



EUROPEAN MONETARY INSTITUTE

WORKING GROUP OF LEGAL EXPERTS

2nd April 1996

Dear Colleagues,

Please find attached a new version of the questionnaire on independence of NCBs and on measures with a view to the integration of NCBs in the ESCB. It is suggested that the questionnaire will be answered by you at the latest by the close of business of Tuesday, 23rd April 1996.

As you are aware, many items covered by the questionnaire have already been elaborated in preparatory documents for the 1995 Article 7 Report. Please find attached, for your convenience, the relevant materials. Although these documents may not be used for the "combined 1996 Article 109j and Article 7 Report", you are nevertheless kindly requested to update them, so that they may at least serve as useful background materials for internal use within your national central banks and the EMI. We would be grateful to receive any remarks you may have on the attached documents of last year at the latest by the close of business of Monday, 15th April 1996.

Please note that, in consultation with the Chairman, it is now envisaged to discuss a first draft of a memorandum to the Council on the above subject at the meeting of 18th and 19th April 1996. This note will be distributed to you in the course of next week. It will be a compilation of already existing materials together with a tentative assessment of incompatibilities in statutes of NCBs with the Treaty and/or the Statute of the ESCB/ECB. Additional information collected on the basis of the questionnaire will be added afterwards. It is envisaged that we will then have a round of written remarks with a final version of the memorandum to be discussed at the meeting of 21st May 1996. After endorsement of the memorandum by the Council in June 1996, it will serve as a basis for the combined Article 109j and Article 7 Report.

With best regards,



**QUESTIONNAIRE ON INDEPENDENCE OF NCBS AND ON MEASURES WITH A VIEW  
TO THE INTEGRATION OF NCBS IN THE ESCB<sup>1</sup>**

**I INDEPENDENCE**

**1. Institutional independence**

- A What are the decision-making bodies in your NCB and what are their respective fields of competence?
- B Do third parties (e.g. Government, Parliament) have a right to:
- give instructions to your NCB;
  - suspend, annul or defer its decisions;
  - censor decisions on legal grounds;
  - participate in decision-making bodies of your NCB and vote;
  - participate in decision-making bodies without a right to vote;
  - be consulted (ex ante) on decisions of your NCB; and/or
  - obtain explanations (ex post) on your NCB's decisions?
- C If so, which are these third parties?

**2. Personal independence**

- A Do statutory and/or contractual provisions applicable to your NCB and its Governor contain:
- a minimum term of office for the Governor of five years;
  - any provisions which extend grounds for dismissal of a Governor to others that that he/she does no longer fulfil the conditions required for the performance of his/her duties or that he/she has been guilty of serious misconduct; and/or

---

<sup>1</sup> This questionnaire is prepared for fact finding purposes only in order to obtain an overall view of the main institutional features of NCBS and their preparations for integration in the ESCB. Neither the content of the questionnaire nor the replies thereto prejudice any opinion of the EMI or NCBS on central bank independence and measures required for the integration of NCBS in the ESCB.

- any provisions which are incompatible with a Governor's right of appeal to the Court of Justice?<sup>2</sup>

- B Do the arrangements for Governors equally apply to other members of decision-making bodies?
- C Do members of decision-making bodies of your NCB fulfil their functions on the basis of professional exclusivity? If not, are there any rules on professional incompatibilities in order to avoid conflicts of interests? Please, describe the content of such rules, if any.

### 3. Functional independence

- A Does the statute of your NCB unambiguously reflect the primary objective of the ESCB (maintaining price stability)?
- B Which functions does your NCB fulfil other than those related to the ESCB?

### 4. Financial independence

- A Does the legal form of incorporation of a NCB result in the applicability of any statutory provisions in private law, company law or administrative law which give third parties in their capacity of shareholders of a NCB any general rights to directly or indirectly exercise influence on your NCB's means?
- B Do third parties have any other mechanisms at their disposal to directly or indirectly and at their own discretion exercise influence on your NCB's means to fulfil its mandate with regard to the:
  - determination of the budget;
  - accounting process within your NCB and the outcome thereof;
  - distribution of profit?

---

<sup>2</sup> It is recognised that such provisions would have no effect as Article 14.2 of the Statute of the ESCB/ECB prevails. The question is nevertheless included in this questionnaire for reasons of completeness.

## **II MEASURES WITH A VIEW TO THE INTEGRATION OF NCBS IN THE ECB**

1. Has a study already been undertaken to possible inconsistencies between the statute of your NCB and the Treaty/Statute?
2. If so, what inconsistencies have been detected, if any?
3. If inconsistencies have been detected, what are the envisaged solutions?
4. It is expected that legal acts from the Governing Council of the ECB or secondary Community legislation, elaborating provisions in the Treaty and the Statute, may lead to any inconsistencies between the statutes of your NCB and such legal acts/legislation?
5. If so, what are the envisaged solutions?

## Institutional features of European Union central banks

	NATIONAL BANK OF BELGIUM	DANMARKS NATIONALBANK	DEUTSCHE BUNDESBANK
<b>STATUTES</b>	Organic Law of the Banque Nationale de Belgique	Danmarks Nationalbank Act	Deutsche Bundesbank Act
<b>PRINCIPAL STATUTORY OBJECTIVE</b>	None, although safeguarding the currency implicit	To maintain a safe and secure currency system	To safeguard the currency
<b>LEGAL AUTHORITY FOR:</b> 1- Exchange rate regime 2- Setting targets for: - monetary growth - inflation 3- Changing key interest rates	1 - Government 2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank	1 - Government 2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank	1 - Government 2 - Central bank Central bank <sup>1</sup> 3 - Central bank
<b>RESPONSIBILITIES:</b> 1- Execution of monetary and exchange rate policy 2- Issue of banknotes 3- Payment system services 4- Bank of banks and government 5- Supervision of financial institutions 6- Safeguard financial stability 7- Official reserve management	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - No 6 - Yes 7 - Yes	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - No 6 - Yes 7 - Yes	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - No 6 - Yes 7 - Yes
<b>STATE INFLUENCE THROUGH RIGHT TO</b> 1- Attend meetings of decision-making bodies 2- Vote 3- Be consulted 4- Suspend and/or annul decisions  5- Give instructions	1 - Yes <sup>2</sup> 2 - No 3 - No 4 - Yes  5 - No	1 - Yes 2 - No 3 - No 4 - No  5 - No	1 - Yes 2 - No 3 - No 4 - Yes (2-week suspension of decisions possible at request of Government) 5 - No
<b>GOVERNING BODIES</b>	- Governor - Board of Directors - Council of Regency - Board of Censors - General Council	- Board of Governors - Board of Directors - Committee of Directors - Royal Bank Commissioner	- Central Bank Council - Directorate - Managing Boards of Land Central Banks
<b>DECISION-MAKING BODIES ON</b> 1- Monetary policy  Professional exclusivity 2- Administration institution  Professional exclusivity	1 - Board of Directors unless specific attribution to Council of Regency (eg discount policy) Yes (Board of Directors) No (Council of Regency) 2 - Board of Directors  Yes	1 - Board of Governors  Yes 2 - Board of Directors - Committee of Directors  No <sup>3</sup>	1 - Central Bank Council  Yes 2 - Directorate Managing Boards of Land Central Banks Yes
<b>GOVERNOR</b> 1- Appointing authority  2- Term of appointment 3- Grounds for dismissal 4- Appeal	1 - Government  2 - 5 years (renewable) 3 - Not defined 4 - Administrative Court	1 - Crown on proposal of the Government  2 - No fixed term 3 - Not defined 4 - No	1 - Federal President on proposal of Federal Government after consultation of Central Bank Council 2 - Normally 8 years, minimum 2 years (renewable) 3 - Not defined 4 - Administrative Court
<b>FINANCIAL INDEPENDENCE</b>	Yes	Yes	Yes
<b>ACCOUNTABILITY FOR</b> 1- Monetary policy 2- Administration institution	1 - No 2 - General Meeting of Shareholders	1 - Royal Bank-Commissioner 2 - Royal Bank-Commissioner	1 - No 2 - Parliamentary Auditing Committee
<b>RECENT AND PLANNED CHANGES</b>	Legislation to ensure central bank independence on monetary policy decisions was adopted on 22nd March 1993.	None	None

1 No targets set at present 2 Refers to Government Commissioner - being an official appointed by the Minister of Finance for the purpose  
3 Members of the "Riksdag" (Parliament) 4 No targets set at present, only monitoring ranges/rates used 5 Financial supervision authority functions in connection with the Bank of Finland 6 The Chairman (Governor) and members of the Board are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Council shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable new person.

