

Seventh Act amending the Bundesbank Act

When Germany entered into the third stage of monetary union on 1 January 1999, the monetary policy powers of the Deutsche Bundesbank were transferred to the Community level. The Bundesbank's duties and tasks have therefore changed. The Seventh Act amending the Bundesbank Act of 23 March 2002, as published in the Federal Law Gazette (*Bundesgesetzblatt*) on 28 March 2002, takes account of the changes in the underlying conditions by altering the way the Bundesbank is organised. The Act also provides for some technical adjustments to the Bundesbank Act arising from the introduction of the euro. This article explains how the Seventh Act amending the Bundesbank Act, which entered into force on 30 April 2002, came into being and presents its main provisions.

The Deutsche Bundesbank as part of the European System of Central Banks

When the third stage of European monetary union began on 1 January 1999, the participating member states transferred their monetary policy powers to the Community level. Since that date the European System of Central Banks (ESCB) has borne responsibility for the single European monetary policy. The Deutsche Bundesbank is an integral part of the ESCB. Monetary policy decisions are taken by the Governing Council of the European Central Bank (ECB), the ESCB's supreme decision-making body. The President of the

Deutsche Bundesbank is a member of the Governing Council of the ECB, together with the governors or presidents of the 11 other national central banks of the EU member states participating in monetary union and the six members of the Executive Board of the ECB.

The transfer of responsibility for monetary policy to the Community level has transformed the Bundesbank's role; instead of having sole responsibility for Germany it now shares responsibility for the euro area. The Bundesbank no longer has any independent monetary policy decision-making powers. Since 1 January 1999 its mandate in the field of monetary policy has been to participate in the decision-making process and in the tasks of preparing, implementing and communicating the decisions of the Governing Council of the ECB.

The need to adjust the governing and decision-making structures

It was already clear some time ago that the Bundesbank's new role would necessitate a reform of its management and decision-making structures. Since the Bundesbank Act entered into force in 1957 these structures had consisted of a plurality of decision-making bodies: the Central Bank Council, the Directorate and the Executive Boards at the Land Central Banks (of which there were most recently nine). At the centre was the Central Bank Council of the Deutsche Bundesbank which previously had decision-making powers with regard to monetary policy. The Central Bank Council comprised the members of the Direct-

orate and the Presidents of the Land Central Banks. The thinking behind the legislature's decision to establish this structure was that a range of opinions being represented in the central bank's governing body would make a substantial contribution to the quality of its monetary policy. With the transfer of monetary policy powers to the Community level, there was, however, no longer any justification for this multiplicity of decision-making bodies within the Bundesbank structure.

Views and proposals of the Central Bank Council regarding the organisational structure

The reform debate was launched by the Deutsche Bundesbank itself. In July 1999 the Central Bank Council published its views and proposals on the future organisational structure of the Bundesbank (for further details, see Deutsche Bundesbank, *Monthly Report*, July 1999, pages 5-16).

The views of the Central Bank Council started with six key points which included, for example, combining the Bank's decision-making bodies (Central Bank Council, Directorate and Executive Boards of the Land Central Banks) in a new single governing body, maintaining the principle of collegiality in the process of decision-making as an important means of ensuring independence and appropriate professional support for the President in carrying out his tasks in the Governing Council of the ECB. In the Central Bank Council, however, opinions differed as to how the key points should actually be implemented; consequently, it presented two options which reflected

the differing views and preferences of its members.

Option 1 provided for the establishment of an eight-member board of directors domiciled in Frankfurt am Main. The President and the Vice-President and two members of the board were to be nominated by the Federal Government and four other members by the Bundesrat. In addition, the intention was that Deutsche Bundesbank should maintain its regional structure by retaining nine regional offices. The Executive Boards of the Land Central Banks were to be replaced by regional managers who would be obliged to act on instruction from the board of directors and have no autonomous powers. The suggestion was that it might be possible to protect regional interests by the internal transfer of the responsibility for certain regional areas to individual members of the single governing body. The proposal also made provision for offices to be maintained in the regions and for these offices then to function as the point of contact for the political bodies and social groups at the level of the federal state (*Land*).

