

LECTURE No.1

THE ROMANIAN BANKING SYSTEM

The banking system in Romania after 1989

The issuing of the Law on banking activities (33/1991) and the Law concerning the Statute of the National Bank of Romania (34/1991) represented the beginning of the organization of the banking system in accordance with the market economy principles.

The banking system structures and functions were different during the former system. So, the National Bank, the agent of the State, had the functions of a central bank and of a commercial bank at the same time.

There were three banks that were specialized in different fields of activity: Banca de Investitii which granted credits for the investment projects, Banca pentru Agricultura si Industrie Alimentara which granted credits for the agricultural activities, and Banca Romana de Comert Exterior which was specialized in foreign trade operations.

The single institution to receive the savings of the population was Casa de Economii si Consemnatiuni. During that system, there were no financial markets and no competition between banking institutions, as the Romanian legal tender was not convertible and the interest rate had only a formal role.

The Banking System in Romania

The new banking system started its activity on December 1st, 1990. Its structure has been organized in two tier levels: the National Bank of Romania as the Central Bank of the state on one side, and the commercial banks on the other side.

In accordance with the provisions of its Law, the National Bank of Romania has become a real central bank. It formulates and conducts monetary and credit policy within the framework of the country's economic and financial policies, with the goal of preserving the stability of the national currency.

The former commercial banks have changed themselves and have become real commercial banks for the market economy. In 1990, the former commercial banks have been established as follows: Banca Comerciala Romana SA, Banca Romana de Comert Exterior SA, Banca Agricola SA, Banca Romana pentru Dezvoltare SA and many other new commercial banks have also been established, such as:

- *State capital*: Banc Post SA;
- *Private capital*: Mind Bank SA.

The legal framework of the Romanian banking system includes:

- Law No. 312/2004 on the Statute of the NBR;
- Government Emergency Ordinance No. 99/2006 on credit institutions and the capital adequacy, approved by Law No.227/2007;
- Government Emergency Ordinance No.98/2006 on the supplementary supervision of credit institutions, insurance and/or reinsurance entities investment firms and asset management companies in a financial conglomerate, approved by Law No.152/2007;
- Government Ordinance No. 10/2004 on winding-up of credit institutions, approved, amended and supplemented by Law No.278/2004;
- Ordinance No. 28/2006 governing certain financial and fiscal measures, approved by the Law No.266/2006.

At present, the Romanian banking system includes 40 credit institutions classified in:

- 39 banks (2 with the state majority capital (Casa de Economii și Consemnațiuni SA –CEC- and Banca de Export-Import a României SA -

Eximbank), 3 with Romanian majority capital, 27 with foreign majority capital, 7 branches of foreign credit institutions),

- A central house of credit cooperatives (Creditcoop),

Concerning the specialization on transactions, the situation is as follows:

- 5 credit institutions specialized, as follows: one in financing the importation-exportation transactions (Eximbank SA), two in financing the housing, one in financing the credits for cars (Porche Bank), one in savings for the population (C.E.C),
- 1 credit institution is the central house of the credit cooperatives,
- The other 34 credit institutions carry out commercial banking transactions - corporate and retail.

See the Annex No.1.

On the Romanian market, there are too non-banking institutions such as: mutual funds, financial leasing companies, mortgage credits institutions, factoring companies, etc.

Their activity is carried out under the Government Ordinance No.28/2006.

The National Bank of Romania and its Role in the Banking System

Generally, a **central bank** acts as a state institution in order to establish and co-ordinate the monetary and credit policy of the economy. It has an important role in maintaining the stability of the national currency/legal tender.

The main functions of a central bank may be the following:

Establishing and implementing the monetary and credit policy;

Issuing money;

Monitoring of the foreign exchange rates;

Managing the foreign exchange reserves;

Supervising the financial and banking institutions;

Bankers' bank;

Lender of last resort;
Acting as the state's agent and keeping the evidence of the State's
Treasury account;
Performing analyses of the economic and monetary conditions.

The Romanian transition to the market economy had a strong impact on the organization of The National Bank of Romania, its functions and role as a central bank. The Law No.312/2004 transposed partially the provisions of the European Central Bank's Statute (see attached).

Under its Law, the primary objective of the National Bank of Romania is to ensure and maintain price stability.

The main tasks of the National Bank of Romania are:

- a) to define and implement the monetary policy and the exchange rate policy;
- b) to conduct the authorisation, regulation and prudential supervision of credit institutions and to promote and oversee the smooth operation of the payment systems with a view to ensuring financial stability;
- c) to issue banknotes and coins as legal tender on the territory of Romania;
- d) to set the foreign exchange regime and to supervise its observance;
- e) to manage the official foreign reserves of Romania.

The National Bank of Romania may grant loans to eligible credit institutions, under the terms established by its own regulations. (Overdraft facilities or any other type of credit facility with the National Bank of Romania in favour of the State, national and local public authorities, *régies autonomes*, national corporations, national companies and other majority state-owned companies are prohibited).

The National Bank of Romania sets the regime of minimum required reserves to be held by credit institutions in accounts opened with the National Bank of Romania.

Minimum required reserves for foreign exchange resources are set up in foreign exchange alone.

The interest paid by the National Bank of Romania for minimum required reserves is equal at least the average interest rate applied by credit institutions on demand deposits.

The National Bank of Romania *defines and implements the exchange rate policy*.

In this context, the National Bank of Romania is empowered to:

- a) draw up the balance of payments as well as other documents related to Romania's international investment position;
- b) set the exchange rates for its own foreign exchange market operations, calculate and release the average exchange rates for statistical purposes;
- c) hold and manage the official foreign reserves.

The National Bank of Romania may draw up regulations on monitoring and controlling foreign exchange transactions in Romania and may authorise capital transactions, transactions on foreign exchange markets and other specific operations.

The National Bank of Romania's regulations refer mainly to:

- a) granting and withdrawal of the authorisation as well as supervising the entities authorised to conduct foreign exchange transactions;
- b) setting ceilings and other limits on holdings of and dealings in foreign assets for legal entities and individuals;
- c) setting the ceiling and the terms for external indebtedness of legal entities and individuals that are subject to the foreign exchange regime.

The National Bank of Romania is the sole institution authorised to issue currency in the form of banknotes and coins as legal tender in Romania.

The National Bank of Romania ensures printing of banknotes and minting of coins, and takes measures for safekeeping the cash that is not in circulation as well as for the custody and destruction, where appropriate, of moulds, inks, and banknotes and coins withdrawn from circulation.

The National Bank of Romania distributes the currency issued and manages the cash reserves.