**Institutional features of European Union central banks**

	<b>BANK OF GREECE</b>	<b>BANCO DE ESPAÑA</b>	<b>BANQUE DE FRANCE</b>
<b>STATUTES</b>	Statutes of the Bank of Greece	Law of Autonomy of the Banco de España (Law 13/1994 of 1 June 1994)	Act 93-980 of 4 August 1993 on the status of the Banque de France and the activities and supervision of credit institutions
<b>PRINCIPAL STATUTORY OBJECTIVE</b>	To control currency in circulation and credit	To ensure price stability	To ensure price stability
<b>LEGAL AUTHORITY FOR:</b> 1- Exchange rate regime 2- Setting targets for: - monetary growth - inflation 3- Changing key interest rates	1- Government 2- Central bank Government <sup>1</sup> 3- Central bank	1- Government after consulting the central bank 2- Central bank <sup>4</sup> Central bank 3- Central bank	1- Government 2- Central bank Central bank 3- Central bank
<b>RESPONSIBILITIES:</b> 1- Execution of monetary and exchange rate policy 2- Issue of banknotes 3- Payment system services 4- Bank of banks and government 5- Supervision of financial institutions 6- Safeguard financial stability 7- Official reserve management	1- Yes 2- Yes 3- Yes 4- Yes - No (exclusive arrangement) 5- Yes 6- Yes 7- Yes	1- Yes 2- Yes 3- Yes 4- Yes 5- Yes 6- Yes 7- Yes	1- Yes 2- Yes 3- Yes 4- Yes 5- Yes, through Commission Bancaire 6- Yes 7- Yes
<b>STATE INFLUENCE THROUGH RIGHT TO</b> 1- Attend meetings of decision-Making bodies 2- Vote 3- Be consulted 4- Suspend and/or annul decisions 5- Give instructions	1- Yes <sup>2</sup> 2- No <sup>2</sup> 3- No <sup>2</sup> 4- Yes <sup>2</sup> 5- No	1- Yes 2- No 3- No 4- No 5- No	1- Yes 2- No 3- No 4- No 5- No
<b>GOVERNING BODIES</b>	- General Council - Governor (- Deputy Governors)	- Governor - Deputy Governor - Governing Council - Executive Commission	- Monetary Policy Council - General Council
<b>DECISION-MAKING BODIES</b> 1- Monetary policy Professional exclusivity 2- Administration institution Professional exclusivity	1- Governor Yes 2- General Council Yes	1- Governing Council Yes 2- Governing Council Yes	1- Monetary Policy Council Yes 2- General Council Yes
<b>GOVERNOR</b> 1- Appointing authority  2- Term of appointment 3- Grounds for dismissal  4- Appeal	1- President of the Republic on a proposal of the Government after being nominated by the Council 2- 4 years (renewable) 3- Not defined  4- No court process stated	1- Crown on proposal of President of Government 2- 6 years (non-renewable) 3- Permanent incapacity to perform duties, serious lack of compliance with obligations, incompatibilities during term of office, prosecution for deliberate crimes 4- Administrative Court	1- Council of Ministers  2- 6 years (renewable) 3- Incapacity to perform duties or serious misconduct  4- Administrative Court
<b>FINANCIAL INDEPENDENCE</b>	Yes	Yes	Yes
<b>ACCOUNTABILITY FOR</b> 1- Monetary policy 2- Administration institution	1- Government 2- Shareholders of Bank	1- No 2- No	1- No 2- Report to Parliament
<b>RECENT AND PLANNED CHANGES</b>	The Bank of Greece has proposed to Government legislative changes which aim to increase its degree of independence and to make its Statute fully compatible with the Treaty on European Union.	Law 13/1994 of 1st June 1994 on the Autonomy of the Banco de España introduced the provisions of the Treaty on European Union relating to central banks.	Laws of 4th August and 31st December 1993 on the Statute of the Banque de France introduced the provisions of the Treaty on European Union relating to central banks.

1 No targets set at present 2 Refers to Government Commissioner - being an official appointed by the Minister of Finance for the purpose  
3 Members of the "Riksdag" (Parliament) 4 No targets set at present, only monitoring ranges/rates used 5 Financial supervision authority functions in connection with the Bank of Finland 6 The Chairman (Governor) and members of the Board are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Council shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable new person.

Institutional features of European Union central banks

	CENTRAL BANK OF IRELAND	BANCA D'ITALIA	INSTITUT MONÉTAIRE LUXEMBOURGEOIS
<b>STATUTES</b>	Central Bank Act 1942 (as supplemented and amended by subsequent Central Bank Acts)	Decree of 11 June 1936 n. 1067, as amended, and Royal Decree on the Bank of Issue of 20 April 1910 n. 204, as amended	Law of 25 May 1983 establishing the Institut Monétaire Luxembourgeois as modified
<b>PRINCIPAL STATUTORY OBJECTIVE</b>	To safeguard the integrity of the currency	None, although safeguarding the currency implicit	Includes the promotion of the stability of the currency
<b>LEGAL AUTHORITY FOR:</b> 1- Exchange rate regime 2- Setting targets for: - monetary growth - inflation 3- Changing key interest rates	1 - Government 2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank	1 - Government 2 - Jointly with Government 3 - Central bank	1 - Government 2 - Central bank <sup>1</sup> Jointly with Government <sup>1</sup> 3 - Central bank <sup>1</sup>
<b>RESPONSIBILITIES:</b> 1- Execution of monetary and exchange rate policy 2- Issue of banknotes 3- Payment system services 4- Bank of banks and government 5- Supervision of financial institutions 6- Safeguard financial stability 7- Official reserve management	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - Yes 6 - Yes 7 - Yes	1 - Yes 2 - Yes (together with Government) 3 - Yes 4 - Yes 5 - Yes 6 - Yes 7 - Yes (together with the Italian Exchange Office)	1 - Yes (partly) 2 - Yes 3 - Yes 4 - No 5 - Yes 6 - Yes 7 - Yes
<b>STATE INFLUENCE THROUGH RIGHT TO</b> 1- Attend meetings of decision-making bodies 2- Vote 3- Be consulted 4- Suspend and/or annul decisions 5- Give instructions	1 - Yes 2 - Yes 3 - Yes 4 - No 5 - No	1 - Yes 2 - No 3 - No 4 - Yes 5 - No	1 - No 2 - No 3 - Yes 4 - No 5 - No
<b>GOVERNING BODIES</b>	- Board of Directors	- Governor, Director-General, 2 Deputy Director-Generals (Directorate) - Board of Directors, Committee of the Board of Directors	- Management - Council
<b>DECISION-MAKING BODIES</b> 1- Monetary policy Professional exclusivity 2- Administration institution Professional exclusivity	1 - Board of Directors Yes (may not hold banking or political post) 2 - Board of Directors Yes (may not hold banking or political post)	1 - Governor Yes (may not hold banking or political post) 2 - Board of Directors Yes (may not hold banking or political post)	1 - Council No 2 - Management Yes
<b>GOVERNOR</b> 1- Appointing authority 2- Term of appointment 3- Grounds for dismissal 4- Appeal	1 - President, on the advice of Government 2 - 7 years (renewable) 3 - Misconduct, incapacity or "cause-stated" 4 - No court process or appeal stated	1 - Board of Directors with approval of Government 2 - Life 3 - Not defined 4 - Administrative Court	1 - Grand-Duke on proposal of Council of Ministers 2 - 6 years (renewable) 3 - Fundamental disagreement prolonged incapacity 4 - No
<b>FINANCIAL INDEPENDENCE</b>	Yes	Yes	Yes
<b>ACCOUNTABILITY FOR</b> 1- Monetary policy 2- Administration institution	1 - Government (reports available to Parliament) 2 - Comptroller and Auditor General (reports available to Parliament)	1 - Government before Parliament 2 - Ministry of Treasury	1 - Government before Parliament 2 - Management before Council and Council of Ministers
<b>RECENT AND PLANNED CHANGES</b>	A number of adjustments of a minor nature will be included in forthcoming legislation.	None	A bill to effect the changes in legislation required by the Treaty on European Union is pending in Parliament.

1 No targets set at present 2 Refers to Government Commissioner - being an official appointed by the Minister of Finance for the purpose  
3 Members of the "Riksdag" (Parliament) 4 No targets set at present, only monitoring ranges/rates used 5 Financial supervision authority functions in connection with the Bank of Finland 6 The Chairman (Governor) and members of the Board are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Council shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable new person.

**Institutional features of European Union central banks**

	<b>NEDERLANDSCHE BANK</b>	<b>OESTERREICHISCHE NATIONALBANK</b>	<b>BANCO DE PORTUGAL</b>
<b>STATUTES</b>	Bank Act 1948 and Articles of Association of the Nederlandsche Bank	National Bank Act of the Oesterreichische Nationalbank	Organic Law of the Banco de Portugal (Law n. 337/90 of 30 October 1990)
<b>PRINCIPAL STATUTORY OBJECTIVE</b>	To safeguard the value of the currency	To maintain the internal and external value of the Austrian currency	To maintain internal monetary stability and the external solvency of the currency
<b>LEGAL AUTHORITY FOR:</b> 1- Exchange rate regime  2- Setting targets for: - monetary growth - inflation 3- Changing key interest rates	1 - Government  2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank	1 - Central bank in co-operation with Government  2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank	1 - Government after consulting the central bank  2 - Central bank <sup>1</sup> Central bank <sup>1</sup> 3 - Central bank
<b>RESPONSIBILITIES:</b> 1- Execution of monetary and exchange rate policy 2- Issue of banknotes 3- Payment system services 4- Bank of banks and government 5- Supervision of financial institutions 6- Safeguard financial stability 7- Official reserve management	1 - Yes  2 - Yes 3 - Yes 4 - Yes  5 - Yes  6 - Yes 7 - Yes	1 - Yes  2 - Yes 3 - Yes 4 - Yes  5 - No  6 - Yes 7 - Yes	1 - Yes  2 - Yes 3 - Yes 4 - Yes  5 - Yes  6 - Yes 7 - Yes
<b>STATE INFLUENCE THROUGH RIGHT TO</b> 1- Attend meetings of decision-making bodies 2- Vote 3- Be consulted 4- Suspend and/or annul decisions 5- Give instructions	1 - No  2 - No 3 - No 4 - No 5 - Yes	1 - Yes  2 - No 3 - No 4 - Yes, suspension 5 - No	1 - No  2 - No 3 - No 4 - No 5 - Yes
<b>GOVERNING BODIES</b>	- Governing Board - Supervisory Board	- Governing Board - Board of Executive Directors - General Meeting	- Governor - Board of Directors - Board of Auditors - Advisory Board
<b>DECISION-MAKING BODIES</b> 1- Monetary policy Professional exclusivity 2- Administration institution Professional exclusivity	1 - Governing Board Yes 2 - Governing Board Yes	1 - Governing Board Yes 2 - Board of Executive Directors Yes	1 - Board of Directors Yes 2 - Board of Directors Yes
<b>GOVERNOR</b> 1- Appointing authority  2- Term of appointment 3- Grounds for dismissal  4- Appeal	1 - Nominated by joint meeting of Governing Board and Supervisory Board and appointed by Crown on proposal of Council of Ministers  2 - 7 years (renewable) 3 - Not defined  4 - Administrative Court	1 - President of the Federal Republic on nomination by the Federal Government  2 - 5 years (renewable) 3 - If ceased to meet the requirements set for the appointment or if prevented for more than one year from performing the duties 4 - Administrative and Constitutional High Court	1 - Council of Ministers on proposal of Minister of Finance  2 - 5 years (renewable) 3 - Service inconvenience  4 - Administrative Court
<b>FINANCIAL INDEPENDENCE</b>	Yes	Yes	Yes
<b>ACCOUNTABILITY FOR</b> 1- Monetary policy 2- Administration institution	1 - Supervisory Board  2 - Supervisory Board	1 - Arbitration Tribunal  2 - Arbitration Tribunal	1 - Government towards Parliament 2 - Board of Auditors
<b>RECENT AND PLANNED CHANGES</b>	The law of 9th December 1993 introduced provisions of the Treaty on European Union relating to central banks. Final adjustments in order to comply with the Treaty are under consideration.	None	Amendments to reinforce the independence of the central bank in line with Articles 109e(5) and 108 of the Treaty on European Union are under consideration.