Central to Option 2 was the idea of combining the Central Bank Council, the Directorate and the Executive Boards of the Land Central Banks in a single governing body, which would continue to be known as the Central Bank Council. In addition to the President and the Vice-President, it was to comprise no more than four other members permanently established in Frankfurt am Main and the Presidents of the Land Central Banks (which were to number seven in future). The right to nominate the President, the Vice-President and the

other members of the governing body based in Frankfurt am Main was to be reserved for the Federal Government. As in the existing procedure, the Presidents of the Land Central Banks, domiciled in the regions, were to be nominated through the Bundesrat by the *Land* governments concerned. Under this option, the Land Central Banks were to retain statutory tasks although the (former) Central Bank Council, the Directorate and the Executive Boards of the Land Central Banks would cease to exist as decision-making bodies.

Central/regional government working group and key issues raised by the Federal Minister of Finance

After the views of the Central Bank Council had been published, a number of different models for restructuring the Deutsche Bundesbank were discussed. In order to advance the reform plans, in early March 2000 the Federal Minister of Finance and the Ministers of Finance of the federal states agreed to set up a joint working group. This was made up of the Federal Minister of Finance and the Ministers of Finance from Lower Saxony, North Rhine-Westphalia, Saxony and Bavaria. The central/regional government working group appointed an eight-member group of experts to draw up proposals for a solution to the issues relating to the structural reform of the Bundesbank on which the Federal Government and the *Land* governments could not reach an agreement.

In early July 2000 the group of experts, led by the former Bundesbank President Karl Otto Pöhl, presented a report on the structural re-

form of the Bundesbank. Most of the experts were in favour of reducing the number of Land Central Banks from nine to five and of making them regional offices. Each of these was to be headed by a regional president, who would also be one of a ten-member Bundesbank management board. The Federal Government was to nominate the President, the Vice-President and three other board members permanently established in Frankfurt am Main. The five regional presidents were to be nominated by the Bundesrat after consulting the *Land* governments and to be given regional responsibilities.

At the end of January 2001 the Federal Minister of Finance presented his views on how the Bundesbank should be restructured. Crucial to the plans was the establishment of a six-member board of directors, with the President and the Vice-President being nominated by the Federal Government and the other members by the Bundesbank President. The Land Central Banks were to be replaced by nine regional offices headed by Land Central Bank Presidents. The regional offices were to lose the autonomous powers conferred on them by law and their presidents were not to be represented on the Bundesbank's board of directors.

Seventh Act amending the Bundesbank Act – from the draft bill prepared by specialist officials via the government draft to the Act

In mid-April 2001 the Federal Ministry of Finance published a draft bill prepared by specialist officials (*Referentenentwurf*, hereinafter

referred to as the preliminary draft). Only a matter of weeks later, at the start of June 2001, the Federal Government submitted its bill to the Bundesrat for initial comment. The Bundesrat rejected this draft, as it failed to acknowledge the importance of the Land Central Banks in building confidence in the single European currency and did not take sufficient account of Germany's federal structure, the decentralised structure of the German banking industry or the fact that the corporate landscape was dominated by small and medium-sized enterprises. The bill was subsequently debated in the Bundestag and its committees. At a meeting of the Financial Committee of the Bundestag at the end of February 2002, a number of far-reaching amendments to the government draft were given majority approval; these received parliamentary approval on 1 March 2002. When it met on 22 March 2002, the Bundesrat did not call upon the Conciliation Committee of the Bundestag and Bundesrat. The Seventh Act amending the Bundesbank Act was therefore published in the Federal Law Gazette on 28 March 2002 and entered into force on 30 April 2002.

Whereas the technical adjustments relating to the introduction of the euro went through the legislative process virtually unchanged, substantial amendments were made to the nomination rights regarding the new governing body.

Governing Board in Frankfurt – the sole governing and decision-making body

The Seventh Act amending the Bundesbank Act deals first and foremost with the changes

to the organisational structure of the Deutsche Bundesbank. The preliminary draft, the government draft and the Act which came into force on 30 April 2002 provide for the establishment of a Governing Board as the sole governing and decision-making body. Pursuant to section 7 (1), second sentence, of the Bundesbank Act,¹ the Governing Board has the task of governing and managing the Bank. The Governing Board thus assumes, in particular, the tasks of the Directorate and of the Executive Boards of the Land Central Banks as well as the remaining tasks of the Central Bank Council following the loss of its monetary policy powers. From the start of the legislative process, provision was consistently made for the abolition of the Executive Boards of the Land Central Banks and for the removal of their autonomous decision-making authority as laid down in the former version of the Bundesbank Act.