The National Bank of Romania may decide to cancel or withdraw from circulation any banknotes or coins that have been issued and replace them with other types of banknotes and coins.

In accordance with its monetary and exchange rate policies, the National Bank of Romania may grant loans with maturities no longer than 90 days to credit institutions, against collateral consisting of, but not limited to:

- a) government securities from public issues, by their remittance into the National Bank of Romania's portfolio, or
- b) deposits with the National Bank of Romania or with other legal entities agreed by the National Bank of Romania.

The National Bank of Romania opens and runs accounts of credit institutions, State Treasury, clearing houses and other resident or non-resident entities, as provided by the National Bank of Romania's regulations.

The National Bank of Romania shall oversee the payment systems, including the payment instruments, with a view to ensuring the security and the efficiency thereof and avoiding the systemic risk. When carrying out this task, the National Bank of Romania shall set the required measures, implement them and monitor their implementation, regulate, authorise and supervise the payment systems, and may regulate the payment instruments.

The National Bank of Romania has exclusive competence to authorise credit institutions and shall be responsible for the prudential supervision of the credit institutions authorised to operate in Romania according to the provisions of EOG No.99/2006.

In order to ensure the well functioning and viability of the banking system, the National Bank of Romania is empowered to:

- a) issue regulations, take measures for their observance and apply legal sanctions in cases of infringement;
- b) check and verify, based on off-site and on-site supervision reports, the ledgers, accounts and any other documents of the authorised credit institutions that the National Bank of Romania deems necessary.

In compliance with the general regulations on liquidity and foreign assets-related risk, the National Bank of Romania sets and maintains foreign reserves, under appropriate terms allowing the National Bank of Romania to be able to periodically determine their precise level. These reserves are made up cumulatively or selectively of the following elements:

- a) gold holdings with the National Bank of Romania or deposited abroad;
- b) foreign assets, in banknotes and coins, or in accounts opened with banks or other financial institutions abroad, denominated in the currencies and held in the countries selected by the National Bank of Romania;
- c) any other worldwide acknowledged reserve assets, including the right to purchase from the International Monetary Fund within the reserve instalment, as well as the special drawing rights holdings;
- d) bills of exchange, cheques, promissory notes, bonds and other negotiable or non-negotiable securities, issued or secured by non-resident legal entities, classified as low-risk securities by worldwide recognised international rating agencies, denominated and payable in foreign currency in the places agreed by the National Bank of Romania;
- e) Treasury bills, bonds and other government securities, issued or guaranteed by foreign governments or intergovernmental financial institutions, negotiable or non-negotiable, denominated and payable in foreign currency in the places agreed by the National Bank of Romania.

The National Bank of Romania maintains the foreign reserves at a level adequate for Romania's external transactions.

The National Bank of Romania is authorised, under the terms established by it and subject to its periodical amendments, to perform the following transactions:

- a) to purchase, sell, and perform other transactions with gold bullion and coins, and with other precious metals;
- b) to purchase, sell and perform other transactions with foreign currencies;
- c) to purchase, sell and perform other transactions, in the secondary market, with Treasury bills, bonds, and other securities issued or guaranteed by foreign governments or intergovernmental financial institutions;
- d) to purchase, sell and perform other transactions with securities issued or guaranteed by central banks, international financial institutions, banks and non-banks;
- e) to open and hold accounts with other central banks and monetary authorities, banks and international financial institutions;
- f) to open and hold accounts and to perform correspondent-bank transactions for international financial institutions, central banks and monetary authorities, banking and financial institutions, intergovernmental financial institutions from abroad, as well as for foreign governments and their agencies.

Organization of the National Bank of Romania

A Board of Directors heads the National Bank of Romania. The governor exercises the executive management of the National Bank of Romania, together with the prime-vice governor and two vice governors. See the link: www.bnro.ro (Organizarea BNR<Organigrama BNR).

The Board of Directors consists of nine members:

- The Governor of the National Bank of Romania as the president;
- The prime vice Governor as vice president;
- Seven members out of which two are also vice Governors of the National Bank of Romania and five are not employed by the National Bank of Romania.

The Board of Directors of the National Bank of Romania decides, according to the law, on:

- Monetary, foreign exchange, credit and payments policies and monitors their enforcement;
- Measures in the field of licensing and prudential supervision of the banks licensed by it;
- Internal organization, staff salaries and profits, etc.

The members of the Board of Directors are appointed by the Parliament on the recommendation of the permanent specialty commissions of the two Chambers of the Parliament.

LIST
of the banks in Romania on December 31, 2006

	Net asset		Own funds	
	mil. RON	%	mil. RON	%
1. Bănci cu capital majoritar românesc, din				
:	19,710.3	11.4	3,192.1	16.3
1.1 Bănci din sectorul de stat, din care:	9,492.9	5.5	2,121.0	10.8
1.1.1. Bănci cu capital integral de				
Casa de Economii și	7,141.3	4.1	1,222.2	6.2
semnațiuni	7,141.3	4.1	1,222.2	6.2
1.1.2. Bănci cu capital majoritar de				
Banca de Export-Import a				
României - Eximbank S.A.	2,351.6	1.4	898.8	4.6
1.2 Bănci cu capital majoritar privat,				
care:	10,217.4	5.9	1,071.2	5.5
Banca Transilvania	8,085.9	4.7	870.0	4.4
Banca Comercială Carpatica	1,637.3	1.0	152.6	0.8
Libra Bank	494.2	0.2	48.6	0.3
2. Bănci cu capital majoritar străin, din				
:	142,528.1	82.8	15,521.8	79.2
1. Banca Comercială Română	45,180.7	26.2	3,707.7	18.9
2. BRD-Groupe Société Générale	28,026.2	16.3	2,726.6	13.9
3. Raiffeisen Bank Romania	13,738.9	8.0	1,264.2	6.5
4. HVB „Ion Țiriac”	8,817.4	5.1	1,355.0	6.9