1 No targets set at present 2 Refers to Government Commissioner - being an official appointed by the Minister of Finance for the purpose  
3 Members of the "Riksdag" (Parliament) 4 No targets set at present, only monitoring ranges/rates used 5 Financial supervision authority functions in connection with the Bank of Finland 6 The Chairman (Governor) and members of the Board are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Council shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable new person.



### Institutional features of European Union central banks

	SUOMEN PANKKI	SVERIGES RIKSBANK	BANK OF ENGLAND
<b>STATUTES</b>	Constitution and Act on the Bank of Finland	Constitution and Sveriges Riksbank Act	Bank of England Act 1946 and Bank of England Charter Act 1946
<b>PRINCIPAL STATUTORY OBJECTIVE</b>	To maintain a stable and secure monetary system and to assist and facilitate the circulation of money in Finland	None, although safeguarding of the currency implicit	None, although safeguarding the currency implicit
<b>LEGAL AUTHORITY FOR:</b> 1- Exchange rate regime  2- Setting targets for: - monetary growth - inflation 3- Changing key interest rates	1 - Government on proposal of the central bank  2 - Central bank <sup>4</sup> Central bank 3 - Central bank	1 - Central bank  2 - Central bank <sup>1</sup> Central bank 3 - Central bank	1 - Government  2 - Government <sup>4</sup> Government 3 - Government
<b>RESPONSIBILITIES:</b> 1- Execution of monetary and exchange rate policy 2- Issue of banknotes 3- Payment system services 4- Bank of banks and government 5- Supervision of financial institutions 6- Safeguard financial stability 7- Official reserve management	1 - Yes 2 - Yes 3 - Yes 4 - Yes No 5 - No <sup>5</sup> 6 - Yes 7 - Yes	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - No 6 - Yes 7 - Yes	1 - Yes 2 - Yes 3 - Yes 4 - Yes 5 - Yes 6 - Yes 7 - Yes (as agent for the Government)
<b>STATE INFLUENCE THROUGH RIGHT TO</b> 1- attend meetings of decision-making bodies 2- vote 3- be consulted 4- suspend and/or annul decisions 5- give instructions	1 - No 2 - No 3 - No 4 - No 5 - No	1 - No 2 - No 3 - Yes 4 - No 5 - No	1 - No 2 - No 3 - No 4 - No 5 - Yes
<b>GOVERNING BODIES</b>	- Parliamentary Supervisory Council - Board	- Governing Board - Governor	- Court of Directors
<b>DECISION-MAKING BODIES</b> 1- Monetary policy Professional exclusivity 2- Administration institution Professional exclusivity	1 - Parliament Supervisory Council and Board No 2 - Parliament Supervisory Council and Board No	1 - Governing Board No 2 - Governing Board No	1 - Court of Directors - No (only some members) Not relevant 2 - Court of Directors No (only some members)
<b>GOVERNOR</b> 1- Appointing authority  2- Term of appointment 3- Grounds for dismissal 4- Appeal	1 - President of the Republic on a proposal of the Parliamentary Supervisory Council <sup>6</sup> 2 - Indefinite 3 - Not defined 4 - No	1 - Governing Board 2 - 5 years (renewable) 3 - Not defined 4 - Not defined	1 - Crown on proposal of Prime Minister 2 - 5 years (renewable) 3 - Misconduct or incapacity 4 - No court process stated
<b>FINANCIAL INDEPENDENCE</b>	Yes	Yes	Yes
<b>ACCOUNTABILITY FOR</b> 1- Monetary policy  2- Administration institution	1 - Parliament 2 - Parliament	1 - Parliament 2 - Parliament	1 - Government towards Parliament 2 - Government
<b>RECENT AND PLANNED CHANGES</b>	Legislation in order to comply with the requirements of the Treaty on European Union is under consideration.	Legislation in order to comply with the requirements of the Treaty will be proposed during the current legislative period.	None. Changes will be needed unless the United Kingdom gives notice that it will not participate in Stage Three.

1 No targets set at present 2 Refers to Government Commissioner - being an official appointed by the Minister of Finance for the purpose  
3 Members of the "Riksdag" (Parliament) 4 No targets set at present, only monitoring ranges/rates used 5 Financial supervision authority functions in connection with the Bank of Finland 6 The Chairman (Governor) and members of the Board are appointed by the President of the Republic by letters patent. When such a post falls vacant, the Parliamentary Supervisory Council shall take steps to fill the vacancy and shall submit a request to the Cabinet for the appointment of a suitable new person.

# **INSTITUTIONAL FEATURES OF THE NATIONAL CENTRAL BANKS OF THE MEMBER STATES OF THE EUROPEAN UNION**

## **NATIONAL BANK OF BELGIUM**

### **1. Legal basis**

The statute of the National Bank of Belgium is contained in the Organic Law on the National Bank of Belgium of 24th August 1939 as amended and the Statutes of the National Bank of Belgium of 23rd September 1939 as amended. The Bank is a limited liability company ("société anonyme"), in which the Belgian State owns a controlling stake with 50% of the shares. General company law is explicitly recognised as a supplementary statutory source.

### **2. Organisational structure**

The Bank is directed by the Governor and administered by the Board of Directors, assisted by the Council of Regency. It is supervised by the Board of Censors. There is, in addition, the General Council.

The Governor is appointed by the Crown on a nomination from Government for a renewable term of five years. The Governor can be suspended or dismissed by the Crown. The grounds for such suspension or dismissal have not been laid down in statutory provisions.

The Board of Directors includes, in addition to the Governor, three to six members appointed by the Crown on a proposal of the Council of Regency for a term of six years. No specific provisions regarding their dismissal from office are included in the statute of the Bank. The Board manages the Bank and is in charge of the orientation of policy under the control of the Council of Regency.

The Council of Regency includes the Governor, the Directors and ten Regents. Regents are appointed for three years by the general meeting of shareholders. Five are appointed on a proposal of the Minister of Finance, three on a proposal from the most representative organisations of industry, commerce and agriculture, and two on a proposal of the most representative labour organisations. The Council of Regency has general powers to set the rates and terms of discount, advances and loans and approves the annual report on the Bank's operations.

The Board of Censors includes eight to ten Censors elected for three years by the general meeting of shareholders. Besides controlling the operations of the Bank, it votes on the budget and approves the annual accounts as proposed by the Council of Regency.

The General Council includes the Governor, the Directors, the Regents and the Censors. It has important administrative functions, and decides on the distribution of profits in accordance with the criteria laid down in the Organic Law.

Membership of the above governing bodies is subject to several rules on incompatibilities of functions, the most important being that members of Parliament or Government may not hold the office of Governor, Vice-Governor, Director, Regent or Censor and that the Governor, Vice-Governor and the Directors may not exercise any function in boards of commercial companies, whilst Regents and Censors may not perform high-ranking functions in banks.

While there is no right of instruction from political authorities, there is a government commissioner in the Bank who is entitled to participate without voting rights in every meeting of the decision-making bodies of the Bank. A power of suspension and a right to oppose decisions can in general terms be exercised by the government commissioner and the Minister of Finance respectively against any decision of the Bank contrary to the law, to the statutes of the Bank or to the interests of the State. However, by virtue of the Law of 22nd March 1993, this power no longer exists with regard to the basic tasks of the Bank - namely the definition and implementation of monetary policy, the conduct of foreign exchange operations consistent with the exchange arrangements applicable to the franc, the holding and management of the official foreign reserves and the promotion of the smooth operation of payment systems - insofar as the decisions are in conformity with the law and the statutes of the Bank. In these areas, the autonomy of the Bank has thus been established.

### **3. Objectives and tasks**

No explicit statutory objectives are laid down in the Bank's Organic Law or its Statutes. The Bank's main tasks are: the determination of monetary and exchange rate policy; management of foreign reserves; European and international monetary co-operation; and safeguarding the smooth functioning of payment systems. Other tasks which do not include banking supervision, are conferred on the Bank under specific legislative provisions.

The Bank is responsible for the formulation and implementation of monetary policy. It conducts monetary policy in the context of the exchange rate regime which is determined by the Government. In particular, exchange rate arrangements are adopted by the Crown (the Government) after consultation with the Bank. The Bank can use a wide range of monetary policy instruments. However, the introduction of reserve requirements requires the approval of Government.

#### **4. Relations with political bodies**

There are no institutional statutory relations between Parliament and the Bank and, indeed, the Governor has rarely appeared before Parliament. Regarding relations with Government, the Governor has only rarely attended meetings of the Council of Ministers. In addition to the role of Government in the appointment procedure described above, the Minister of Finance has to approve the form of the weekly financial statements of the Bank. Finally, the Bank publishes an Annual Report.

#### **5. Prospective institutional changes**

The Bank is in the process of reviewing, in consultation with the Belgian Ministry of Finance, where further adaptations of its statutes would be appropriate with a view to Stage Three of EMU. A draft law aiming at facilitating the establishment and realisation of collateral provided to the Bank in the framework of credit operations is in the process of being adopted in order to comply with Article 18.1 of the Statute, which states that the ECB and the NCBs may conduct credit operations with credit institutions and other market participants with lending being based on adequate collateral. The draft was submitted for consultation to the EMI under Article 109f (6) of the Treaty and Article 5.3 of the Statute and the EMI delivered its opinion (CON/95/12) on 30th August 1995.