In establishing a Governing Board based at the Deutsche Bundesbank's head office in Frankfurt am Main, the legislator's aim was to bring the Bundesbank's organisational structure into line with its new mandate and to improve its European orientation by strengthening the position of the Central Office. The clear simple lines of the Deutsche Bundesbank's new organisational structures were intended to equip it to adjust more quickly to new developments, thereby helping to reinforce Germany's position as a financial centre.

Composition and appointment of the Governing Board

During the legislative process, the number of board members went up from six, as foreseen in the preliminary draft and the government draft, to eight in the Act which has now entered into force. This increase should be viewed in the light of the about-turn of the Financial Committee of the Bundestag with regard to the formulation of the nomination procedure for members of the Governing Board. The preliminary draft and the government draft still provided for the President and Vice-President to be nominated by the Federal Government and for the other four members of the Governing Board to be nominated by the President of the Deutsche Bundesbank in agreement with the Federal Government. By contrast, section 7 (3), second sentence, of the Bundesbank Act provides that the President, the Vice-President and two other members of the Board be nominated by the Federal Government while the other four members are nominated by the Bundesrat in agreement with the Federal Government. This complete return to a plurality of nominating bodies, which is comparable with the former procedure for nominating the members of the Central Bank Council, has generally been viewed as reinforcing the Bundesbank's independence and therefore welcomed as a positive move.

¹ Unless otherwise indicated, sections of the Bundesbank Act refer to the Bundesbank Act in force since 30 April 2002 as amended by the Seventh Act amending the Bundesbank Act.

By giving various bodies responsibility for nominating the members of the Governing Board, section 7 (3), third sentence, of the Bundesbank Act also provides for the Governing Board to be consulted about the nominations of the Federal Government and of the Bundesrat. This was not included in the preliminary draft or the government draft but also reinforces the independence of the central bank. No amendments have been made to the previous version of the Bundesbank Act with regard to the appointment of the members of the Deutsche Bundesbank's decision-making body: they are appointed by the Federal President (section 7 (3), first sentence, of the Bundesbank Act), they may hold office for between five and eight years (section 7 (3), fourth sentence, of the Bundesbank Act), they hold office under public law (section 7 (4) of the Bundesbank Act) and they must have relevant professional qualifications and experience (section 7 (2), second sentence, of the Bundesbank Act).

Provisions governing the tasks of the Governing Board

The provisions of the Seventh Act amending the Bundesbank Act relating to the tasks of the new governing body of the Deutsche Bundesbank deal with the allocation of responsibilities, the voting procedures within the Governing Board and the chairing of Board meetings. With regard to the allocation of responsibilities, section 7 (1), fourth sentence, of the Bundesbank Act, enables the Governing Board to delegate responsibility for dealing with specific matters to one of its members. The intention is to provide the

legal basis enabling the Governing Board to allocate specific areas of responsibility to its individual members in order to ensure that its tasks are carried out effectively without impinging on the joint responsibility of the Governing Board and its fundamental orientation as a collegial body. Section 7 (1), third sentence, of the Bundesbank Act provides for the issue of an organisational statute which establishes the allocation of responsibilities within the Governing Board and specifies the tasks which may be delegated to the Regional Offices.²

The provisions relating to the chairing of meetings of the Governing Board and to the voting methods correspond by and large to the previous provisions applicable to the Directorate of the Deutsche Bundesbank. Pursuant to section 7 (5), first to third sentences, of the Bundesbank Act, the Governing Board deliberates under the chairmanship of the President or Vice-President and takes its decisions by a simple majority of the votes cast; in the event of a tie, the chairman has the casting vote.

