

BY-LAWS OF THE NATIONAL BANK OF DENMARK *

On the 20th March 1942 the Board of Directors of the National Bank of Denmark on the recommendation of the Committee of Directors has made the below By-laws of the Bank pursuant to the provisions of § 26 of the National Bank of Denmark Act (Act No. 116 of the 7th April 1936), in expectation of the said By-laws being confirmed by the Minister of Trade, Industry and Shipping in his capacity of Royal Bank-Commissioner:

I Management

A. The Board of Directors

§ 1.

The Board of Directors shall consist of 25 members, viz:

- a) 8 members with a seat in the "Rigsdag". These are to be elected according to the rules of § 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 resigning member keeps his seat on the Board of Directors until a successor has been elected.
- b) 2 members of which 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. These members, who must not be members of the "Rigsdag", shall be elected by the entire 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, also comprising the workers occupied in trade, 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.

The members mentioned in c) shall be elected at the meeting of the Board of Directors where the annual accounts are submitted for approval. The term of office shall commence on the ensuing 1st day of April.

The members mentioned in a) and b) shall be elected or appointed for a corresponding term of office.

* Replace the By-laws bearing the date of the 28th May 1936 and on the same date confirmed by the Minister of Trade, Industry and Shipping.

If a member of the Board of Directors dies or retires before the expiration of the term of office another member shall be elected for the rest of the term.

The Board of Directors shall elect for 1 year at a time a Chairman and a Deputy-Chairman. The elections shall take place at the meeting of the Board of Directors where the annual accounts are submitted for approval. The term of office shall commence on the ensuing 1st day of April.

§ 2.

The Board of Directors shall meet once every three months and otherwise as often as the Chairman deems it necessary, or when the Royal Bank-Commissioner or 5 members demand it. The Board of Directors forms a quorum when 15 members are present.

Decisions shall be passed by a majority of votes; in the case of an equality of votes the Chairman shall have the casting vote.

The Royal Bank-Commissioner shall preside at the meetings of the Board of Directors.

When the Chairman deems that a case for special reasons should be decided without a meeting being held, the decision of the Board of Directors may be made in writing unless the Royal Bank-Commissioner or at least 5 members of the Board of Directors demand the case to be dealt with in a meeting.

§ 3.

No person in the service of the Bank may be a member of the Board of Directors.

During the absence of a Governor a member of the Board of Directors may temporarily be appointed Governor; but the person appointed shall not in that period be entitled to vote on the Board of Directors. A deputy of the Governor nominated by the King shall be appointed by the Royal Bank-Commissioner. A deputy of a Governor appointed by the Board of Directors shall be appointed by the Chairman of the Board of Directors, as far as possible after conference with the Committee of Directors.

§ 4.

All matters of special importance which may be considered to be outside the domain of daily management shall to the greatest extent possible be submitted to the Board of Directors. However, if the case be so urgent, that in the opinion of the Board of Governors the decision cannot prudently be postponed until such submission, the Board of Governors shall act, if possible after preceding deliberation with the Committee of Directors, and shall see to it that the case as soon as possible be submitted to the Board of Directors.

The Board of Directors shall supervise that the rules governing the functions of the Bank as laid down in the National Bank of Denmark Act and in these present By-laws be observed, thereunder that notes are not issued in violation of the rules prescribed.

After the expiration of every three months the Board of Governors shall submit to the Board of Directors balance sheets from the ledgers of the Bank, and a statement on the funding of the note circulation. Moreover, at the quarterly meeting the Board of Governors shall report on the more important business done in the Bank since the latest quarterly meeting.

It shall be the duty of the Board of Directors:

- 1) To elect on the recommendation of the Committee of Directors 2 of the 3 Governors of the Bank. A majority of all the Directors shall be required to validate the election of a Governor.
- 2) To draw up the By-laws governing the functions of the Bank under § 26 of the National Bank of Denmark Act, and submit the said By-laws to the Royal Bank-Commissioner for confirmation.
- 3) To decide on the establishment and closing of branches.
- 4) To make regulations for the salaries and old age pensions of all the officials of the Bank inclusive of the Governors.
- 5) To elect every three months 2 directors who together with a member of the Committee of Directors by an examination in the Bank make themselves acquainted with its work and, if convenient, without assuming an auditor's liability draw samples at random from the holdings and engagements of the Bank in such a way that the members in question in each case shall be free to decide what departments of the Bank they wish to examine.
- 6) On the basis of the report of the Board of Governors and the Committee of Directors to go through the annual accounts of the Bank, to decide upon writings-off and allocations etc., to determine the application of the annual profit and to submit the annual accounts to the Royal Bank-Commissioner for approbation.
- 7) To make decisions pursuant to § 13 of the National Bank of Denmark Act concerning permission to deviate from the funding rules laid down in the said Act.