## **DANMARKS NATIONALBANK**

### **1. Legal basis**

The statute of Danmarks Nationalbank is contained in the National Bank of Denmark Act (Act No. 116) of 7th April 1936. The Bank is a self-governing institution, its profits after allocations falling to the State.

### **2. Organisational structure**

The governing bodies of the Bank are the Board of Governors, the Board of Directors and the Committee of Directors.

The Board of Governors consists of three members. The Chairman is appointed by the Crown. The other Governors are appointed by the Board of Directors. There is no fixed term of office. In practice, appointments are for life, with a retirement age of seventy. The Board of Governors has full and sole responsibility for monetary policy. Governors are prevented from active involvement in the management of trading organisations and companies and may not carry on or take part in private trading activities.

The Board of Directors consists of twenty-five members, of which two are appointed by the Royal Bank Commissioner, i.e. the Minister of Economic Affairs. Eight members are appointed by Parliament from among its members, while the remaining fifteen are appointed by the Board of Directors, to ensure a broad representation of business and other sectors. The term of office is five years with the possibility of re-election. The Board is competent in administrative and organisational fields.

There is also a Committee of Directors which consists of the two members of the Board of Directors appointed by the Royal Bank Commissioner together with five members elected by the Board of Directors from among its members. The term of office is one year with a possibility of re-election. The Committee of Directors has - as the Board of Directors - administrative and organisational competence.

In his/her capacity as Royal Bank Commissioner, the Minister of Economic Affairs supervises the Bank in fulfilling its obligations under the National Bank of Denmark Act, and under the ordinances and provisions made pursuant to the Act. The Royal Bank Commissioner may participate in the meetings of the Committee of Directors, although to date never has. For certain decisions at least one of the two Committee's members appointed by the Royal Bank Commissioner has to be present in order to meet the quorum. The Royal Bank Commissioner presides - but has no voting right - at the meetings of the Board of Directors.

The Chairman of the Board of Governors may be dismissed by the Crown, the two other members by the Board of Directors. In the latter case, a majority of two-thirds of the members of the Board of Directors is required. For the members of the Board of Directors and the Committee of Directors there are no rules relating to dismissal.

### **3. Objectives and tasks**

The National Bank of Denmark Act states that the Bank shall have the objective of maintaining a safe and secure currency system and to facilitate and regulate payment flows and the extension of credit.

Authority for monetary policy rests with the Board of Governors, including setting interest rates and deciding on other monetary policy instruments. This includes the tasks of fixing the discount rate and rates on advances, folio account and current account, the issuing of bank promissory notes and the purchase and sale of securities. The Board of Governors has full freedom in formulating and implementing monetary policy.

The Bank also manages official reserves and serves as fiscal agent for the central government.

### **4. Relations with political bodies**

With regard to relations with Parliament, eight out of the twenty-five of the members of the Board of Directors are appointed by Parliament from among its members. There are no reporting requirements to Parliament.

Regarding relations with Government, the Minister of Economic Affairs in his/her capacity of Royal Bank Commissioner supervises the Bank in fulfilling its obligations under the National Bank of Denmark Act, and under the ordinances and provisions made pursuant to the Act. The Royal Bank Commissioner and the Minister of Finance are entitled to participate in deliberations on changes in the official discount rate, but without voting rights.

The Bank is statutorily obliged to publish its annual accounts, once these have been approved by the Board of Directors and the Royal Bank Commissioner, together with an Annual Report.

### **5. Prospective institutional changes**

No changes have been made to date and no prospective legislative changes have been notified to the EMI.

## **DEUTSCHE BUNDESBANK**

### **1. Legal basis**

The legal basis for the establishment of the Deutsche Bundesbank is contained in the Bundesbank Act of 26th July 1957 as amended. Further provisions can be found in the Bundesbank Statute of 27th November 1958, which is based on Section 34 of the Bundesbank Act. The Bank is a Federal corporation under public law. Its capital is held by the Federal Government.

### **2. Organisational structure**

The decision-making bodies of the Bank are the Central Bank Council, the Directorate and the Managing Boards of the Land Central Banks.

The Central Bank Council consists of the President and the Deputy President of the Bundesbank, the other members of the Directorate and the Presidents of the Land Central Banks.

The Directorate comprises the President, the Deputy President and up to six further members. All members of the Directorate are appointed by the President of the Federal Republic on a proposal of the Federal Government, after consultation with the Central Bank Council.

The Managing Boards of the nine Land Central Banks consist of the President, the Vice-President and in some cases one further member. The Presidents of the Land Central Banks are appointed by the President of the Federal Republic on a proposal of the Bundesrat (the Upper Chamber of Parliament), following the submission of a proposal from the authority designated under the laws of the Land or Länder concerned and after consultation with the Central Bank Council.

Members of the governing bodies are appointed for a period of eight years. In exceptional cases, however, appointments may be for a shorter period, but with a two-year minimum. Generally, appointments are renewable. The members of the governing bodies can be dismissed by the President of the Federal Republic. The grounds for such dismissal are defined in the individual contracts with the Bank. Dismissal would, moreover, have to follow general principles of German civil service law, under which the grounds for dismissal must be well founded (e.g. inability to fulfil the duties).

### **3. Objectives and tasks**

The Bundesbank Act defines the main function of the Bank as the safeguarding of the currency and the execution of domestic and external payments. Without prejudice to the performance of its functions, the Bank is required to support the general economic policy of the Federal Cabinet.

Monetary and credit policy is determined by the Central Bank Council on its own authority, based on the instruments of monetary policy determined by the Bundesbank

Act. In exercising the powers conferred on the Bank by the Bundesbank Act, the Bank is independent of instructions of the Federal Government. The monetary powers conferred upon the Bank are the issuing and recalling of banknotes, discount, credit, open market and minimum reserve policies and the right to order and collect statistics from credit institutions. Within this statutory framework the Bank may employ, develop and refine the monetary policy instruments at its discretion.

#### **4. Relations with political bodies**

There are no institutional statutory relations between Parliament and the Bank.

Regarding relations with the Government, the members of the Federal Cabinet are entitled to attend the meetings of the Central Bank Council. They have no right to vote, but may propose motions. At the request of a member of the Federal Cabinet, a decision of the Central Bank Council can be deferred for up to two weeks. This right has not been used to date. In addition, the Government is involved in the appointment procedure as described above.

Finally, the Bank publishes Monthly and Annual Reports. Its annual accounts are verified by auditors and by the Federal Audit Office.

#### **5. Prospective institutional changes**

No changes have been made to date and no prospective legislative changes have been notified to the EMI.



## **BANK OF GREECE**

### **1. Legal basis**

The formation, powers and functions of the Bank of Greece are contained in the Statute of the Bank of Greece of 1928 as amended. The Bank is established as a corporation ("société anonyme"). The Greek State and State undertakings are limited to holding, directly or indirectly, shares which in aggregate amount to no more than one-tenth of the issued share capital of the Bank. Otherwise limits are not placed on who may become a shareholder.

### **2. Organisational structure**

The governing body of the Bank is the General Council. The General Council is entrusted with the general operational, administrative and financial affairs of the Bank. On issues relating to monetary and exchange rate policies, authority rests with the Governor, who consults an internal committee on monetary and credit affairs.

The General Council is accountable to the General Meeting of shareholders. The General Meeting has certain specific powers reserved to it. In particular, the General Meeting has the power, inter alia, to approve the Annual Report and the accounts of the Bank, to appoint members of the General Council and to propose amendments to the Statute, which, subsequently, must be ratified by Parliament as a Law. Every person registered as holding twenty-five or more shares in the share capital of the Bank is entitled to attend and vote at a General Meeting.

The General Council consists of the Governor, the Deputy Governors and nine non-executive Councillors. The Governor and the Deputy Governors are appointed by the President of the Republic of Greece, following a proposal of the General Council, for renewable four-year terms. The nine Councillors are elected by the General Meeting for renewable three-year terms.

The Governor and Deputy Governors are required to devote exclusive service to the Bank except in cases where they are on the Board of Directors of Legal Entities of Public Law, of State Undertakings, or of State Advisory Bodies. No such requirement for exclusive service applies to the non-executive Councillors.

The Governor, or in his absence, a Deputy Governor, presides over the General Council, legally represents the Bank and, on behalf of the Council, decides upon matters which are not specifically reserved to the General Council or the General Meeting.

A non-voting Government Commissioner may be nominated by the Minister of Finance. He attends the General Meeting and the meetings of the General Council and can veto decisions if he considers them to be contrary to the Statute or any other Laws of the State. However, the final arbiter of any such veto challenge initiated by the Government Commissioner is a Commission of three persons appointed to rule on such matters. One member of this Commission is chosen by the Government, one by the Bank and the third is agreed upon between the Government and the Bank or, failing such agreement, by the President of the Supreme Court.

### **3. Objectives and tasks**

The statutory objective of the Bank is to control the currency in circulation and credit. This is considered to imply that monetary stability is the ultimate objective of the Bank.

The main tasks are the implementation of monetary and exchange rate policies.

The Bank formulates monetary policy in accordance with the Government's macro-economic objectives, particularly those relating to inflation, output and exchange rate policy. Interest rates applying to government paper are, however, set by the Government, albeit in consultation with the Bank.

Exchange rate policy is formulated by the Government in consultation with the Bank, which is responsible for its implementation.

The Bank has the exclusive right to issue banknotes. It also manages official reserves. In addition, the Bank is the banking supervisory authority and plays a key role in the country's payment system.

### **4. Relations with political bodies**

In addition to the Government Commissioner (mentioned under Organisational structure above) there is a competent parliamentary committee which expresses an opinion regarding the suitability of candidates for appointment as Governor. Accountability is ensured by the publication of the Bank's Annual Report and certain financial statements.

### **5. Prospective institutional changes**

The Bank has proposed to Government various further legislative changes concerning its objectives, independence, organisational structure, and monetary functions and operations. The proposed legislation aims at increasing the degree of independence of the Bank.