Veto rights of the President of the Deutsche Bundesbank

The preliminary draft and the government draft gave the President of the Deutsche Bundesbank extensive veto rights. Decisions regarding the allocation of responsibilities, the approval of the annual accounts and the

² At its meeting on 8 May 2002, the Governing Board of the Deutsche Bundesbank established the organisational statute published as an annex to this article (p 16-18).

standard cost accounting now included in the new Act cannot be taken by the Governing Board without the President's approval. Given the concomitant reduction in the overall responsibility of the Governing Board for the Bank as a whole and therefore of the principle of collegiality, the Financial Committee of the Bundestag ultimately left the President's veto right in respect of a decision to allocate tasks as it was in the statute of the Deutsche Bundesbank. However, this is now to be found in section 7 (5), fourth sentence, of the Bundesbank Act. Since section 34 of the former version of the Bundesbank Act has now been repealed, the Act makes no provision for a statute. According to the Explanatory Memorandum, the legislator deems a statute such as that which essentially comprised the regulations governing the mode of operation of the three former Bundesbank decision-making bodies to be redundant.

Members of the Federal Government are not entitled to participate in meetings of the Governing Board

Members of the Federal Government are no longer entitled by law to take part in meetings of the governing body of the Deutsche Bundesbank, as provided for in section 13 (2) of the former version of the Bundesbank Act. Given the transfer of the Bundesbank's monetary powers to the Community level and the resultant remodelling of the governing and decision-making structures, the legislator now considers this kind of formalised entitlement to be inappropriate. In the Explanatory Memorandum, the fact that the Bundesbank still has an advisory and informational obliga-

tion in monetary policy issues of major importance pursuant to section 13 (1) of the Bundesbank Act is deemed to make up for the loss of these participation rights. The Governing Board of the Deutsche Bundesbank is, however, still entitled to invite members of the Federal Government to its meetings.

Regional Offices of the Deutsche Bundesbank

From the outset, the view of the Federal Government was that the abolition of the Executive Boards of the Land Central Banks and their statutory autonomous powers was to be part and parcel of the structural reform of the Bundesbank. Given the return to a plurality of bodies nominating the members of the Governing Board, the Act as passed by the Bundestag goes beyond the provisions of the preliminary draft and the government draft. These two documents made provision for the Bundesrat to nominate the heads of the Regional Offices and for them to continue to hold office under public law. Pursuant to section 8(2) of the Bundesbank Act, each Regional Office is now headed by a civil servant who is obliged to carry out the instructions of the Governing Board of the Bundesbank. His official designation is "President of the Regional Office". The Presidents of the Regional Offices are not represented on the Governing Board. The Regional Offices are no longer designated as "Land Central Banks".

In conjunction with the reorganisation of management structures at the Regional Offices, the autonomous decision-making

powers of the Executive Boards of the Land Central Banks as enshrined in section 8 (2) of the former version of the Bundesbank Act have also been abolished. The legislator's view was that duplication of work at the Regional Offices and the former process of coordination through the Central Bank Council would thus be avoided. This is intended to lead to a streamlining of and greater efficiency in the Bundesbank's organisational procedures.

Transitional provision for the members of the Bundesbank's governing bodies

Pursuant to the preliminary draft and the government draft, the members of the Directorate were to become members of the new Governing Board and the Presidents of the Land Central Banks were to head the Regional Offices. The Vice-Presidents and other members of the Executive Boards of the Land Central Banks, however, were to be removed from office upon the entry into force of the Seventh Act amending the Bundesbank Act. As the legislator eventually decided that nomination rights in respect of the members of the Governing Board should be split between the Federal Government and the Bundesrat, this transitional provision could not remain as it was. It was amended so that all members of the Directorate – with the exception of the President – as well as some of the Vice-Presidents and other members of the Executive Boards of the Land Central Banks were to leave office when the Seventh Act amending the Bundesbank Act came into force. The remaining Presidents of the Land Central Banks have become the Presidents of the Regional

Offices for the remainder of the term of office stipulated in their contracts.

Advisory Boards at the Regional Offices

The Seventh Act amending the Bundesbank Act retains provisions relating to the continued existence of the Advisory Boards at the Regional Offices. As far as advisory issues at meetings of the Advisory Board are concerned, section 9 (1) of the Bundesbank Act provides for an alignment with the new underlying conditions. Previously, the Advisory Board was to confer with the President of the Land Central Bank on questions of monetary policy and with the Executive Board of the Land Central Bank on the performance of the Advisory Committee's duties in its area. Now the Advisory Board confers with the President of the Regional Office solely on the execution of the tasks falling to that area. Section 9 of the Bundesbank Act no longer provides for participation of the *Land* Minister of Economics and the *Land* Minister of Finance as provided for in section 9 (4) of the former version of the Bundesbank Act.