Contributions to undertakings for the public benefit may on the recommendation of the Board of Governors and the Committee of Directors be granted by the Board of Directors when approved of by the Royal Bank-Commissioner.

B. The Committee of Directors

§ 5.

The Committee of Directors shall be composed of the 2 members of the Board of Directors mentioned in § 1 b) together with 5 members elected for 1 year at a time by the Board of Directors from among its members. The election shall take place at the meeting of the Board of Directors where the annual accounts are submitted for approval. The term of office shall commence from the ensuing 1st day of April.

If 3 members of the Board of Directors demand it, the proportional representation system according to Andræ's extended method shall be applied.

If a member of the Committee of Directors dies or retires before the expiration of the term of office another member shall be elected for the rest of the term.

The Committee of Directors shall elect for 1 year at a time a Chairman and a Deputy-Chairman. The elections shall be sanctioned by the Minister of Trade, Industry and Shipping. The elections shall take place as soon as possible after the meeting of the Board of Directors where the annual accounts are submitted for approval. The terms of office shall commence on the ensuing 1st day of April.

The members of the Committee of Directors shall not have a seat in the management of other banks. The Chairman and Deputy-Chairman shall not be attached to other banks or savings-banks.

§ 6.

The Committee of Directors shall meet once every month unless other decision be made, and otherwise as often as the Chairman deems it necessary, or when the Royal Bank-Commissioner or 3 members demand it. The Committee of Directors forms a quorum when 4 members are present. When none of the members mentioned in § 1 b) is present, no decision can be made without the consent of the Royal Bank-Commissioner.

Decisions shall be taken by a majority of votes; in the case of an equality of votes the Chairman shall have the casting vote.

The Royal Bank-Commissioner shall have admission to the meetings of the Committee of Directors.

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.

§ 7.

The Committee of Directors shall keep itself informed as regards the more important sides of the functions of the Bank. It may at any time demand from the Board of Governors such information as it might consider necessary in order to comply with the duties laid upon it.

The Committee of Directors and the Board of Governors should mutually enter into negotiation and deliberation on cases and matters which are of a more general importance for the functions of the Bank, thereunder the rules governing the granting of advances, even though a submission to the Board of Directors be not required.

All matters placed before the Board of Directors shall first be submitted to the Committee of Directors. The Committee reports to the Board of Directors on the matter; the report may be accompanied by the recommendations of the Board of Governors. Cases which due to their urgent character cannot be postponed until the submission to the Board of Directors has taken place, shall as far as possible be submitted to the Committee of Directors.

At least once every year the Committee of Directors shall examine the more important liabilities of the Bank and have all the assets of the Bank checked in order to ascertain their existence. A report concerning these examinations shall be sent to the Board of Directors.

It shall rest with the Committee of Directors to see to it, that the annual accounts under careful consideration of existing assets and liabilities, and with the undertaking of necessary writings-off and allocations have been rendered as proper and cautious business practice dictates. Before the Committee of Directors reports to the Board of Directors, it shall negotiate with the Royal Bank-Commissioner concerning the application of the profit of the year on the basis of the recommendation of the Board of Governors.

The Committee of Directors shall see that the daily audit provided for in § 36 is properly organized.

Furthermore the Committee of Directors appoints and dismisses on the recommendation of the Board of Governors the officials of the Bank with a higher charge than that of senior clerk, confer § 14, while the other officials are appointed by the Board of Governors.

C. The Board of Governors

§ 8.

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 have a seat in the management of trading organizations or companies nor carry on or take part in the working of private trading 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.

§ 9.

The Governor nominated by the King as well as the Governors elected by the Board of Directors shall be appointed for an unlimited time, but may be dismissed by the King and the Board of Directors respectively. A majority of 2/3 of the whole Board of Directors shall be required in the latter case.

The Governors shall be entitled to pension from the Old-age Pension Fund of the National Bank of Denmark.

§ 10.

The Board of Governors shall meet as often as it is deemed necessary. Decisions shall be passed by a majority of votes. In the case of an equality of votes the Governor nominated by the King shall have the casting vote.

The Governors shall divide the duties laid upon them by mutual agreement and determine what may be left to a single Governor for decision.

§ 11.

The Governors shall be present at the meetings of the Committee of Directors and the Board of Directors, unless matters are treated which concern them personally.

The Governors shall be entitled to take part in the deliberations.

§ 12.

The daily management of the Bank shall be vested in the Board of Governors. It shall particularly be the duty of the Board of Governors:

- 1) To see that all the transactions of the Bank be properly entered into the accounts, and that the staff of the Bank on the whole discharge the duties laid upon them.
- 2) To watch the safe-keeping of all the assets of the Bank and the valuables entrusted to the Bank.
- 3) To supervise the printing of the bank-notes and the safekeeping and destruction of cancelled notes.
- 4) To see that the management of the business of the branches be properly supervised.