## **BANCO DE ESPAÑA**

### **1. Legal basis**

The statute of the Banco de España is contained in Law 13/1994 dated 1st June 1994 on "Autonomy of the Banco de España". This Law was enacted with the purpose of adapting the statute of the Bank to the provisions of the Treaty on European Union. The Bank is statutorily defined as a "public law entity with separate legal personality and full legal capacity". The capital of the Bank belongs to the State.

### **2. Organisational structure**

The governing bodies comprise the Governor, the Deputy Governor, the Governing Council and the Executive Commission.

The Governor is appointed by the Crown following a proposal by the President of the Government. The term of office is for a non-renewable period of six years. The Governor manages the Bank and presides over the Governing Council and the Executive Commission.

The Deputy Governor is appointed by the Government following a proposal by the Governor. The term of office is for a non-renewable period of six years. The Deputy Governor is assigned powers under internal Bank rules which are delegated to him by the Governor.

The Governing Council is composed of the Governor, the Deputy Governor, six elected Council members, the Director-General of the Treasury and Financial Policy and the Vice-President of the National Securities and Exchange Commission. The six elected Council members are appointed by the Government following a proposal by the Economy and Finance Minister, after consultation with the Governor. Elected Council members serve a four-year term and may be reappointed once. The main functions of the Governing Council are to approve general guidelines for action by the Bank to fulfil its assigned functions and to supervise the implementation of monetary policy by the Executive Commission. Two members of the Governing Council, the Director-General of the Treasury and the Vice-President of the Exchange Commission, have no voting rights when monetary policy matters are under discussion.

The Executive Commission is made up of the Governor, the Deputy Governor and two elected Council members. The Directors General of the Bank attend the meetings in a participatory but non-voting capacity. The Executive Commission is in particular responsible for implementing monetary policy subject to the guidelines of the Governing Council.

The two elected members of the Executive Commission are appointed by the Governing Council from the Council's elected members, on a proposal by the Governor.

Members of the Governing Council are subject to a strict regime of professional exclusivity.

### **3. Objectives and tasks**

The primary objective of the Bank, as stated in the Law 13/1994, is achieving price stability. Furthermore, without prejudice to the objective of price stability, monetary policy shall support the general economic policy of the Government.

The Bank's main tasks are to define and implement monetary policy; hold and manage reserves; implement exchange rate policy; promote the smooth operation and the stability of the financial system and, in particular, of the payment system; issue banknotes and bring coins into circulation; act as fiscal agent for the Government and supervise credit institutions. The Bank may require credit institutions to immobilise funds by setting a reserve requirement. However, the use of monetary policy instruments imposing obligations on entities other than credit institutions requires clearance by the Government.

The Banco de España is fully independent in the formulation and implementation of monetary policy. Article 1 of the Law states that "the Bank shall pursue its activities and fulfil its objectives with autonomy from the administration". Furthermore, Article 10 establishes that "neither the Government nor any other public authority may give instructions to the Bank regarding either the objectives or the implementation of monetary policy".

As regards the formulation of exchange rate policy, Article 11 provides that "following consultation with the Banco de España, the Government shall adopt the exchange rate system and the parity for the peseta against other currencies, which must be compatible with the objective of price stability". It is also statutorily provided that the Bank shall be responsible for implementing exchange rate policy and, to that end, the Bank may conduct the operations it deems suitable.

### **4. Relations with political bodies**

The Bank is obliged to report to both Parliament and Government about the objectives and implementation of monetary policy. It is explicitly provided that neither of these constitutional organs may give instructions to the Bank on monetary policy. The Bank is moreover under the obligation to publish every year the objectives of monetary policy for the year and the implementation methods to reach such objectives.

The Governor may be required to attend the meetings of the Fiscal and Financial Council, an economic policy co-ordination body where all regional autonomous governments and the State are represented, and report on monetary policy, financial markets and the banking system.

The budget of the Bank is submitted to Parliament for approval. It is not consolidated with the General State Budget nor it is subject to Government approval. The yearly balance sheet and profit and loss accounts are submitted to Government for approval, and are subject to audit by the Court of Auditors.

**5. Prospective institutional changes.**

No further institutional changes are planned. The Bank is preparing its new internal Rules of Procedure.

## **BANQUE DE FRANCE**

### **1. Legal basis**

The statute of the Banque de France is contained in Law 93-980 of 4th August 1993 "Relative au statut de la Banque de France et à l'activité et au contrôle des établissements de crédit" as amended. It is an institution whose capital is fully owned by the State.

### **2. Organisational structure**

The Bank is directed by the Governor. Monetary policy functions are vested in the Monetary Policy Council. A General Council administers the Bank and decides in any matter beyond the competence of the Monetary Policy Council.

The Governor and the two Vice Governors are appointed for a renewable term of six years by the Government and cannot be dismissed before the expiry of their term except for reasons of incapacity or serious misconduct. The Governor chairs the Bank's decision-making bodies.

The Monetary Policy Council includes the Governor, two Vice-Governors and six other members appointed by Government. The six other members have a non-renewable term of nine years. Members of the Monetary Policy Council cannot be dismissed before the expiry of their term except for reasons of incapacity or serious misconduct and they are subject to a strict regime of professional exclusivity. The Monetary Policy Council is responsible for formulating and implementing monetary policy. It can neither seek nor accept instructions from the Government or any other person in the performance of its duties.

The Bank's activities other than monetary policy are governed by the General Council. The General Council includes the members of the Monetary Policy Council plus one member elected by the employees of the Bank. A censor or his alternate, appointed by the Minister of Economic Affairs and Finance, attends General Council meetings. He may submit proposals for the approval of the Council and oppose any decision taken by it.

### **3. Objectives and tasks**

The Bank has the objective of formulating and implementing monetary policy with the aim of ensuring price stability. Its main tasks are the conduct of monetary and exchange rate policy; management of official reserves; European and international monetary co-operation; and safeguarding the smooth functioning of the payment systems. Other tasks are conferred on the Bank under specific legislative provisions, which include balance-of-payments statistics; prudential supervision is entrusted to a Banking Commission chaired by the Governor of the Bank and to which administrative support is given by the Bank.

The Bank conducts monetary policy in the context of the exchange rate regime which is determined by the Government.

The Bank can use a wide range of monetary policy instruments, including the establishment of minimum reserves.

#### **4. Relations with political bodies**

The Governor must present an annual report, which includes a description of monetary policy operations and perspectives, to the President of the Republic and to Parliament. The Governor may ask to be heard by the Finance Committees of the two Chambers of Parliament, and he may also be asked by these Committees to appear. Financial accounts are submitted yearly to the Finance Committees of the two Chambers of Parliament.

The Prime Minister and the Minister for Economy and Finance (or a representative) may attend meetings of the Monetary Policy Council. They may present proposals but have no voting rights.

#### **5. Prospective institutional changes.**

No further institutional changes are currently foreseen.

## **CENTRAL BANK OF IRELAND**

### **1. Legal basis**

The formation, powers and functions of the Central Bank of Ireland are set out in the Central Bank Acts, 1942-1989. The Bank is an institution established by statute whose capital is wholly owned by the State.

### **2. Organisational structure**

The Bank is governed by the Board of Directors, which consists of the Governor and up to nine non-executive Directors.

The Governor is appointed by the President of the Republic of Ireland on the advice of the Government and the appointment is for a renewable term of seven years. He/she may be removed from office, by the President, on the advice of the Government because of incapacity due to ill-health, or following a unanimous vote of the Board requesting the President to remove the Governor from office for cause stated.

Members of the Board of Directors other than the Governor and "service directors" are appointed by the Minister for Finance for a term of five years. Up to a maximum of two Directors can be appointed from among civil servants by the Minister for Finance, one of whom is usually the Secretary of the Department of Finance; such service directors have full voting powers and their terms of office are at the discretion of the Minister for Finance.

Whilst the responsibility for policy formulation and implementation rests with the Board of Directors, the latter has, in practice, delegated the day-to-day exercise and performance of this function to the Governor.

### **3. Objectives and tasks**

The primary statutory objective of the Bank is to safeguard the integrity of the currency, which is interpreted as being the maintenance of price stability. The main tasks of the Bank are the formulation and implementation of monetary policy, the implementation of foreign exchange rate policy, the holding and managing of the official external reserves, managing the financial markets and overseeing the payments system, issuing currency, and acting as fiscal agent for the Government and as registrar of Government securities. The Bank is responsible for licensing and supervising credit institutions. Its supervisory responsibilities also cover a range of securities-related activities, including the Stock Exchange, financial futures and options exchanges, money brokers, collective investment schemes and certain investment intermediaries .

The Bank has full autonomy to formulate and implement monetary policy and exercises full discretion in its choice and use of monetary policy instruments. The Minister for Finance can require the Governor, on behalf of the Board, or the Board itself, to consult and advise with him in relation to the execution and performance by the Bank of its objectives and its tasks in relation to monetary policy. This power has never been used.



While the determination of exchange rate policy is ultimately a matter for Government, the Minister for Finance is obliged, by statute, to consult the Bank before making any alteration in the general exchange rate arrangements or any specific exchange rate adjustments.

#### **4. Relations with political bodies**

The Bank is required to prepare an Annual Report and send it to the Minister for Finance, who, in turn, has the duty to present it to both Houses of the Oireachtas (Parliament). Similarly, the Bank's annual Statement of Accounts is submitted to the Comptroller and Auditor General; he, in turn, after audit and certification, is obliged to send it to the Minister for Finance, who presents it to Members of the Houses of the Oireachtas. The Bank's freedom to publish reports on money and credit issues and on the economic situation, outlook and policies provides a vehicle for communicating its views to the wider public. The Annual Report on its activities and the annual Statement of Accounts are published by the Bank. The Governor has appeared, on a voluntary basis, before a Select Committee of the Dáil (House of Representatives), pending the enactment of legislation which would mandate such additional parliamentary accountability.

#### **5. Prospective institutional changes**

The Central Bank and the Department of Finance are continuing to give consideration to which Treaty provisions might require amendments to national legislation.