The Deutsche Bundesbank's one-tier branch network

The new provisions of section 10 of the Bundesbank Act should also be viewed in the light of the structural reform of the Bundesbank. No distinction is now made between branches (*Hauptstellen*) and sub-branches (*Zweigstellen*). In future the Deutsche Bundesbank will maintain branches (*Filialen*), which are subject to the authority of the relevant Regional Office. According to the Ex-

planatory Memorandum, this change will lead to the internal organisation of the Bank being more streamlined and more efficient but also allow scope for flexibility. Due account is thus taken of the fact that the Bundesbank is, as a matter of policy, to be represented throughout Germany. However, the Bundesbank does need to make allowance for changes in the banking environment. As in the past, it will continue for reasons of cost to adapt the service it provides throughout the country to the demand from the credit institutions, with supply and demand still, of course, being interrelated in terms of the quantity and quality of the services provided.

New provisions relating to cost management

The preliminary draft provided for amendments to section 26 of the Bundesbank Act, some of which were modified and others completely rejected in the course of the legislative procedure. The debate centred on the rights to be given to the Bundestag to absolve the Governing Board, at the end of each financial year, of its responsibilities and to make recommendations in respect of the Bundesbank's expenditure. Given that the independence of the national central banks in the ESCB is enshrined in Community law, the concerns about these provisions expressed after the publication of the preliminary draft led to the provisions relating to absolving the Governing Board of its responsibilities being dropped from the government draft. Furthermore, the "recommendations of the Bundestag concerning the expenditure of the Deutsche Bundesbank" became "recommen-

dations concerning improvements in its efficiency". However, even the ensuing provision met with strong reservations. As part of the consultation procedure pursuant to Article 105 (4) of the Treaty establishing the European Community (EC Treaty), the European Central Bank expressed its concern that parliamentary rights of this nature would undermine the independence of the Deutsche Bundesbank. It also considered the absolving of the Governing Board of its responsibilities and any recommendations by the Bundestag originally provided for in the draft bill as incompatible with Community law. Although parliamentary opinions of this kind are not formally binding, external political pressure could be brought to bear which would compromise the position of the President of the Bundesbank as a member of the Governing Council of the ECB and thus the independence of one of the ESCB's decision-making bodies. Apart from the fact that, contrary to the Explanatory Memorandum to the draft bill, this procedure was unparalleled in Community law, provisions of this kind would send the wrong signals and undermine both the spirit and the letter of Article 108 of the EC Treaty. The financial markets and the general public might interpret this as the Federal Republic of Germany changing tack in terms of its anti-inflationary stance, particularly as Germany had been a strong advocate of the central banks having extensive independence – during the preparations leading to the Maastricht Treaty, for example. In the end, the legislator also decided against introducing a parliamentary entitlement to make recommendations concerning improvements to the efficiency of the Deutsche Bundesbank.

The ensuing new provision in section 26 (4) of the Bundesbank Act relating to cost accounting means that a previous recommendation of the Federal Court of Auditors (*Bundesrechnungshof*) is established in law, although, as far as its organisational structure permitted, the Bundesbank had already put this into practice. The additional requirements relating to the forwarding of documentation on the cost account to the Federal Ministry of Finances, the Federal Court of Auditors and the Bundestag, as established in section 26 (5) of the Bundesbank Act, is intended to contribute to enhancing cost transparency.

Technical adjustments of the Bundesbank Act

With regard to the amendments of a technical nature in the Seventh Act amending the Bundesbank Act, a distinction needs to be made between provisions arising from the changeover of the German legal system to the euro and provisions clarifying the tasks incumbent on the Deutsche Bundesbank pursuant to the EC Treaty and the Statute of the ESCB.

