

Act of 25, June 1965 Authorizing the Regulation of Monetary and Credit Conditions¹⁾

Translation

1) Amended by Acts of June 17, 1966; June 30, 1967; June 18, 1971; June 21, 1974; June 16, 1978; and by Act of June 11, 1976 (on Financing Activity)

Chapter 1. General Provisions

Section 1¹⁾

Pursuant to this Act, the King may issue rules for liquidity reserves, deposits against foreign liabilities, supplementary reserves, obligatory investment in bonds, direct regulation of lending by certain credit institutions, maximum interest rates for loans, and control of bond issues. The Ministry may issue rules regarding disclosure obligation for any one engaged in any activity covered by Act on Financing Activity and regarding obligation to provide information on interest rates.

1) Amended by Act of June 11, 1976.

Section 2

Each year the King shall submit to the Storting a report on the general guidelines for monetary and credit policy during the coming year. Similarly, in a report to the Storting, the King shall give an account of the policy which has been pursued during the past year.

General guidelines which have been submitted to the Storting must not be altered in any essential respect until a special report thereon has been presented, unless such delay would be unjustifiable in the prevailing economic situation. In that event the Storting shall be notified as soon as possible of the changes which have been made.

Section 3

Before the King makes a decision pursuant to this Act, Norges Bank shall be given the opportunity to state its opinion.

Chapter 2. On liquidity reserves, deposits against foreign liabilities, and supplementary reserves of commercial and savings banks

Section 4¹⁾

The King may decide that commercial and savings banks shall maintain a further specified reserve of primary and secondary liquid assets. The liquidity reserves shall amount to a specified percentage of the bank's total assets. The King may issue rules to the effect that certain balance sheet items shall be excluded.

1) Amended by Act of June 16, 1978.

Section 5¹⁾

As primary liquid assets shall be counted the bank's holdings of notes and coin, deposits on ordinary current account with Norges Bank, deposits on post giro account, and holdings of Norwegian treasury bills.

As secondary liquid assets shall be counted the bank's holdings of Norwegian government and government-guaranteed bonds. For this purpose, the bonds are assessed at their book value.

The primary reserve ratio may not be set at more than 15 per cent for the commercial banks and 10 per cent for the savings banks. The aggregate primary and secondary liquidity reserve ratio may not be set at more than 25 per cent for the commercial banks and 40 per cent for the savings banks. Different ratios may be set for commercial and savings banks and according to the bank's total resources and geographical location.

1) Amended by Acts of June 17, 1966, and June 30, 1967.

Section 6¹⁾

The required liquidity reserves shall be calculated on the basis of the bank's position at the end of each month and be maintained throughout the next following month.

The King may decide that the obligation to keep liquidity reserves may be considered as fulfilled when average reserves for the month or parts of the month at least equal the calculated requirement.

1) Amended by Acts of June 17, 1966; June 30, 1967; and June 16, 1978.

Section 7¹⁾

The King may decide that commercial and savings banks shall maintain separate deposits against foreign liabilities calculated on the basis of the increase in deposits and loans from foreign depositors and lenders. The King may issue further rules regarding the basis of calculation and stipulates the point of departure for the calculation of the increase in the liability items mentioned. The point of departure may be a date up to four months prior to the date on which the provisions are issued. Alternatively,

the basis for the calculation may be an average of several monthly figures within the four-month period. The requirement shall be met by deposits on separate current account with Norges Bank.

The ratio for the reserve requirement may be set differently for loans and deposits with a term exceeding twelve months and for deposits and loans having a shorter term. The ratio must not exceed 100 per cent.

1) Amended by Acts of June 18, 1971, and June 16, 1978.

Section 8

The King may decide that commercial and savings banks shall have supplementary reserves of liquid funds on separate current account with Norges Bank. The supplementary reserves shall constitute a specified percentage of the increase in the bank's lending. The King will issue rules for the calculation of the increase in lending and stipulate the date from which the increase shall be calculated.

The ratio for supplementary reserves may be set differently for commercial and savings banks, for the various lending purposes and according to the bank's total resources and geographical location. The ratio must not exceed 100 per cent.

Chapter 3. On obligatory investment in bonds

Section 9¹⁾

The King may decide that commercial and savings banks, life insurance companies, municipal and private pension funds, and pension schemes established by collective agreement and approved as service pension

schemes under the tax laws, shall maintain their holdings, as at a specified date, of Norwegian government bonds and other Norwegian bearer bonds. However, this rule applies only insofar as the holdings of such bonds, in per cent of total resources, are less than 30 per cent in commercial banks, 40 per cent in savings banks and 60 per cent in other institutions. The King may stipulate lower ratios than those mentioned in the second sentence and may prescribe that institutions whose holdings of bonds have declined in a certain period prior to the announcement of the provisions shall replenish their bond holdings for an amount equal to the reduction.

The King may decide that institutions of the kind mentioned in the preceding paragraph, shall invest in Norwegian government bonds or other Norwegian bearer bonds up to 60 per cent of the amount by which total resources have risen in a specified period of time, though only until the institution's holdings of such bonds have reached the ratio stipulated in the preceding paragraph, second sentence, or any lower limit stipulated by the King. Within this limit, the King may decide that a certain minimum part of the increase shall be invested in Norwegian government bonds.

If the total resources of an institution have decreased, the holdings of bonds may be reduced in accordance with rules issued by the King.

The King may issue rules to the effect that certain balance sheet items shall be excluded. For the purpose of this section, the bond holdings are assessed at their book value.