## **BANCA D'ITALIA**

### **1. Legal basis**

The statute of the Banca d'Italia is contained in a Royal Decree No. 1067 of 11th June 1936 as amended. Other important legislative provisions are the 1910 codified law on the Banks of Issue (Royal Decree No 204 of 28th April 1910, as amended) and Title III of the 1936 Banking Law (Royal Decree Law No 375 of 12th March 1936, as amended) The Bank is an institution ("istituto di diritto pubblico") whose capital can only be owned by certain specific categories of credit institutions, social security institutions and insurance institutions. The Bank's structure reflects its original status of joint stock company.

### **2. Organisational structure**

The Bank is directed by the Governor, assisted by the General Manager and two Deputy General Managers, and administered by the Board of Directors and by the Committee of the Board of Directors. The financial supervision is exercised by the Board of Auditors. A government inspector must take part in the meetings of the General Assembly and those of the Board of Directors whose administrative functions are specified below.

The Governor is appointed by the Board of Directors acting by a qualified majority for an unlimited period of time; the appointment must then be approved by decree of the President of the Republic on a proposal of the President of the Council of Ministers in agreement with the Minister of the Treasury, the Council of Ministers having been heard. The Governor can be dismissed by the Board of Directors with the same procedure and majority. The Governor presents monetary policies objectives to be included in the Government's annual policy planning. The Governor is in charge of the conduct of monetary policy.

The General Manager is responsible for the ordinary administration of the Bank and for implementing the resolutions of the Board; in the performance of these tasks he is assisted by the two Deputy General Managers. The General Manager and the two Deputy General Managers assist the Governor and act in his place when he is absent or prevented from performing his functions. They are appointed for an unlimited period of time and dismissed by the Board following the same procedure as in the case of the Governor.

The Board of Directors is composed of the Governor and thirteen independent members elected one for each of the main branches of the Bank; they can neither be members of the Chambers, nor hold a political office, nor be administrators, agents, auditors, managers or employees of credit institutions. The members of the Board are elected for a renewable term of three years. No specific provision regarding their dismissal from office is included in the Bank's statute. The task of the Board is to administer the Bank; the Board has no powers with respect to monetary policy measures. The General Manager and the two Deputy General Managers also attend the meetings of the Board of Directors.

The Committee of the Board of Directors is composed of the Governor and four members of the Board, elected for a term of one year renewable by the Board itself. It assists the Board in the administration of the Bank.

The Board of Auditors includes five auditors and two substitutes, nominated by the General Assembly for a renewable term of three years. Besides controlling the administration of the Bank as to the compatibility with laws, regulations and the Statute, it votes on the budget as proposed by the Board of Directors and expresses its opinion on the distribution of the annual dividend.

### **3. Objectives and tasks**

The Italian Constitution states that the Republic has a duty to protect savings, which implies that the Bank should push the goal of monetary stability. In the light of this, no explicit reference to the objective of price stability has been made in the statutory provisions concerning the Banca d'Italia.

The main tasks are the issue of banknotes (in agreement with the Government, as far as their production is concerned); conduct of monetary policy; fixing of discount rates and of obligatory reserves; supervision of banks and other financial institutions; fiscal agent for the Government; and management of official reserves jointly with the Italian foreign exchange office.

### **4. Relations with political bodies**

The Governor may be invited to appear before parliamentary commissions and to give an account of the conduct of monetary policy. Concerning relations with the Government, each year, within the framework of the adoption of the economic and financial programme, the Governor presents the objectives of monetary policy to be incorporated in the annual economic plan to the Government. Monetary policy actions are taken by the Bank in full autonomy. The Governor may be invited to meetings of the inter-ministerial committee for economic planning (CIPE).

The Treasury has supervisory powers over the issue of banknotes, the administration and the accounting of the Bank. The Minister of the Treasury has the power to suspend and annul only the deliberations of the General Assembly and of the Board which are contrary to laws, regulations or the Statute.

An annual report and other documents are published on a regular basis.

### **5. Prospective institutional changes**

No prospective legislative changes have been notified to the EMI.

## **INSTITUT MONÉTAIRE LUXEMBOURGEOIS**

### **1. Legal basis**

The statute of the Institut Monétaire Luxembourgeois is contained in the Law of 25th May 1983 establishing the Institut Monétaire Luxembourgeois as amended. The Institut is a legal entity organised under public law whose capital is wholly owned by the State.

### **2. Organisational structure**

The governing bodies of the Institut are the Management and the Council.

The Management is a collegiate body, comprising the Director General and two Directors. They are appointed by the Grand-Duke on a proposal from the Council of Ministers for a renewable six-year term. The Management is the executive organ of the Institut, responsible for the fulfilment of the Institut's objectives. If there is a fundamental disagreement between the Government and the Management on the Institut's policy and the execution of its tasks, the Government with the consent of the Council of the Institut may propose to the Grand-Duke the collective, and only the collective, dismissal of the Management. Without prejudice to this provision, members of the Management are not subject to instructions from political authorities.

The Council has seven members appointed by the Council of Ministers for renewable four-year terms. The Council provides guidelines and gives opinions on specified activities of the Institut, approves the annual accounts and the yearly budget of the Institut, but has no competence in the field of prudential supervision. The members of the Council are not subject to instructions from political authorities.

### **3. Objectives and tasks**

Luxembourg is linked to Belgium in an economic union comprising a monetary association dating back to 1922. The Institut, created in 1983, does not at this stage have all the attributes of a fully-fledged central bank, as the National Bank of Belgium currently fulfils a series of tasks for both Member States of the association.

The tasks of the Institut are to issue banknotes and coins; to promote the stability of the currency and, to that effect, to oversee the proper functioning of financial markets; to execute obligations and to exercise rights resulting from international agreements in the monetary and financial field; and to exercise the prudential supervision of the financial sector.

The "last word" in monetary and exchange rate policy decisions belongs to the Government, and the Institut only avails itself of a limited number of monetary policy instruments. Although the Institut has the authority to regulate the use of the banking system's franc-denominated liabilities, it has never used this facility.

#### **4. Relations with political bodies**

The Management of the Institut has a statutory obligation to submit an annual report, financial accounts and a budget for the approval of the Government. These documents are forwarded to Parliament. The Government-appointed auditor of the Institut also draws up an annual report which is transmitted to the Council of the Institut, the Government and Parliament. In addition, the Director General of the Institut traditionally meets for a twice-yearly exchange of views with the Parliamentary Committee for Budgetary and Financial Matters.

#### **5. Prospective institutional changes**

The passage to the final stage of EMU will entail the dissolution of the monetary association with Belgium, with the Institut Monétaire Luxembourgeois taking over the full functions of the central bank of Luxembourg. A draft Law on the Institut Monétaire Luxembourgeois and the Monetary Status of the Grand Duchy of Luxembourg was submitted to Parliament in December 1993, the enactment of which is still pending. The draft states in its "Exposé des Motifs" its purpose of implementing all Treaty provisions concerning Stage Two and also of introducing some features of NCBs which are to be put in place before Stage Three. In accordance with the draft law, the principal objective of the Institut Monétaire Luxembourgeois will be to ensure price stability, while supporting the economic policy of the Luxembourg Government. A clear definition of the basic tasks of the Institut Monétaire Luxembourgeois is also given. These include the definition and implementation of monetary policy. The Institut Monétaire Luxembourgeois is to conduct its affairs in accordance with the principle of a market economy. However, the monetary association between Belgium and Luxembourg will remain unchanged during Stage Two. The draft declares that additional legislation will be required in due time for Stage Three. The draft law was submitted to the EMI for consultation on 18th February 1994 and the EMI delivered its opinion on 12th March 1994. As the adoption of the draft is taking more time than originally envisaged, the Luxembourg legislative authorities have now decided to implement the prohibition of public financing separately in the Budget Law for 1996 in order to comply with Article 104 of the Treaty rather than wait for the adoption of the above law which includes this prohibition as well. A draft of a law to that effect was submitted to the EMI for consultation under Article 109f (6) and Article 5.3 of its Statute on 6th September 1995 and the EMI delivered its opinion (CON/95/14) on 5th October 1995.

## **NEDERLANDSCHE BANK**

### **1. Legal basis**

The statute of De Nederlandsche Bank is contained in the Bank Act 1948 and its Articles of Association as amended. The Bank is a limited liability company ("société anonyme") organised under private law and is therefore also subject to general rules of company law, as far as such responsibility has not been explicitly excluded or would be incompatible with the Bank's special status, whilst at the same time certain laws for public entities are also applicable to the Bank, which reflects the public nature of its main activities. The State is the only shareholder.

### **2. Organisational structure**

The Governing Board and the Supervisory Board are the governing bodies of the Bank and the Bank Council is an advisory body.

The Governing Board consists of the President, the Secretary, as well as no less than two (the present number) and no more than five Executive Directors. They are nominated by a joint meeting of the Governing Board and the Supervisory Board, which presents nominations for appointments to the Crown. The latter takes a decision after the Cabinet has discussed the matter. All appointments are for a renewable seven-year term. Non-compliance with directions from the Minister of Finance (see paragraph 3 below) is a ground for dismissal with no other grounds being explicitly mentioned in the statute of the Bank. All policy decisions of the Bank are made by the Governing Board, which is also fully responsible for the management of the Bank.

The Supervisory Board consists of twelve members, appointed by the Minister of Finance for a renewable term of four years. It supervises the Bank's business affairs and adopts the annual balance sheet and profit and loss account. A Royal Commissioner supervises the affairs of the Bank on behalf of the Government. The Royal Commissioner has the right to attend all meetings of the Bank's shareholders (i.e. the State), the Supervisory Board and all joint meetings of the Governing Board and the Supervisory Board (but not of the Governing Board itself) in an advisory capacity.

The Bank Council consists of sixteen members and the Royal Commissioner. Its role is to offer advice to the Bank and the Minister of Finance on matters of the Bank's policy. Four members are appointed by and from the members of the Supervisory Board. The other twelve are appointed by the Crown, and include financial experts and representatives of industry and labour.

### **3. Objectives and tasks**

The statutory objective of the Bank is to safeguard the value of the currency. Price stability is thus clearly a policy objective.