Converting capital and reserves to euro

Owing to the need to convert the legal acts to euro, in section 2 of the Bundesbank Act, the Bundesbank's capital of five billion Deutsche Mark has been converted to euro and rounded to €2.5 billion. A similar amendment is made to the provisions of section 27 of the Bundesbank Act, which stipulates how profits are to be distributed. Therefore, the amount of the statutory reserves quoted in

section 27, number 1, of the Bundesbank Act has been changed from 5 billion Deutsche Mark to €2.5 billion and that part of the net profit up to the maximum amount of 500 million Deutsche Mark which may be transferred to the statutory reserves has been converted to euro and rounded to €250 million.

The rounding of the Bank's capital and the reserves means that the Bank's own funds have been reduced by just under €113 million. Pursuant to the transitional provision of section 45 (3), third sentence, if the first annual accounts following the entry into force of the new Act show that the full amount which may legally be held as reserves has been reached, the Bank's net profit will be increased by this amount.

In section 35 of the Bundesbank Act, which deals with the unauthorised utterance and use of monetary tokens, the words "Deutsche Mark" are replaced by the word "euro". With regard to the issue of liquidity paper established in section 42 of the Bundesbank Act, the amount of 50 billion Deutsche Mark is converted to euro and rounded to €25 billion.

Managing the official foreign reserves and contributing to the stability of the payment and clearing systems

By virtue of the Seventh Act amending the Bundesbank Act, section 3 of the Bundesbank Act provides for the holding and managing of the official foreign reserves of the Federal Republic of Germany, in particular gold and foreign currency, to be included in

the tasks of the Deutsche Bundesbank. This central bank activity, which was not previously referred to explicitly in the Bundesbank Act, is one of the basic tasks of the ESCB pursuant to Article 105 (2), third indent, of the EC Treaty and Article 3.1, third indent, of the Statute of the ESCB. In addition, section 3 of the Bundesbank Act now clarifies the duty of the Deutsche Bundesbank to contribute to the stability of the payment and clearing systems. The Act thus takes account of the provision in Article 105 (2), fourth indent, of the EC Treaty and Article 3.1, fourth indent, of the Statute of the ESCB, under which one of the basic tasks of the ESCB is to promote the smooth operation of payment systems.

The Deutsche Bundesbank's transactions with credit institutions and other market players

Section 19 of the Bundesbank Act contains a completely reworked description of the Bank's area of business, taking account of the monetary policy provisions of the Statute of the ESCB and of the relevant requirements of the Governing Council of the ECB. Accordingly, the previous restriction of the Deutsche Bundesbank's business activities to credit institutions in the area in which the Bundesbank Act is law has been deleted and the possible business partners extended beyond "credit institutions" to cover "other market participants".

In addition, in accordance with Article 18.1 of the Statute of the ESCB, the transactions

which the Deutsche Bundesbank is entitled to conduct with its business partners are listed in section 19 of the Bundesbank Act. These include the granting of loans backed by collateral and the buying and selling of claims, marketable securities and precious metals on the open market either under repurchase agreements or outright (spot or forward). Accordingly, it has been possible to delete section 21 of the previous version of the Bundesbank Act, which dealt with open market operations separately.

The previous provision listed eligible collateral in detail; this is no longer the case. In addition, the collateral may be sold in future as soon as the maturity is reached rather than only when the debtor defaults. The ways in which this collateral may be realised now include appropriation and the Bundesbank is entitled to use these assets not only in the event of insolvency proceedings being instigated against the debtor, but also in the event of a previous security measure taken in respect of the debtor (in particular, section 46a of the Banking Act). Given the cross-border use of eligible assets in the "correspondent central banking model", it is made clear that the selling options are also to apply if the Deutsche Bundesbank sells on behalf of another member of the ESCB. Given the ESCB's monetary policy instruments, which provide for a deposit facility and fixed-term deposits, the option of accepting deposits other than giro account deposits has been added.

Annex

Organisational statute of the Deutsche Bundesbank³

I General provisions

Article 1

- (1) The Governing Board (hereinafter referred to as the Board) shall have joint responsibility for governing and managing the Bank.
- (2) The Board shall advise the President of the Deutsche Bundesbank in his capacity as a member of the Governing Council and the General Council of the ECB.
- (3) The Board shall decide how the responsibilities are to be allocated to its members (schedule of responsibilities); a decision of this kind should only be taken if all members are present and may not be taken without the President's approval. The individual members of the Board shall each assume responsibility for the operational areas entrusted to them.
- (4) The allocation of responsibilities shall not exempt any member of the Board from the joint responsibility of managing the Bank's business. The members of the Board shall acquaint themselves promptly with all important decisions and business matters and keep themselves up to date in these matters so that each member is in a position to present his opinion on important business issues at the appropriate time.
- (5) The schedule of responsibilities shall establish the system of representation of the members

of the Board. If the member of the Board concerned is temporarily absent, policy decisions and organisational changes may not be made by his alternate without a compelling reason.