5. Bancpost	7,712.1	4.5	906.4	4.6
6. Alpha Bank Romania	7,145.6	4.1	1,033.1	5.3
7. ABN Amro Bank Romania	5,275.5	3.1	427.2	2.2
8. Volksbank Romania	4,664.7	2.7	862.5	4.4
9. Banca Românească Grupul				
onal Bank of Greece	3,562.1	2.1	687.1	3.5
10. UniCredit Romania	2,854.6	1.7	311.3	1.6
11. OTP Bank Romania	2,642.2	1.5	359.8	1.8
12. Citibank Romania	2,411.6	1.4	318.6	1.6
13. Finansbank Romania	2,380.3	1.4	253.7	1.3
14. Piraeus Bank Romania	1,925.8	1.1	249.3	1.3
15. Romexterra Bank	1,220.3	0.7	175.7	0.9
16. SanPaolo IMI Bank România	1,104.7	0.6	206.0	1.1
17. Egnatia Bank Romania	766.1	0.5	107.6	0.6
18. ProCredit Bank	746.5	0.4	78.2	0.4
19. Bank Leumi Romania	575.2	0.3	93.0	0.5
20. Emporiki Bank Romania	375.6	0.2	69.7	0.4
21. Mindbank	346.2	0.2	108.3	0.6
22. Romanian International Bank	306.2	0.2	46.9	0.2
23. Banca C.R. Firenze România	255.4	0.2	52.9	0.3
24. Raiffeisen Banca pentru				
ințe	251.3	0.2	48.1	0.2
25. Porsche Bank Romania	199.5	0.1	43.2	0.2
26. HVB Banca pentru Locuințe	43.4	0.0	29.7	0.2
I. Total bănci	162,238.4	94.2	18,713.9	95.5
II. Sucursale ale băncilor străine, din care:				
	10,058.7	5.8	876.4	4.5
1. ING Bank	7,222.1	4.2	203.2	1.0
2. Banca Italo-Romena	1,302.1	0.8	226.3	1.2
3. Anglo Romanian Bank	580.6	0.3	122.2	0.6
4. Garanti Bank International	543.9	0.3	187.7	1.0

5. Blom Bank Egypt	212.4	0.1	95.9	0.5
6. Banca di Roma	197.6	0.1	41.1	0.2
7. Bank of Cyprus	-	-	-	-
Total sistem bancar (I+II)	172,297.1	100.0	19,590.4	100.0
CREDITCOOP	539.8	-	178.3	-

Source: BNR – Raport anual 2006

Since 1 January 1999 the European Central Bank (ECB) has been responsible for conducting monetary policy for the euro area - the world's largest economy after the United States.

The euro area came into being when responsibility for monetary policy was transferred from the national central banks of 11 EU Member States to the ECB in January 1999. Greece joined in 2001, Slovenia in 2007 and Cyprus and Malta in 2008. The creation of the euro area and of a new supranational institution, the ECB, was a milestone in the long and complex process of European integration.

To join the euro area, the 15 countries had to fulfil the convergence criteria, as will other EU Member States prior to adopting the euro. The criteria set out the economic and legal preconditions for countries to participate successfully in Economic and Monetary Union.

European Central Bank

The legal basis for the single monetary policy is the **Treaty establishing the European Community** and the **Statute of the European System of Central Banks and of the European Central Bank**. The Statute established both the ECB and the European System of Central Banks (ESCB) as from 1 June 1998. The ECB was established as the core of the Eurosystem and the ESCB. The ECB and the national central banks together perform the tasks they have been entrusted with. The ECB has legal personality under public international law.

**PROTOCOL ON THE STATUTE OF THE EUROPEAN SYSTEM OF CENTRAL
BANKS**

AND OF THE EUROPEAN CENTRAL BANK_

THE HIGH CONTRACTING PARTIES, DESIRING to lay down the Statute of the European System of Central Banks and of the European Central Bank provided for in Article 8 of the Treaty establishing the European Community, HAVE AGREED upon the following provisions, which shall be annexed to the Treaty establishing the European Community.

CHAPTER I

CONSTITUTION OF THE ESCB

Article 1

The European System of Central Banks

1.1. The European System of Central Banks (ESCB) and the European Central Bank (ECB) shall be established in accordance with Article 8 of this Treaty; they shall perform their tasks and carry on their activities in accordance with the provisions of this Treaty and of this Statute.

1.2. In accordance with Article 107(1) of this Treaty, the ESCB shall be composed of the ECB and of the central banks of the Member States ('national central banks'). The Institut monétaire luxembourgeois will be the central bank of Luxembourg.

CHAPTER II

OBJECTIVES AND TASKS OF THE ESCB

Article 2

Objectives

In accordance with Article 105(1) of this Treaty, **the primary objective of the ESCB shall be to maintain price stability.** Without prejudice to the objective of price stability, it shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of this Treaty. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 4 of this Treaty.

Article 3

Tasks

3.1. In accordance with Article 105(2) of this Treaty, the basic tasks to be carried out through the ESCB shall be:

- **to define and implement the monetary policy of the Community;**
- **to conduct foreign-exchange operations** consistent with the provisions of Article 111 of this Treaty;
- **to hold and manage the official foreign reserves of the Member States;**
- **to promote the smooth operation of payment systems.**

3.2. In accordance with Article 105(3) of this Treaty, the third indent of Article 3.1 shall be without prejudice to the holding and management by the governments of Member States of foreign-exchange working balances.

_ Protocol annexed to the Treaty establishing the European Community (OJ C 191, 29.7.1992, p. 68), as amended by the Treaty of Amsterdam (OJ C 340, 10.11.1997, p.1), the Treaty of Nice (OJ C 80, 10.3.2001, p. 1), Council Decision 2003/223/EC (OJ L 83, 1.4.2003, p. 66) and the Act concerning the conditions of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded (OJ L 236, 23.9.2003, p. 33) – unofficial consolidated version.

3.3. In accordance with Article 105(5) of this Treaty, the ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

Article 4

Advisory functions

In accordance with Article 105(4) of this Treaty:

(a) the ECB shall be consulted:

- on any proposed Community act in its fields of competence;
- by national authorities regarding any draft legislative provision in its fields of competence, but within the limits and

under the conditions set out by the Council in accordance with the procedure laid down in Article 42;

(b) the ECB may submit opinions to the appropriate Community institutions or bodies or to national authorities on matters in its fields of competence.

Article 5

Collection of statistical information

5.1. In order to undertake the tasks of the ESCB, the ECB, assisted by the national central banks, shall collect the necessary statistical information either from the competent national authorities or directly from economic agents. For these purposes it shall cooperate with the Community institutions or bodies and with the competent authorities of the Member States or third countries and with international organizations.

5.2. The national central banks shall carry out, to the extent possible, the tasks described in Article 5.1.

5.3. The ECB shall contribute to the harmonization, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its fields of competence.

5.4. The Council, in accordance with the procedure laid down in Article 42, shall define the natural and legal persons subject to reporting requirements, the confidentiality regime and the appropriate provisions for enforcement.

Article 6

International cooperation

6.1. In the field of international cooperation involving the tasks entrusted to the ESCB, the ECB shall decide how the ESCB shall be represented.

6.2. The ECB and, subject to its approval, the national central banks may participate in international monetary institutions.