1) Amended by Acts of June 18, 1971, and June 16, 1978.

Section 10¹⁾

The point of departure for the calculation of the obligation to replenish bond holdings pursuant to Section 9, first paragraph, last sentence, and for the calculation of the increase in total resources in accordance with Section 9, second paragraph, may be a date up to four months prior to the announcement of the regulations. Alternatively, the basis for the calculation may be stipulated as an average of several monthly figures within the four-month period. If a new basis of calculation is stipulated, it may be decided that the investments pursuant to the new regulations shall be increased or reduced by that amount by which the institution has invested too little or too much pursuant to the regulations previously in force.

The obligation pursuant to Section 9 to maintain, to replenish, or to increase bond holdings shall be calculated on the basis of statements which the institution in question is required to submit. The King may issue regulations regarding the obligation to report and the time limit for fulfilling the investment obligation. The time limit may not be less than one month with respect to commercial and savings banks and not less than three months with respect to other institutions.

Regulations pursuant to Sections 9 and 10 may be stipulated differently for the various groups of institutions and according to the institutions' total resources and geographical location.

1) Amended by Act of June 18, 1971.

Chapter 4. On obligatory statements and direct regulation of lending and guarantees

Section 11¹⁾

The Ministry may decide that any one engaged in any activity covered by Act on Financing Activity shall submit statements to Norges Bank concerning this activity and describing how it is financed.

In cases of doubt, the Ministry will decide whether an activity comes under the provision of the first paragraph.

¹⁾ Amended by Acts of June 18, 1971, and June 11, 1976.

Section 12¹⁾

The King may issue rules for the purpose of directly regulating the volume of lending by companies and foundations covered by Section 11. For such companies and foundations the King may also issue rules for the purpose of regulating the volume of loan guarantees entered into. The rules may be formulated differently for the various groups of institutions and for various lending purposes and according to the institution's total resources.

The preceding paragraph, first sentence, does not apply to institutions mentioned in Section 9, to state banks, and to loan associations and other credit institutions which issue bearer bonds. First paragraph, second sentence, does not apply when lender or borrower is a company or foundation covered by Section 11 or when the loan is approved pursuant to Section 15.

¹⁾ Amended by Acts of June 18, 1971, and June 21, 1974.

Chapter 5. On regulation of interest rates and control of bond issues

Section 13¹⁾

The Ministry may decide that any one engaged in any activity covered by Act on Financing Activity shall submit statements to Norges Bank specifying the rates of interest used in lending and borrowing. In cases of doubt, the Ministry will decide whether an activity comes under the provision of the first sentence.

¹⁾ Amended by Act of June 11, 1976.

Section 14¹⁾

Regardless of whether the loan is granted or negotiated by someone engaged in activities covered by Act on Financing Activity, the King may issue regulations stipulating the maximum rate of interest and commission for the various kinds of loans. Exemptions from the regulations may be granted in specific cases. Further, the King may decide that any change in such interest or commission rates requires the consent of Norges Bank.

This section shall not be applicable to interest and commission rates stipulated in accordance with rules contained in or issued pursuant to other acts.

¹⁾ Amended by Acts of June 21, 1974, and June 11, 1976.

Section 15¹⁾

The King may issue regulations to the effect that loans against the issuance of bearer bonds or loans otherwise granted jointly by several lenders shall not be raised except with the consent of the King.

¹⁾ Amended by Act of June 18, 1971.

Chapter 6. On supervision, penalty interest, and penal provisions

Section 16

The King will issue rules regarding supervision that the regulations issued pursuant to this Act are observed.

The institutions covered by the Act are obliged, upon request in each case or in accordance with general rules laid down, to supply the supervisory agency with such information as is necessary for purposes of control.

The supervisory agency shall be allowed to examine the accounts of the institutions.

The officials of the supervisory agency are forbidden to divulge to any unauthorized party such information as they may acquire in the course of their service.

Section 17¹⁾

If the liquidity reserves, deposits against foreign liabilities or supplementary reserves are lower than provided under Sections 4–8, or if the holdings of bearer bonds are lower than provided under Section 9, or if the volume of lending or guarantees is greater than stipulated pursuant to Section 12, the institution concerned shall pay interest to the Treasury in accordance with rules to be issued by the King. Payment of interest may be enforced by distraint.

Interest payments as mentioned in the first paragraph may in special cases be reduced or waived by the King.

¹⁾ Amended by Acts of June 30, 1967; June 18, 1971; and June 11, 1976.

Section 18

Any intentional or negligent violation of provisions issued pursuant to Sections 11 and 13–15, and any complicity in such violation, will be punished with fines.

If the person guilty of such violation has acted on behalf of a company or foundation, such company or foundation may also be sentenced to pay a fine.

Chapter 7. Date of entering into force

Section 19

This Act comes into force from the date stipulated by the King.¹⁾ From said date, Provisional Act of July 17, 1953 concerning the right to regulate interest and commission, is repealed.

Act of June 28, 1952 concerning joint-stock and savings banks' deposit reserves in Norges Bank is repealed not later than three months after the King has issued provisions pursuant to Section 4 of the present Act.

¹⁾ July 1, 1965, according to Royal Decree of June 25, 1965. Amendments by Acts of June 18, 1971, and June 21, 1974, entered into force immediately in accordance with Royal Decrees of the same dates. Amendments by Act of June 11, 1976, entered into force on January 1, 1977. Amendments by Act of June 16, 1978, entered into force immediately in accordance with Royal Decree of the same date.