- (6) In matters affecting the areas of responsibility of more than one member of the Board, the Board members concerned must confer with one another. As an exception, a Board member may act independently if, in accordance with dutiful discretion, this appears necessary in order to avoid the imminent risk of the Deutsche Bundesbank being put at a disadvantage. The measure is to be pursued only as far as this is necessary in order to prevent such disadvantages being incurred. The Board member affected by but not involved in this matter is to be informed immediately.
- (7) The standard cost account and the investment plan shall be subject to a decision of the Board.

II Meetings and decisions of the Board

Article 2

- (1) Board meetings shall be convened by the President of the Deutsche Bundesbank. The Board shall generally meet once a week. In addition, meetings shall be convened if requested by at least two members of the Board.
- (2) Each member of the Board may call for a particular matter, even if it is not part of his oper-

³ Decision of the Governing Board of the Deutsche Bundesbank of 8 May 2002 pursuant to section 7 (1), third sentence, of the Bundesbank Act.

ational area, to be discussed at a Board meeting.

- (3) Decisions relating to the preparation of the annual accounts, the standard cost account and the investment plan should only be taken if all members of the Board are present.

Article 3

- (1) Board meetings shall be chaired by the President or the Vice-President. If neither the President nor the Vice-President is able to attend, the member of the Board with the longest period of service in the supreme governing body of the Deutsche Bundesbank shall take the chair.

- (2) The Board shall have a quorum if at least half of its members are present.

- (3) Decisions may be taken by a written, telephone or electronic voting procedure, unless more than two members object.

- (4) The Board shall take its decision by a simple majority of votes. In the event of a tie, the chairman shall have the casting vote. No decision with regard to the allocation of responsibilities among the members of the Board may be taken without the President's approval.

- (5) Voting on decisions of the Board in matters which concern a member of the Board shall be by secret ballot. Each member of the Board may apply for voting on other matters to be by secret ballot.

- (6) If matters relating to a member of the Board are discussed, this member may also present

his opinion but shall not participate in the discussion or decision-taking.

Article 4

The contracts concluded between the Board and the members of the Board shall be signed on behalf of the Board by the President of the Deutsche Bundesbank and one other member of the Board; the contract concluded with the President shall be signed by the Vice-President and one other member of the Board.

III Committees

Article 5

The Board may set up committees for the purpose of giving advice, ensuring coordination and preparing decisions.

IV Central Office departments

Article 6

The Central Office departments (*Zentralbereiche*) shall be responsible for carrying out the tasks assigned to them by the Board and shall report to the Board via the member of the Board in charge of them. The Board shall decide on the establishment of service centres (*Servicezentren*).

V Regional Offices and branches

Article 7

The Regional Offices (*Hauptverwaltungen*) shall be managed by a President and shall be responsible for carrying out the tasks assigned to them by the Board in keeping with the latter's instructions.

They shall report to the relevant Central Office department.

Article 8

The Board shall decide on the establishment and closure of branches (*Filialen*). The branches shall report to the superordinate Regional Office.

VI Miscellaneous

Article 9

A global figure for the full remuneration of the serving members and the former members of the Board and of the Directorate of the Deutsche Bundesbank, of the Central Bank Council and of the

Directorate of the Bank deutscher Länder and of the Executive Boards of the Land Central Banks, including their surviving dependants, shall be reported in the Annual Report of the Deutsche Bundesbank.

VII Transitional provisions

Article 10

Wherever reference is made in legal acts and internal regulations of the Deutsche Bundesbank to the Central Bank Council of the Deutsche Bundesbank, to the Directorate of the Deutsche Bundesbank or to the Presidents or Executive Boards of the Land Central Banks, this shall be read as the Governing Board of the Deutsche Bundesbank.