6.3. Articles 6.1 and 6.2 shall be without prejudice to Article 111(4) of this Treaty.

CHAPTER III

ORGANIZATION OF THE ESCB

Article 7

Independence

In accordance with Article 108 of this Treaty, when exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and this Statute, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.

Article 8

General principle

The ESCB shall be governed by the decision-making bodies of the ECB.

Article 9

The European Central Bank

9.1. The ECB which, in accordance with Article 107(2) of this Treaty, shall have legal personality, shall enjoy in each of the Member States the most extensive legal capacity accorded to legal persons under its law; it may, in particular, acquire or dispose of movable and immovable property and may be a party to legal proceedings.

9.2. The ECB shall ensure that the tasks conferred upon the ESCB under Article 105(2), (3) and (5) of this Treaty are implemented either by its own activities pursuant to this Statute or through the national central banks pursuant to Articles 12.1 and 14.

9.3. In accordance with Article 107(3) of this Treaty, the decision making bodies of the ECB shall be the Governing Council and the Executive Board.

Article 10

The Governing Council

10.1. In accordance with Article 112(1) of this Treaty, the Governing Council shall comprise the members of the Executive Board of the ECB and the governors of the national central banks.

10.2. 1 Each member of the Governing Council shall have one vote. As from the date on which the number of members of the Governing Council exceeds 21, each member of the Executive Board shall have one vote and the number of governors with a voting right shall be 15. The latter voting rights shall be assigned and shall rotate as follows:

— as from the date on which the number of governors exceeds 15, until it reaches 22, the governors shall be allocated to two groups, according to a ranking of the size of the share of their national central bank's Member State in the aggregate gross domestic product at market prices and in the total aggregated balance sheet of the monetary financial institutions of the Member States which have adopted the euro. The shares in the aggregate gross domestic product at market prices and in the total aggregated balance sheet of the monetary financial institutions shall be assigned weights of 5/6 and 1/6, respectively.

The first group shall be composed of five governors and the second group of the remaining governors. The frequency of voting rights of the governors allocated to the first group shall not be lower than the frequency of voting rights of those of the second group. Subject to the previous sentence, the first group shall be assigned four voting rights and the second group eleven voting rights;

— as from the date on which the number of governors reaches 22, the governors shall be allocated to three groups according to a ranking based on the above criteria. The first group shall be composed of five governors and shall be assigned four voting rights. The second group shall be composed of half of the total number of governors, with any fraction rounded up to the nearest integer, and shall be assigned eight voting rights. The third group shall be composed of the remaining governors and shall be assigned three voting rights;

— within each group, the governors shall have their voting rights for equal amounts of time;

— for the calculation of the shares in the aggregate gross domestic product at market prices Article 29.2 shall apply. The total aggregated balance sheet of the monetary financial institutions shall be calculated in accordance with the statistical framework applying in the European Community at the time of the calculation;

— whenever the aggregate gross domestic product at market prices is adjusted in accordance with Article 29.3, or whenever the number of governors increases, the size and/or composition of the groups shall be adjusted in accordance with the above principles;

— the Governing Council, acting by a two-thirds majority of all its members, with and without a voting right, shall take all measures necessary for the implementation of the above principles and may decide to postpone the start of the rotation system until the date on which the number of governors exceeds 18.

The right to vote shall be exercised in person. By way of derogation from this rule, the Rules of Procedure referred to in Article 12.3 may lay down that members of the Governing Council may cast their vote by means of teleconferencing. These rules 1 As amended by Council Decision 2003/223/EC, shall also provide that a member of the Governing Council who is prevented from attending meetings of the Governing Council for a prolonged period may appoint an alternate as a member of the Governing Council. The provisions of the previous paragraphs are without prejudice to the voting rights of all members of the Governing Council, with and without a voting right, under Articles 10.3, 10.6 and 41.2.

Save as otherwise provided for in this Statute, the Governing Council shall act by a simple majority of the members having a voting right. In the event of a tie, the President shall have the casting vote.

In order for the Governing Council to vote, there shall be a quorum of two-thirds of the members having a voting right. If the quorum is not met, the President may convene an extraordinary meeting at which decisions may be taken without regard to the quorum.

10.3. For any decisions to be taken under Articles 28, 29, 30, 32, 33 and 51, the votes in the Governing Council shall be weighted according to the national central banks' shares in the subscribed capital of the ECB. The weights of the votes of the members of the Executive Board shall be zero. A decision requiring a qualified majority shall be adopted if the votes cast in favour represent at least two thirds of the subscribed capital of the ECB and represent at least half of the shareholders. If a Governor is unable to be present, he may nominate an alternate to cast his weighted vote.

10.4. The proceedings of the meetings shall be confidential. The Governing Council may decide to make the outcome of its deliberations public.

10.5. The Governing Council shall meet at least 10 times a year.

10.6. 2 Article 10.2 may be amended by the Council meeting in the composition of the Heads of State or Government, acting unanimously either on a recommendation from the

ECB and after consulting the European Parliament and the Commission, or on a recommendation from the Commission and after consulting the European Parliament and the ECB. The Council shall recommend such amendments to the Member States for adoption. These amendments shall enter into force after having been ratified by all the Member States in accordance with their respective constitutional requirements.

A recommendation made by the ECB under this paragraph shall require a decision by the Governing Council acting unanimously.

Article 11

The Executive Board

11.1. In accordance with Article 112(2)(a) of this Treaty, the Executive Board shall comprise the President, the Vice-President and four other members.

The members shall perform their duties on a full-time basis. No member shall engage in any occupation, whether gainful or not, unless exemption is exceptionally granted by the Governing Council.

11.2. In accordance with Article 112(2)(b) of this Treaty, the President, the Vice-President and the other members of the Executive Board shall be appointed from among persons of recognized standing and professional experience in monetary or banking matters by common accord of the governments of the Member States at the level of the Heads of State or Government, on a recommendation from the Council after it has consulted the European Parliament and the Governing Council.

Their term of office shall be eight years and shall not be renewable.

Only nationals of Member States may be members of the Executive Board.

11.3. The terms and conditions of employment of the members of the Executive Board, in particular their salaries, pensions and other social security benefits shall be the subject of contracts with the ECB and shall be fixed by the Governing Council on a proposal from a Committee comprising three members appointed by the Governing Council and three members appointed by the Council. The members of the Executive Board shall not have the right to vote on matters referred to in this paragraph.

11.4. If a member of the Executive Board no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct, the Court of

Justice may, on application by the Governing Council or the Executive Board, compulsorily retire him.