The Bank's main tasks are to issue banknotes; to facilitate domestic and external money transfers; to manage official reserves; and to supervise banks and other financial

institutions. The Bank was entrusted with the supervision of exchange offices by an Act of 15th December 1994. A draft of this Act was submitted to the EMI for consultation under Article 109f (6) of the Treaty and Article 5.3 of the EMI's Statute on 16th February 1994 and the EMI delivered its opinion (CON/94/2) on 16th March 1994.

The Bank has full freedom regarding the formulation and implementation of domestic monetary policy. As the Minister of Finance is responsible to Parliament for the conduct of monetary policy, regular consultation between the Bank and the Minister takes place.

In the event of major conflict, the Minister of Finance has the authority to give such directions to the Governing Board as he deems necessary for the Bank's policy to be properly co-ordinated with the Government's monetary and financial policies. The Governing Board, however, can state its objections to these directions and appeal to the Crown. The Crown's decision can only be taken by the Council of Ministers meeting in plenary session. If it is decided that the Governing Board has to comply with the directions, the reasoned decision of the Crown, as well as the Bank's objections, are published in the official gazette. However, until now the Minister of Finance has never exercised his statutory right to give directions; this was intended by the legislator, and has continued to be considered by policy-makers, as an ultimate remedy only. In practice, therefore, the Bank has a high degree of independence and has complete freedom to enact measures of monetary control such as cash reserves, provided that the banking system has been consulted.

Participation in exchange rate arrangements as well as the acceptance of changes in central rates is determined by the Government, after consultation with the Bank. Within the constraints imposed by the EMS arrangement and with due respect to the bilateral agreement between the Netherlands and Germany on the fluctuation margins between the guilder and the Deutsch Mark, the Bank has full freedom in the formulation of the strategy with respect to exchange rate policy and in the use of instruments (interest rates, intervention, the fluctuation margin).

#### **4. Relations with political bodies**

There are no institutional statutory relations between the Bank and Parliament. The Minister of Finance is accountable to Parliament for the conduct of monetary policy. As required by the Bank Act, the Governing Board publishes a weekly summary balance sheet of the Bank. Furthermore, the Bank publishes an Annual Report (including the annual accounts) on its activities.

## **5. Prospective institutional changes**

In order to comply with the requirements of Article 108 of the Treaty establishing the European Community, the Bank has commenced preparatory discussions with the Netherlands Ministry of Finance with the aim of modernising the Bank Act 1948 and bringing it into line with the requirements for Stage Three of EMU, at the latest before the establishment of the ESCB.



## **OESTERREICHISCHE NATIONALBANK**

### **1. Legal basis**

The statute of the Oesterreichische Nationalbank is contained in the National Bank Act 1984 of 20th January 1984 as amended. The Bank is a joint stock company with special status. Among the shareholders half of the capital is subscribed by the Federal Republic.

### **2. Organisational structure**

As a consequence of the Bank's legal form of a joint stock company with special status, the governing bodies of the central bank include the General Meeting of shareholders, the General Council and the Board of Executive Directors.

The General Meeting discharges the General Council and the Board of Executive Directors from responsibility for its administration during the preceding year, approves the annual statement of account, decides on the allocation of profits and elects six members of the General Council and four auditors. Only Austrian citizens or legal persons and enterprises having their seat in Austria may be shareholders. Half of the capital was subscribed initially (and is still held) by the Federal Republic, which then also decided what persons and enterprises were to be permitted to subscribe the remaining capital of the Bank.

The General Council decides the general guidelines of monetary and credit policy, is charged with the supreme direction and supervision of the conduct of all the Banks business and gives its opinion on draft legislation. It consists of the President, two Vice Presidents and eleven other members, the latter performing this duty as an honorary office. The President is appointed by the President of the Republic on nomination by the Federal Government. The Vice Presidents, as well as the five other members not elected by the General Meeting (see above), are appointed by the Federal Government. The term of office in all cases is a five-year period which can be renewed.

The Board of Executive Directors is responsible for the overall administration of the Bank and conducts the business of the Bank in accordance with the National Bank Act and the general guidelines set by the General Council. The Board of Executive Directors appoints the staff and represents the Bank both in courts of law and extrajudicially. It is composed of the Chief Executive Director, his deputy and up to four Executive Directors appointed by the General Council for a term of not more than five years.

The President can be dismissed by the President of the Federal Republic if he ceases to meet the requirements set for his appointment or if he is prevented from performing his duties for more than a year.

### **3. Objectives and tasks**

The Bank Act states that the Bank "shall ensure ... that the value of the Austrian currency is maintained with regard both to its domestic purchasing power and to its relationship with stable foreign currencies". With regard to the credit policy of the Bank, due regard has to be given to the country's economic needs. Furthermore, the Bank Act states that "In determining the general lines of monetary and credit policy" to be followed by the Bank in this field," due regard shall be paid to the economic policy of the Federal Government".

The Bank's monetary policy instruments comprise discount and lending transactions, open market operations, minimum reserve requirements, transactions in foreign bills and foreign exchange.

### **4. Relations with political bodies**

The Bank has no reporting requirements to Parliament or other entities. With regard to relations with the Government, according to the Bank Act, the "Federal Minister of Finance shall see to it that the Bank acts in accordance with the law and shall appoint a State Commissioner and a deputy for the purpose of exercising this right of supervision". The State Commissioner is entitled to attend General Meetings and meetings of the General Council in an advisory capacity and to examine the conduct of the Bank's business. Finally he has the right to raise objections against decisions of the General Council if he considers any such decision to be in conflict with existing legislation. Such an objection has suspensive effect and is examined by an Arbitration Tribunal regarding its substance if the objection is not revoked within seven days by the Federal Minister of Finance.

No person who is in the active service of the ~~Federal~~ Republic, or of a Land, or who is a member of the Nationalrat, the Federal Council, a Parliament of a Land, the Federal Government or the Government of a Land may be a member of the General Council. Apart from the participation of the State Commissioner as described above, there is no right foreseen for members of the Government to attend meetings of the decision-making bodies.

Finally, the Bank publishes an annual report and an annual statement of account as well as a weekly return.

### **5. Prospective institutional changes**

No prospective legislative changes have been notified to the EMI.

## **BANCO DE PORTUGAL**

### **1. Legal basis**

The statute of the Banco de Portugal is contained in the Organic Law approved by Decree-Law No. 337/90 of 30th October 1990 amended by Decree-Law 231/95 of 12th September 1995. Article 105 of the Constitution refers to the Banco de Portugal.

### **2. Organisational structure**

The Bank is managed by the Governor and the Board of Directors. It is supervised by the Board of Auditors and assisted by an Advisory Board.

The Governor is appointed for a renewable term of five years by the Government on a proposal by the Ministry of Finance. The Governor may be dismissed at any time by the Government (also on the grounds of "service convenience").

The Board of Directors includes the Governor, one or two Deputy Governors, and three to five members, all appointed by the Government on the proposal by the Ministry of Finance for a renewable term of five years. They may be dismissed from office by the Government. The Board manages the Bank. The Governor has a casting vote and the right to suspend Board decisions and submit them to Government. Directors are subject to a strict regime of professional exclusivity.

The Board of Auditors includes four members, three appointed by the Minister of Finance and one appointed by the Bank's employees, all for three-year renewable terms. The Auditors monitor all the activities of the Bank, and one of its members must attend, without voting or vetoing rights, all meetings of the Board of Directors.

The Advisory Board includes representatives of the financial and economic sector and regions and has advisory functions.

### **3. Objectives and tasks**

The primary objective of the Bank is the maintenance of internal price stability "taking into account the general economic policy of the Government". Its main tasks are to conduct the monetary policy, to co-operate with the Government in the definition of the exchange rate policy and to implement the latter; to hold and manage the official reserves; to act as intermediary in the State's international monetary relations; to regulate, promote and supervise the payment systems; to regulate and implement the regime for monetary, financial and balance-of-payments statistics; and to oversee the stability of the national financial system. In this latter respect the Bank has responsibility for banking supervision.

To implement monetary policy the Bank has full freedom in setting policy instruments. Policy decisions that have to be published to be effective ("Avisos" of the Bank) are signed by the Minister of Finance.

The definition of the central exchange rate of the currency is the responsibility of the Government in co-operation with the Bank. The Bank is responsible for the management of the exchange rate within the fluctuation bands of the ERM.

**4. Relations with public bodies**

The annual budget of the Bank is forwarded to the Finance Minister. The annual accounts are submitted, together with the opinion of the auditors, to the Minister of Finance for approval. The Bank is subject to the obligation to publish its accounts periodically.

**5. Prospective institutional changes.**

There are no further institutional changes notified to the EMI.

## **SUOMEN PANKKI**

### **1. Legal basis**

The statute of the Bank is contained in the Constitution and the Act on the Bank of Finland of 21st December 1925 as amended. The Bank is an institution organised under public law. The part of the Bank's profit, which is not employed to increase the Bank's own funds, may be transferred to the State following a decision of Parliament to that effect.

### **2. Organisational structure**

The governing bodies are the Parliamentary Supervisory Council and the Board.

According to the Constitution, the Bank operates under the guarantee and the care of Parliament and is supervised by the Parliamentary Supervisory Council. The nine members of the Council are appointed for the entire parliamentary term by Parliament from among members of Parliament, although the law does not prevent persons other than members of Parliament being appointed. The Council has a dual role: it is a supervisory authority and also a decision-making body which fixes the rates of interest applied by the Bank and their limits. In practice, these limits have been set sufficiently wide to allow the Board to decide on necessary monetary policy operations.

The Board of Suomen Pankki comprises the Governor, who is the chairman, and a maximum of five members; all are appointed by the President of the Republic on a proposal of the Parliamentary Supervisory Council. The President is not bound to follow the proposal of the Council. The term of office of Board members is indefinite. There are no statutory provisions on dismissal. The Board has general decision-making powers; it decides on all matters which have not been expressly entrusted to the Council.

### **3. Objectives and tasks**

The statutory objectives of the Bank are to maintain a stable and secure monetary system and to assist and facilitate the circulation of money in Finland. Thus, the Act on Suomen Pankki imposes on the Bank the responsibility for pursuing the goal of monetary stability.