- 5) To report every month to the Royal Bank-Commissioner, the Chairman of the Board of Directors and to the Committee of Directors on the funding of the notes in circulation.

§ 13.

At least once every month the Board of Governors itself, or by the auditors mentioned in § 36, shall examine the cash in hand and the holdings of the cashiers of the Bank.

D. General Regulations

§ 14.

The regulations for the salaries and old age pensions of the Governors and other members of the staff of the National Bank in Copenhagen shall remain in force for the Governors and staff of this Bank until they be altered in conformity with the rules laid down.

The Board of Directors shall fix the number of the officials of the Bank with a higher charge than that of senior clerk.

§ 15.

A member of the Board of Directors or the Committee of Directors shall have no vote in cases concerning agreements between the Bank and such member or relating to actions brought against such member nor in case of agreements with or actions brought against third party in so far as such member has a considerable interest therein, which may be in conflict with that of the Bank.

The Directors are under the obligation to keep secret what they learn through their work in the Bank.

A Governor shall not make nor take part in decisions which concern himself in a similar manner.

§ 16.

It shall rest with the Committee of Directors and the Board of Governors to watch the justifiableness of and the security for the engagements which the Bank makes with the single members of the Committee of Directors or the Board of Directors or with companies of which these members are managers or directors.

The same shall hold good of engagements which might be contracted with the Bank by persons attached to the Governors through marriage, relationship or affinity in lineal ascent and descent or as brothers and sisters, or by companies of which such persons are managers.

§ 17.

If a member of the Committee of Directors or Board of Governors of the Bank, a branch manager or other member of the staff of the Bank on behalf of the Bank supervises an undertaking in which the Bank is interested economically, any remuneration of the person in question will have to be defrayed by the Bank. The amount of the remuneration shall be fixed by the Committee of Directors.

§ 18.

Governors, branch managers or other members of the staff of the Bank must not in any form make or join in speculative transactions.

§ 19.

Governors, branch managers and auditors must not raise loans in the Bank, obtain the guarantee of the Bank for loans or enter into contracts of suretyship for debts due to the Bank.

§ 20.

The signatures of two duly authorized persons shall be required to bind the Bank. The Chairman of the Committee of Directors shall authorize officials within the Bank to sign on behalf of the Bank. The names of the persons authorized to sign on behalf of the Bank shall be published in the "Statstidende", the Government Gazette.

II The Functions of the Bank

§ 21.

The denominations, text and form of the notes shall remain unchanged until otherwise provided under § 8 of the National Bank of Denmark Act.

§ 22.

Besides the issue of notes and the activities and business in connection therewith the general functions of the Bank shall particularly comprise the following transactions:

- 1) Reception of money on folio-account and current-account.
- 2) Discounting of bills of exchange.
- 3) Granting of advances against security.
- 4) Drawing of checks on Danish and foreign places.
- 5) Issuing of Bank-Promissory-Notes.
- 6) Depositing of money with correspondents.

- 7) Purchase and sale of securities.
- 8) Purchase and sale of precious metal in coin and ingots.
- 9) Purchase and sale of foreign currency.
- 10) Reception of deposits in safe custody.

§ 23.

The Board of Governors shall fix the rate of interest on folio-account and current-account. It may decide, that no interest is to be paid on money deposited.

§ 24.

Where for 5 years an amount of interest originating from previous deposits but no actual deposit has been standing to the credit of an account, such amount may fall to the Bank.

§ 25.

The Board of Governors shall fix the rate of discount and the rate of interest for advances.

When the Board of Governors wishes to alter the rate of discount (the Bank Rate) it shall notify the Royal Bank-Commissioner and the Minister of Finance to that effect. The Royal Bank-Commissioner and the Minister of Finance shall be entitled personally or by deputy to take part in the negotiations, but they shall have no right of voting.

When a decision has been taken the Chairman of the Board of Directors and of the Committee of Directors shall immediately be notified.

§ 26.

The decisions of the Board of Governors concerning applications for advances or discounts are as a rule given orally. No applicant shall be entitled to learn the reason for a refusal.

§ 27.

Advances are normally granted for 1 to 3 months, but never exceeding 6 months, and against such security as may be considered satisfactory. Renewal of advances may take place. The Board of Governors shall decide what securities may be accepted as security for advances, and what percentage of the value of the security may be granted as an advance.

§ 28.

The Bank may demand prepayment of interest for the full term of an advance or for a part thereof.

§ 29.

The Bank may issue Bank-Promissory-Notes to specified persons and payable up to eight days after date or at sight.

Bank-Promissory-Notes shall be paid at the head office of the Bank as well as at its branches.

§ 30.

The Board of Governors may decide that checks and transfer orders shall not be issued for amounts less than Kroner 200.

§ 31.