11.5. Each member of the Executive Board present in person shall have the right to vote and shall have, for that purpose, one vote. Save as otherwise provided, the Executive Board shall act by a simple majority of the votes cast. In the event of a tie, the 2 As inserted by Article 5 of the Treaty of Nice.

President shall have the casting vote. The voting arrangements shall be specified in the Rules of Procedure referred to in Article 12.3.

11.6. The Executive Board shall be responsible for the current business of the ECB.

11.7. Any vacancy on the Executive Board shall be filled by the appointment of a new member in accordance with Article 11.2.

Article 12

Responsibilities of the decision-making bodies

12.1. The Governing Council shall adopt the guidelines and take the decisions necessary to ensure the performance of the tasks entrusted to the ESCB under this Treaty and this Statute. The Governing Council shall formulate the monetary policy of the Community including, as appropriate, decisions relating to intermediate monetary objectives, key interest rates and the supply of reserves in the ESCB, and shall establish the necessary guidelines for their implementation.

The Executive Board shall implement monetary policy in accordance with the guidelines and decisions laid down by the Governing Council. In doing so the Executive Board shall give the necessary instructions to national central banks. In addition the Executive Board may have certain powers delegated to it where the Governing Council so decides.

To the extent deemed possible and appropriate and without prejudice to the provisions of this Article, the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the ESCB.

12.2. The Executive Board shall have responsibility for the preparation of meetings of the Governing Council.

12.3. The Governing Council shall adopt Rules of Procedure which determine the internal organization of the ECB and its decision-making bodies.

12.4. The Governing Council shall exercise the advisory functions referred to in Article 4.

12.5. The Governing Council shall take the decisions referred to in Article 6.

Article 13

The President

13.1. The President or, in his absence, the Vice-President shall chair the Governing Council and the Executive Board of the ECB.

13.2. Without prejudice to Article 39, the President or his nominee shall represent the ECB externally.

Article 14

National central banks

14.1. In accordance with Article 109 of this Treaty, each Member State shall ensure, at the latest at the date of the establishment of the ESCB, that its national legislation, including the statutes of its national central bank, is compatible with this Treaty and this Statute.

14.2. The statutes of the national central banks shall, in particular, provide that the term of office of a Governor of a national central bank shall be no less than five years.

A Governor may be relieved from office only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. A decision to this effect may be referred to the Court of Justice by the Governor concerned or the Governing Council on grounds of infringement of this Treaty or of any rule of law relating to its application.

Such proceedings shall be instituted within two months of the publication of the decision or of its notification to the plaintiff or, in the absence thereof, of the day on which it came to the knowledge of the latter, as the case may be.

14.3. The national central banks are an integral part of the ESCB and shall act in accordance with the guidelines and instructions of the ECB. The Governing Council shall take the necessary steps to ensure compliance with the guidelines and instructions of the ECB, and shall require that any necessary information be given to it.

14.4. National central banks may perform functions other than those specified in this Statute unless the Governing Council finds, by a majority of two thirds of the votes cast,

that these interfere with the objectives and tasks of the ESCB. Such functions shall be performed on the responsibility and liability of national central banks and shall not be regarded as being part of the functions of the ESCB.

Article 15

Reporting commitments

15.1. The ECB shall draw up and publish reports on the activities of the ESCB at least quarterly.

15.2. A consolidated financial statement of the ESCB shall be published each week.

15.3. In accordance with Article 113(3) of this Treaty, the ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and the current year to the European Parliament, the Council and the Commission, and also to the European Council.

15.4. The reports and statements referred to in this Article shall be made available to interested parties free of charge.

Article 16

Banknotes

In accordance with Article 106(1) of this Treaty, the Governing Council shall have the exclusive right to authorize the issue of banknotes within the Community. The ECB and the national central banks may issue such notes. The banknotes issued by the ECB and the national central banks shall be the only such notes to have the status of legal tender within the Community.

The ECB shall respect as far as possible existing practices regarding the issue and design of banknotes.

CHAPTER IV

MONETARY FUNCTIONS AND OPERATIONS OF THE ESCB

Article 17

Accounts with the ECB and the national central banks

In order to conduct their operations, the ECB and the national central banks may open accounts for credit institutions, public entities and other market participants and accept assets, including book entry securities, as collateral.

Article 18

Open market and credit operations

18.1. In order to achieve the objectives of the ESCB and to carry out its tasks, the ECB and the national central banks may:

— operate in the financial markets by buying and selling outright (spot and forward) or under repurchase agreement and by lending or borrowing claims and marketable instruments, whether in Community or in non-Community currencies, as well as precious metals;

— conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral.

18.2. The ECB shall establish general principles for open market and credit operations carried out by it or the national central banks, including for the announcement of conditions under which they stand ready to enter into such transactions.

Article 19

Minimum reserves

19.1. Subject to Article 2, the ECB may require credit institutions established in Member States to hold minimum reserve on accounts with the ECB and national central banks in pursuance of monetary policy objectives. Regulations concerning the calculation and determination of the required minimum reserves may be established by the Governing Council. In cases of non-compliance the ECB shall be entitled to levy penalty interest and to impose other sanctions with comparable effect.

19.2. For the application of this Article, the Council shall, in accordance with the procedure laid down in Article 42, define the basis for minimum reserves and the maximum permissible ratios between those reserves and their basis, as well as the appropriate sanctions in cases of non-compliance.

Article 20

Other instruments of monetary control

The Governing Council may, by a majority of two thirds of the votes cast, decide upon the use of such other operational methods of monetary control as it sees fit, respecting Article 2.

The Council shall, in accordance with the procedure laid down in Article 42, define the scope of such methods if they impose obligations on third parties.

Article 21

Operations with public entities

21.1. In accordance with Article 101 of this Treaty, overdrafts or any other type of credit facility with the ECB or with the national central banks in favour of Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the ECB or national central banks of debt instruments.

21.2. The ECB and national central banks may act as fiscal agents for the entities referred to in Article 21.1.

21.3. The provisions of this Article shall not apply to publicly owned credit institutions which, in the context of the supply of reserves by central banks, shall be given the same treatment by national central banks and the ECB as private credit institutions.

Article 22

Clearing and payment systems

The ECB and national central banks may provide facilities, and the ECB may make regulations, to ensure efficient and sound clearing and payment systems within the Community and with other countries.

Article 23

External operations

The ECB and national central banks may:

- establish relations with central banks and financial institutions in other countries and, where appropriate, with international organizations;
- acquire and sell spot and forward all types of foreign exchange assets and precious metals; the term 'foreign exchange asset' shall include securities and all other assets in the currency of any country or units of account and in whatever form held;
- hold and manage the assets referred to in this Article;
- conduct all types of banking transactions in relations with third countries and international organizations, including borrowing and lending operations.