Its main tasks include formulating and implementing monetary policy; holding and managing foreign currency reserves; and participating in the overseeing of payment and financial systems. The Bank has the sole right to issue legal tender. The Bank is not fiscal agent for the Government. Other tasks are conferred on the Bank under specific legislative provisions.

The Financial Supervisory Authority functions administratively in connection with the Bank, but in its decision-making it acts independently.

Monetary policy is determined by the Bank independently. The Act does not impose any requirement on the Bank to negotiate monetary policy decisions beforehand with

Government. The Minister of Finance may not attend meetings of the Board nor may he veto any monetary policy decisions taken by the Bank.

The Bank is independent in the use of its monetary policy instruments (open market operations, credit operations, minimum reserves).

The decision-making procedure regarding changes in the external value of the markka is defined in the Currency Act. The principle is that the Government takes decisions on changes in the exchange rate. The Bank is responsible for maintaining the exchange rate within the limits laid down by such a decision. Within that framework, the Bank has full freedom regarding its operations in the foreign exchange market.

Under the Currency Act, the Council of State (Government) confirms the limits on the fluctuation range of the markka, on a proposal from the Bank. The Parliamentary Supervisory Council decides on the making of such proposals on the basis of a proposal from the Board. The Government can then either approve the proposal as it stands or reject it.

If a serious disturbance occurs in the foreign exchange market, the Bank is entitled to temporarily disregard the limits on the fluctuation range. The Government can, at the proposal of the Bank, retain the Bank's said right in force until further notice. The markka has been floating since 1992.

#### **4. Relations with political bodies**

The Parliamentary Supervisory Council supervises the administration and management of the Bank. The Council submits an annual report to the Parliamentary Economic Committee on the position, business and management of the Bank and on important matters dealt with by the Council during the year.

A balance sheet of the Bank is published four times a month. The annual accounts and accounting and administration are audited by five auditors, who are elected by Parliament. The Bank publishes an Annual Report.

#### **5. Prospective institutional changes**

The legislation on the Bank is in the process of being reformed. The Suomen Pankki Committee has prepared a proposal on the reform of the Act on Suomen Pankki. The Government Bill has not yet been submitted to Parliament.

The Committee proposes that the objectives, tasks and powers of the Bank be defined in greater detail in law. According to the proposal, the primary objective of the Bank's activities is to safeguard the value of money. Without prejudice to this objective, the Bank shall also support the attainment of other economic policy objectives and promote the stability of the financial system. The tasks of the Bank shall be to determine and implement the country's monetary policy, to manage and invest the foreign currency reserves, to be responsible for its part for the reliability and efficiency of the payment and financial system and to participate in its development, and to compile the necessary

statistics. Since the Bank bears only partial responsibility in certain of these tasks, the proposal includes a provision on co-operation with other authorities. However, when carrying out its statutory tasks, the Bank may neither seek nor accept instructions concerning its activities.

One aim of the proposed reform is to highlight the division of responsibilities between the Bank's different administrative bodies and ensure that their respective tasks are clearly defined. The Committee found it important to emphasise the status of the Parliamentary Supervisory Council as a supervisory and administrative body whereas the Board of Suomen Pankki is to decide on monetary tasks. This would clarify the division of responsibilities by putting the Board indisputably in charge of monetary policy.

## **SVERIGES RIKSBANK**

### **1. Legal basis**

The statute of the Bank is contained in the Constitution, the Riksdag Act and Sveriges Riksbank Act (1988:1385) as amended. The Bank is an institution organised under public law whose capital is wholly owned by the State.

### **2. Organisational structure**

The Riksbank is administered by a Governing Board with eight members. Seven of these are elected directly by Parliament (the Riksdag) for periods coinciding with the term of the Parliament, which is normally four years. The eighth member is the Governor, who is elected by the other seven for a five-year term. Terms are renewable. There are no statutory provisions on dismissal. The Governing Board is responsible for all decisions of major importance, but, apart from the Governor, Board members take no part in the day-to-day management of the Bank. Members of the Governing Board may not be members of the Cabinet or of the Board of Directors of a credit institution.

The Riksdag can give the Bank instructions through legislation, but the Government cannot in any way instruct the Bank.

### **3. Objectives and tasks**

The Swedish Constitution makes the Riksbank responsible for all matters of exchange rate and monetary policy (see below). There is no statutory objective for monetary policy.

The Constitution also states that the Bank shall promote a safe and efficient payment system. This is reflected in the Riksbank Act, inter alia in rules mandating the Bank to act as lender of last resort to financial institutions which are under the supervision of the Financial Supervisory Authority. The Constitution assigns to the Bank the sole right to issue banknotes and coins.

In addition to the tasks related directly to the constitutional mandate, the Riksbank Act states that the Bank shall receive and make payments for the Government. The Bank is not responsible for bank supervision.

The Bank has full responsibility for the formulation and implementation of monetary policy. The Riksbank Act specifies the available policy instruments, but the use of these instruments is determined exclusively by the Bank. Prior to taking decisions of major importance, the Bank must consult the Minister of Finance, but the Minister has no powers to veto or delay a decision by the Bank. Consequently, the Bank has independence with regard to its goals and the instruments to achieve them.

The rules for exchange rate policy are the same as for monetary policy, i.e. the Bank has authority to decide on all matters of exchange rate policy, including the choice of the exchange rate regime and, under fixed exchange rates, the central parity rate. The Bank holds and manages the foreign exchange reserves.



The Bank can oblige financial institutions which are under the supervision of the Financial Supervisory Authority to provide the Bank with statistics that it considers necessary.

#### **4. Relations with political bodies**

The Bank is responsible to the Riksdag. This means, for example, that the Riksdag annually determines whether the Governing Board shall be discharged from responsibility for its administration during the preceding year. The Bank has a statutory obligation to submit an annual report to Parliament and to the office of the Parliamentary Auditors. The Riksbank's profit and loss account and balance sheet at the end of the financial year are approved by Parliament. The Bank's budget is decided by the Governing Board, giving the Bank budgetary independence.

In addition, the Governor appears before hearings of the Riksdag's Finance Committee three or four times each year. Recently, some of these hearings have been open to the public.

#### **5. Prospective institutional changes**

Legislation in order to comply with requirements of the Treaty with a view to Stage Three of EMU will be proposed during the current legislative period.

## **BANK OF ENGLAND**

### **1. Legal basis**

The Bank of England was originally formed, as a corporation incorporated by Royal Charter, in 1694. As a corporation, the Bank has powers to own property, has issued capital and can sue and be sued in its own name. Subsequently, much of the original Royal Charter was replaced by a further Royal Charter in 1946 together with the Bank of England Act 1946. The 1946 Act had the effect of nationalising the Bank, by transferring its capital to the Treasury.

### **2. Organisational structure**

The governing body of the Bank is the Court of Directors, which is responsible for managing the Bank's affairs and its internal administration. The Court of Directors consists of the Governor, the Deputy Governor and sixteen Directors, up to four of whom may have executive responsibilities within the Bank. The Governor, Deputy Governor and the executive Directors are required to render their exclusive service to the Bank. The non-executive Directors are not placed under any such obligation.

The Governor, Deputy Governor and the Directors are appointed by the Crown on the advice of the Prime Minister. The Governor and the Deputy Governor are appointed for renewable five-year terms, and Directors for renewable four-year terms. A Governor may be dismissed during his/her period of office under certain, specified conditions.

Members of the Court of Directors are not individually subject to instructions from political authorities. However, the Treasury has the legal power to issue 'directions' to the Bank 'in the public interest' after consultation with the Governor, although this power has never formally been invoked.

### **3. Objectives and tasks**

There are no explicit statutory objectives in the monetary policy field. The Banking Act 1987 gives the Bank, in its role as banking supervisor, the objective of protecting the interests of depositors. The Bank's overall objectives, in practice, are to maintain the integrity and the value of the currency, to maintain the stability of the financial system, both domestic and international, and to seek to ensure the effectiveness of the UK's financial services.

The main tasks of the Bank are the formulation of advice on monetary policy, the implementation of monetary policy, the issue of the currency, the management of official reserves, the supervision of banks, and the promotion of sound and efficient payment and settlement systems.

Monetary policy is determined with reference to the Government's target for retail price inflation. Monetary policy is effected through short-term interest rates, the Bank being responsible for advising on the appropriate interest rate level which will be required to achieve the inflation target. The Bank's advice is made known through publication of the

minutes of regular (usually monthly) meetings on monetary policy between the Governor and the Chancellor of the Exchequer, two weeks after the subsequent meeting.

In the light of the advice received from the Governor, the Chancellor takes decisions on any changes to the interest rate. The precise timing of such changes is now delegated to the Bank. Interest rate objectives are pursued through the Bank's daily money market operations.

The Bank acts as fiscal agent for the Government.

Foreign exchange market activities are conducted by the Bank as agent for the Government, which owns the foreign exchange reserves. In carrying out this function, the Bank operates within guidelines that are set by the Treasury.

#### **4. Relations with political bodies**

The Bank makes an Annual Report to Parliament presenting its accounts for the previous year. It also presents a second Annual Report to Parliament describing its conduct of banking supervision. In addition, the Bank publishes a quarterly Inflation Report, which describes progress towards achieving the Government's inflation target and the Bank's views on the future prospects for inflation. The Governor appears frequently before Committees of Parliament. Formally, however, the Chancellor of the Exchequer, or another Treasury Minister, answers for the Bank in Parliament.

As part of the monetary framework, which was adopted after the United Kingdom left the ERM of the EMS, a number of measures have been taken to make the monetary policy process more transparent to the public. As noted above, these include the announcement of a quantitative Government target for inflation, publication of a quarterly Inflation Report by the Bank, and publication of the minutes of the regular meetings on interest rate policy between the Chancellor and the Governor. In addition, the Treasury publishes a monthly compendium of data relevant to monetary policy.

#### **5. Prospective institutional changes**

No changes have been made to date and no prospective legislative changes have been notified to the EMI.