The Board of Governors shall lay down rules governing the purchase and sale of foreign exchange and the purchase and sale of securities.

§ 32.

The Board of Governors shall fix the price at which the Bank shall purchase and sell precious metal in coin or in ingots, confer however § 14, 2nd and 3rd subsection of the National Bank of Denmark Act.

§ 33.

The Bank shall be legal depositary of monies and securities, which are lodged pursuant to Act No. 29 of the 16th February 1932 concerning debtors' right to release through deposit.

§ 34.

The Bank receives deposits for safe-keeping. The rules governing the deposit and the fees to be charged shall be fixed by the Board of Governors.

The Bank shall be entitled to refuse to receive a deposit as well as to let a safe. Moreover, it shall be entitled to demand the withdrawal of a deposit and to terminate the letting of a safe without stating the reason.

Where a deposit has been unclaimed for 20 years and the Bank does not know the address of the owner it shall be entitled, by a notification in the "Statstidende", the Government Gazette, to demand the depositor, or the person or persons who deem themselves owners of the deposit, to take possession of the deposit within 6 months, and if nobody appears, to have the deposit destructed or sold by public auction, the proceeds of which shall fall to the Bank, confer however § 5 of Act No. 29 of the 16th February 1932.

Memorandums of deposit drawn up before the coming into force of these By-laws, and which contain the clause that the proceeds in case of statute barring fall to the Exchequer, shall remain in force.

III Accounts and Audit

§ 35.

The financial year of the Bank shall be the calendar year.

The Board of Governors shall not later than the first day of February hand over the annual accounts to the Chartered Accountants appointed by the Royal Bank-Commissioner. When the Committee of Directors has made its report on the annual accounts and the negotiation with the Royal Bank-Commissioner has taken place, confer § 7, subsection 5, the annual accounts shall be submitted to the Board of Directors, but in no case later than the 20th March.

§ 36.

The daily audit of all the books of the Bank shall be made by officials appointed for that purpose. At a branch, however, the audit may, on the recommendation of the Board of Governors, be made by an auditor appointed by the Committee of Directors. This audit shall commence immediately at the beginning of the financial year and be continued daily, so that it always follows directly after the daily entries.

The auditors shall keep a record. The auditors' record shall be submitted to the Board of Governors once a month and produced at the monthly meeting of the Committee of Directors. If the audit at a branch be made by an auditor specially appointed, a report on this audit based on information from this auditor shall be entered into the record.

The auditors shall enter into their records all that may be of importance to the Board of Governors, Committee of Directors and Board of Directors to learn. In case the auditors discover essential irregularities the auditors shall, besides making entries thereof into the records, without delay notify the Board of Governors and the Chairman of the Committee of Directors.

It shall be the duty of the auditors to call the attention of the Board of Governors and the Committee of Directors to deficiencies in audit and book-keeping if such might be found.

§ 37.

The Minister of Trade, Industry and Shipping shall appoint for one year at a time two Chartered Accountants to audit the annual accounts of the Bank. The Chartered Accountants shall be of age, not be deprived of the right to dispose of their estate, nor be in the service of the Bank, be members of the Board of Directors or Committee of Directors nor be attached to any member of the Board of Directors, Committee of Directors or Board of Governors, to accountant or cashier by being in their service, through marriage,

relationship or affinity in lineal ascent and descent, or as brothers and sisters.

During the audit, which shall be performed under careful consideration of existing values and obligations, the Chartered Accountants shall have admission to all books relating to the book-keeping of the Bank and to examine the cash in hand and the holdings of the cashiers of the Bank. The Committee of Directors and the Board of Governors shall be under the obligation to give the Chartered Accountants any information they might demand to ascertain the correctness of the accounts. When the Chartered Accountants have audited the accounts they shall enter a report on the audit into the Chartered Accountants' records. This shall be submitted at the first ensuing meeting of the Committee of Directors, and the members of the Committee present shall by their signature confirm that they have taken notice of the contents. Moreover the records shall be produced at the first ensuing meeting of the Board of Directors.

The Chartered Accountants are under the obligation to keep secret what they learn through their activity.

§ 38.

Amendments in these By-laws may be passed by the Board of Directors. In order to make an amendment valid a majority of all the Directors shall vote in favour thereof and the resolution shall be confirmed by the Royal Bank-Commissioner.

§ 39.

These By-laws shall come into force when confirmed by the Royal Bank-Commissioner.

Pursuant to § 26 of the National Bank of Denmark Act (Act No. 116 of the 7th April 1936) the above By-laws of the National Bank of Denmark passed on the 20th March this year by the Board of Directors of the Bank on the recommendation of the Committee of Directors of the said Bank in replacement of the By-laws bearing the date of the 28th May 1936 are hereby confirmed as being valid until otherwise be provided.

The Ministry of Trade, Industry and Shipping, 1st April 1942.