Article 24

Other operations

In addition to operations arising from their tasks, the ECB and national central banks may enter into operations for their administrative purposes or for their staff.

CHAPTER V

PRUDENTIAL SUPERVISION

Article 25

Prudential supervision

25.1. The ECB may offer advice to and be consulted by the Council, the Commission and the competent authorities of the Member States on the scope and implementation of Community legislation relating to the prudential supervision of credit institutions and to the stability of the financial system.

25.2. In accordance with any decision of the Council under Article 105(6) of this Treaty, the ECB may perform specific tasks concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings.

CHAPTER VI

FINANCIAL PROVISIONS OF THE ESCB

Article 26

Financial accounts

26.1. The financial year of the ECB and national central banks shall begin on the first day of January and end on the last day of December.

26.2. The annual accounts of the ECB shall be drawn up by the Executive Board, in accordance with the principles established by the Governing Council. The accounts shall be approved by the Governing Council and shall thereafter be published.

26.3. For analytical and operational purposes, the Executive Board shall draw up a consolidated balance sheet of the ESCB, comprising those assets and liabilities of the national central banks that fall within the ESCB.

26.4. For the application of this Article, the Governing Council shall establish the necessary rules for standardizing the accounting and reporting of operations undertaken by the national central banks.

Article 27

Auditing

27.1. The accounts of the ECB and national central banks shall be audited by independent external auditors recommended by the Governing Council and approved by the Council. The auditors shall have full power to examine all books and accounts of the ECB and national central banks and obtain full information about their transactions.

27.2. The provisions of Article 248 of this Treaty shall only apply to an examination of the operational efficiency of the management of the ECB.

Article 28

Capital of the ECB

28.1. The capital of the ECB, which shall become operational upon its establishment, shall be ECU 5 000 million. The capital

may be increased by such amounts as may be decided by the Governing Council acting by the qualified majority provided for in Article 10.3, within the limits and under the conditions set by the Council under the procedure laid down in Article 42.

28.2. The national central banks shall be the sole subscribers to and holders of the capital of the ECB. The subscription of capital shall be according to the key established in accordance with Article 29.

28.3. The Governing Council, acting by the qualified majority provided for in Article 10.3, shall determine the extent to which and the form in which the capital shall be paid up.

28.4. Subject to Article 28.5, the shares of the national central banks in the subscribed capital of the ECB may not be transferred, pledged or attached.

28.5. If the key referred to in Article 29 is adjusted, the national central banks shall transfer among themselves capital shares to the extent necessary to ensure that the distribution of capital shares corresponds to the adjusted key. The Governing Council shall determine the terms and conditions of such transfers.

Article 29

Key for capital subscription

29.1. When in accordance with the procedure referred to in Article 123(1) of this Treaty the ESCB and the ECB have been established, the key for subscription of the ECB's capital shall be established. Each national central bank shall be assigned a weighting in this key which shall be equal to the sum of:

— 50% of the share of its respective Member State in the population of the Community in the penultimate year preceding the establishment of the ESCB;

— 50% of the share of its respective Member State in the gross domestic product at market prices of the Community as recorded in the last five years proceeding the penultimate year before the establishment of the ESCB.

The percentages shall be rounded up to the nearest multiple of 0.05 percentage points.

29.2. The statistical data to be used for the application of this Article shall be provided by the Commission in accordance with the rules adopted by the Council under the procedure provided for in Article 42.

29.3. The weightings assigned to the national central banks shall be adjusted every five years after the establishment of the ESCB by analogy with the provisions laid down in Article 29.1. The adjusted key shall apply with effect from the first day of the following year.

29.4. The Governing Council shall take all other measures necessary for the application of this Article.

Article 30

Transfer of foreign reserve assets to the ECB

30.1. Without prejudice to Article 28, the ECB shall be provided by the national central banks with foreign reserve assets, other than Member States' currencies, ECUs, IMF reserve positions and SDRs, up to an amount equivalent to ECU 50 000 million. The Governing Council shall decide upon the proportion to be called up by the ECB following its establishment and the amounts called up at later dates. The ECB shall have the full right to hold and manage the foreign reserves that are transferred to it and to use them for the purposes set out in this Statute.

30.2. The contributions of each national central bank shall be fixed in proportion to its share in the subscribed capital of the ECB.

30.3. Each national central bank shall be credited by the ECB with a claim equivalent to its contribution. The Governing Council shall determine the denomination and remuneration of such claims.

30.4. Further calls of foreign reserve assets beyond the limit set in Article 30.1 may be effected by the ECB, in accordance with Article 30.2, within the limits and under the conditions set by the Council in accordance with the procedure laid down in Article 42.

30.5. The ECB may hold and manage IMF reserve positions and SDRs and provide for the pooling of such assets.

30.6. The Governing Council shall take all other measures necessary for the application of this Article.

Article 31

Foreign reserve assets held by national central banks

31.1. The national central banks shall be allowed to perform transactions in fulfilment of their obligations towards international organizations in accordance with Article 23.

31.2. All other operations in foreign reserve assets remaining with the national central banks after the transfers referred to in Article 30, and Member States' transactions with their foreign exchange working balances shall, above a certain limit to be established within the framework of Article 31.3, be subject to approval by the ECB in order to ensure consistency with the exchange rate and monetary policies of the Community.

31.3. The Governing Council shall issue guidelines with a view to facilitating such operations.

Article 32

Allocation of monetary income of national central banks

32.1. The income accruing to the national central banks in the performance of the ESCB's monetary policy function (hereinafter referred to as 'monetary income') shall be allocated at the end of each financial year in accordance with the provisions of this Article.

32.2. Subject to Article 32.3, the amount of each national central bank's monetary income shall be equal to its annual income derived from its assets held against notes in circulation and deposit liabilities to credit institutions. These assets shall be earmarked by national central banks in accordance with guidelines to be established by the Governing Council.

32.3. If, after the start of the third stage, the balance sheet structures of the national central banks do not, in the judgment of the Governing Council, permit the application of Article 32.2, the Governing Council, acting by a qualified majority, may decide that, by

way of derogation from Article 32.2, monetary income shall be measured according to an alternative method for a period of not more than five years.

32.4. The amount of each national central bank's monetary income shall be reduced by an amount equivalent to any interest paid by that central bank on its deposit liabilities to credit institutions in accordance with Article 19.

