.

In the same manner as is prescribed in the preceding paragraph concerning the election of Bank Supervisors, the electors of the Diet shall elect annually, at an ordinary session of the Diet, five auditors to perform the audit for the current year which the administration of the Bank and of the aforesaid funds must undergo after the end of the year, as well as one deputy for each auditor.

The Bank Act, 1933¹

SUMMARY

The Bank Act comprises 34 articles arranged in 3 chapters, as follows: Chapter I (General Provisions); Chapter II (Banking Operations); Chapter III (Suspension and Liquidation of Banks).

A bank for purposes of the Act is a credit institution which accepts deposits from the public and generally uses the deposit money for banking operations. The Act does not purport to regulate savings banks, the Post Office Savings Bank, cooperative societies that are empowered to accept deposits, mortgage banks, and similar institutions, to which special regulations apply (Art. 1).²

Apart from the Bank of Finland and the above-mentioned financial institutions, only a credit institution established in accordance with this Act may use the word bank as part of its name (Art. 2). A bank may use its legal name in both Finnish and Swedish (Art. 3).

Every bank shall be organized as a limited liability company in accordance with the law governing limited liability companies, unless the Bank Act provides otherwise (Art. 3).

An agreement for the establishment of a bank shall be signed by not less than ten Finnish citizens or not less than five Finnish associations. Requests for authorization to carry on banking business shall be submitted to the Government, which shall approve the articles of association and grant such authorization if it finds that the establishment of the projected bank is in the public interest and that the articles of association are compatible with the Bank Act and other applicable laws. Subsequent amendments to the articles of association also require the approval of the Government (Art. 4).

The share capital of a bank shall be equivalent to not less than Fmk 100,000; at least half of the share capital shall be paid in

¹ The Act was issued in Helsinki on March 17, 1933 and entered into force on April 1, 1933. The title in Finnish is Pankkilaki, annettu Helsingissä 17. p. nää maaliskuuta 1933; in Swedish it is Banklag, given i Helsingfors den 17 mars 1933. For an English version with amendments, see *Bank Law* (Helsinki, 1960), a pamphlet edition issued under the imprint of The Republic of Finland. In the summary presented here, the word Article (Art.) has been used in place of the sign §.

² For example, the Savings Bank Act of July 17, 1931, which entered into force on January 1, 1932, and the Mortgage Bank Act of March 17, 1933, which entered into force on April 1, 1933.