The Governing Council may decide that national central banks shall be indemnified against costs incurred in connection with the issue of banknotes or in exceptional circumstances for specific losses arising from monetary policy operations undertaken for the ESCB. Indemnification shall be in a form deemed appropriate in the judgment of the Governing Council; these amounts may be offset against the national central banks' monetary income.

32.5. The sum of the national central banks' monetary income shall be allocated to the national central banks in proportion to their paid up shares in the capital of the ECB, subject to any decision taken by the Governing Council pursuant to Article 33.2.

32.6. The clearing and settlement of the balances arising from the allocation of monetary income shall be carried out by the ECB in accordance with guidelines established by the Governing Council.

32.7. The Governing Council shall take all other measures necessary for the application of this Article.

Article 33

Allocation of net profits and losses of the ECB

33.1. The net profit of the ECB shall be transferred in the following order:

- (a) an amount to be determined by the Governing Council, which may not exceed 20% of the net profit, shall be transferred to the general reserve fund subject to a limit equal to 100% of the capital;
- (b) the remaining net profit shall be distributed to the shareholders of the ECB in proportion to their paid-up shares.

33.2. In the event of a loss incurred by the ECB, the shortfall may be offset against the general reserve fund of the ECB and, if necessary, following a decision by the Governing Council, against the monetary income of the relevant financial year in

proportion and up to the amounts allocated to the national central banks in accordance with Article 32.5.

CHAPTER VII

GENERAL PROVISIONS

Article 34

Legal acts

34.1. In accordance with Article 110 of this Treaty, the ECB shall:

- make regulations to the extent necessary to implement the tasks defined in Article 3.1, first indent, Articles 19.1, 22 or 25.2 and in cases which shall be laid down in the acts of the Council referred to in Article 42;
- take decisions necessary for carrying out the tasks entrusted to the ESCB under this Treaty and this Statute;
- make recommendations and deliver opinions.

34.2. A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States.

Recommendations and opinions shall have no binding force.

A decision shall be binding in its entirety upon those to whom it is addressed.

Articles 253, 254 and 256 of this Treaty shall apply to regulations and decisions adopted by the ECB.

The ECB may decide to publish its decisions, recommendations and opinions.

34.3. Within the limits and under the conditions adopted by the Council under the procedure laid down in Article 42, the ECB shall be entitled to impose fines or periodic penalty payments on undertakings for failure to comply with obligations under its regulations and decisions.

Article 35

Judicial control and related matters

35.1. The acts or omissions of the ECB shall be open to review or interpretation by the Court of Justice in the cases and under the conditions lay down in this Treaty. The ECB may institute proceedings in the cases and under the conditions laid down in this Treaty.

35.2. Disputes between the ECB, on the one hand, and its creditors, debtors or any other person, on the other, shall be decided by the competent national courts, save where jurisdiction has been conferred upon the Court of Justice.

35.3. The ECB shall be subject to the liability regime provided for in Article 288 of this Treaty. The national central banks shall be liable according to their respective national laws.

35.4. The Court of Justice shall have jurisdiction to give judgment pursuant to any arbitration clause contained in a contract concluded by or on behalf of the ECB, whether that contract be governed by public or private law.

35.5. A decision of the ECB to bring an action before the Court of Justice shall be taken by the Governing Council.

35.6. The Court of Justice shall have jurisdiction in disputes concerning the fulfilment by a national central bank of obligations under this Statute. If the ECB considers that a national central bank has failed to fulfil an obligation under this Statute, it shall deliver a reasoned opinion on the matter after giving the national central bank concerned the opportunity to submit its observations. If the national central bank concerned does not comply with the opinion within the period laid down by the ECB, the latter may bring the matter before the Court of Justice.

Article 36

Staff

36.1. The Governing Council, on a proposal from the Executive Board, shall lay down the conditions of employment of the staff of the ECB.

36.2. The Court of Justice shall have jurisdiction in any dispute between the ECB and its servants within the limits and under the conditions laid down in the conditions of employment.

Article 37

Seat

Before the end of 1992, the decision as to where the seat of the ECB will be established shall be taken by common accord of the governments of the Member States at the level of Heads of State or Government.

Article 38

Professional secrecy

38.1. Members of the governing bodies and the staff of the ECB and the national central banks shall be required, even after their duties have ceased, not to disclose information of the kind covered by the obligation of professional secrecy.

38.2. Persons having access to data covered by Community legislation imposing an obligation of secrecy shall be subject to such legislation.

Article 39

Signatories

The ECB shall be legally committed to third parties by the President or by two members of the Executive Board or by the signatures of two members of the staff of the ECB who have been duly authorized by the President to sign on behalf of the ECB.

Article 40 3

Privileges and immunities

The ECB shall enjoy in the territories of the Member States such privileges and immunities as are necessary for the performance of its tasks, under the conditions laid down in the Protocol on the privileges and immunities of the European Communities.

3 As amended by Article 6, point III (4) of the Treaty of Amsterdam.

CHAPTER VIII

AMENDMENT OF THE STATUTE AND COMPLEMENTARY LEGISLATION

Article 41

Simplified amendment procedure

41.1. In accordance with Article 107(5) of this Treaty, Articles 5.1, 5.2, 5.3, 17, 18, 19.1, 22, 23, 24, 26, 32.2, 32.3, 32.4, 32.6, 33.1(a) and 36 of this Statute may be amended by the Council, acting either by a qualified majority on a recommendation from the ECB and after consulting the Commission, or unanimously on a proposal from the Commission and after consulting the ECB.

In either case the assent of the European Parliament shall be required.

41.2. A recommendation made by the ECB under this Article shall require a unanimous decision by the Governing Council.

Article 42

Complementary legislation

In accordance with Article 107(6) of this Treaty, immediately after the decision on the date for the beginning of the third stage, the Council, acting by a qualified majority either on a proposal from the Commission and after consulting the European Parliament and the ECB or on a recommendation from the ECB and after consulting the European Parliament and the Commission, shall adopt the provisions referred to in Articles 4, 5.4, 19.2, 20, 28.1, 29.2, 30.4 and 34.3 of this Statute.

CHAPTER IX

TRANSITIONAL AND OTHER PROVISIONS FOR THE ESCB

Article 43

General provisions

43.1. A derogation as referred to in Article 122(1) of this Treaty shall entail that the following Articles of this Statute shall not confer any rights or impose any obligations on the Member State concerned: 3, 6, 9.2, 12.1, 14.3, 16, 18, 19, 20, 22, 23, 26.2, 27, 30, 31, 32, 33, 34, 50 and 52.

43.2. The central banks of Member States with derogation as specified in Article 122(1) of this Treaty shall retain their powers in the field of monetary policy according to national law.

43.3. In accordance with Article 122(4) of this Treaty, 'Member States' shall be read as 'Member States without derogation' in the following Articles of this Statute: 3, 11.2, 19, 34.2 and 50.

43.4. 'National central banks' shall be read as 'central banks of Member States without derogation' in the following Articles of this Statute: 9.2, 10.1, 10.3, 12.1, 16, 17, 18, 22, 23, 27, 30, 31, 32, 33.2 and 52.

43.5. 'Shareholders' shall be read as 'central banks of Member States without derogation' in Articles 10.3 and 33.1.

43.6. 'Subscribed capital of the ECB' shall be read as 'capital of the ECB subscribed by the central banks of Member States without derogation' in Articles 10.3 and 30.2.

Article 44

Transitional tasks of the ECB

The ECB shall take over those tasks of the EMI which, because of the derogations of one or more Member States, still have to be performed in the third stage.

The ECB shall give advice in the preparations for the abrogation of the derogations specified in Article 122 of this Treaty.

Article 45

The General Council of the ECB

45.1. Without prejudice to Article 107(3) of this Treaty, the General Council shall be constituted as a third decision-making body of the ECB.

45.2. The General Council shall comprise the President and Vice-President of the ECB and the Governors of the national central banks. The other members of the Executive Board may participate, without having the right to vote, in meetings of the General Council.

45.3. The responsibilities of the General Council are listed in full in Article 47 of this Statute.

Article 46

Rules of Procedure of the General Council

46.1. The President or, in his absence, the Vice-President of the ECB shall chair the General Council of the ECB.

46.2. The President of the Council and a Member of the Commission may participate, without having the right to vote, in meetings of the General Council.

46.3. The President shall prepare the meetings of the General Council.

46.4. By way of derogation from Article 12.3, the General Council shall adopt its Rules of Procedure.

46.5. The Secretariat of the General Council shall be provided by the ECB.

Article 47

Responsibilities of the General Council

47.1. The General Council shall:

- perform the tasks referred to in Article 44;
- contribute to the advisory functions referred to in Articles 4 and 25.1.

47.2. The General Council shall contribute to:

- the collection of statistical information as referred to in Article 5;
- the reporting activities of the ECB as referred to in Article 15;

— the establishment of the necessary rules for the application of Article 26 as referred to in Article 26.4;

— the taking of all other measures necessary for the application of Article 29 as referred to in Article 29.4;

— the laying down of the conditions of employment of the staff of the ECB as referred to in Article 36.

47.3. The General Council shall contribute to the necessary preparations for irrevocably fixing the exchange rates of the currencies of Member States with a derogation against the currencies, or the single currency, of the Member States without a derogation, as referred to in Article 123(5) of this Treaty.

47.4. The General Council shall be informed by the President of the ECB of decisions of the Governing Council.

Article 48

Transitional provisions for the capital of the ECB

In accordance with Article 29.1 each national central bank shall be assigned a weighting in the key for subscription of the ECB's capital. By way of derogation from Article 28.3, central banks of Member States with a derogation shall not pay up their subscribed capital unless the General Council, acting by a majority representing at least two thirds of the subscribed capital of the ECB and at least half of the shareholders, decides that a minimal percentage has to be paid up as a contribution to the operational costs of the ECB.

Article 49

Deferred payment of capital, reserves and provisions of the ECB

49.1. The central bank of a Member State whose derogation has been abrogated shall pay up its subscribed share of the capital of the ECB to the same extent as the central banks of other Member States without a derogation, and shall transfer to the ECB foreign reserve assets in accordance with Article 30.1. The sum to be transferred shall be determined by multiplying the ECU value at current exchange rates of the foreign reserve assets which have already been transferred to the ECB in accordance with Article 30.1, by the ratio between the number of shares subscribed by the national central bank concerned and the number of shares already paid up by the other national central banks.

49.2. In addition to the payment to be made in accordance with Article 49.1, the central bank concerned shall contribute to the reserves of the ECB, to those provisions equivalent to reserves, and to the amount still to be appropriated to the reserves and provisions corresponding to the balance of the profit and loss account as at 31 December of the year prior to the abrogation of the derogation. The sum to be contributed shall be determined by multiplying the amount of the reserves, as defined above and as stated in the approved balance sheet of the ECB, by the ratio between the number of shares subscribed by the central bank concerned and the number of shares already paid up by the other central banks.

49.3. 4 Upon one or more countries becoming Member States and their respective national central banks becoming part of the ESCB, the subscribed capital of the ECB and the limit on the amount of foreign reserve assets that may be transferred to the ECB shall be automatically increased. The increase shall be determined by multiplying the respective amounts then prevailing by the ratio, within the expanded capital key, between the weighting of the entering national central banks concerned and the weighting of the national central banks already members of the ESCB. Each national central bank's weighting in the capital key shall be calculated by analogy with Article 29.1 and in compliance with Article 29.2. The reference periods to be used for the statistical data shall be identical to those applied for the latest quinquennial adjustment of the weightings under Article 29.3.

Article 50

Initial appointment of the members of the Executive Board

When the Executive Board of the ECB is being established, the President, the Vice-President and the other members of the Executive Board shall be appointed by common accord of the governments of the Member States at the level of Heads of State or Government, on a recommendation from the Council and after consulting the European Parliament and the Council of the EMI.

The President of the Executive Board shall be appointed for eight years. By way of derogation from Article 11.2, the Vice-President shall be appointed for four years and the other members of the Executive Board for terms of office of between five and eight years. No term of office shall be renewable. The number of members of the Executive

Board may be smaller than provided for in Article 11.1, but in no circumstance shall it be less than four.

Article 51

Derogation from Article 32

51.1. If, after the start of the third stage, the Governing Council decides that the application of Article 32 results in significant changes in national central banks' relative income positions, the amount of income to be allocated pursuant to Article 32 shall be reduced by a uniform percentage which shall not exceed 60% in the first financial year after the start of the third stage and which shall decrease by at least 12 percentage points in each subsequent financial year.

51.2. Article 51.1 shall be applicable for not more than five financial years after the start of the third stage.

Article 52

Exchange of banknotes in Community currencies

Following the irrevocable fixing of exchange rates, the Governing Council shall take the necessary measures to ensure that banknotes denominated in currencies with irrevocably fixed exchange rates are exchanged by the national central banks at their respective par values.

Article 53

Applicability of the transitional provisions

If and as long as there are Member States with a derogation Articles 43 to 48 shall be applicable.

4 As inserted by Article 17 of the Act concerning the conditions of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded.