

## **COVER SHEET**

# **Parliamentary Act No. 116, dated 24 November 2016, on the Governmental Bank of the Faroe Islands and the Faroese Risk Council**

**Gjaldstovan  
Ministry of Finance**

**November 2016**

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This is an unofficial translation of Parliamentary Act No. 116, dated 24 November 2016,  
on the Governmental Bank of the Faroe Islands and the Faroese Risk Council [Løgtingslóg um Landsbanka Føroya og Føroya  
váðaráð].

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**Parliamentary Act  
on the Governmental Bank of the Faroe Islands  
and the  
Faroese Risk Council**

Pursuant to ratification by the Parliament of the Faroe Islands, the Prime Minister hereby affirms and promulgates this Act of the Faroese Parliament:

**Article 1  
Governmental Bank of the Faroe Islands**

§ 1

1. The Governmental Bank of the Faroe Islands [hereinafter, Governmental Bank] is the financial institution and analysis agency of the Government of the Faroe Islands that endeavors to ensure the financial stability of the Faroe Islands.
2. The Governmental Bank is an autonomous public institution that operates independently of the political system.

*Organizational Structure*

§ 2

1. <sup>1</sup>The Governmental Bank is under the management of a Board of Governors and a Managing Director.
2. <sup>1</sup>The Board of Governors is comprised of five (5) members, whom the Minister of Finance appoints for a term of three (3) years and may reappoint at most four (4) times. When a member has not served on the Board of Governors for a full three-year term, said member may be reappointed. The Minister of Finance shall appoint members of the Board of Governors following a recommendation from the Executive Board of the University of the Faroe Islands. The Minister of Finance shall appoint the Chair.
3. <sup>1</sup>At least three (3) members of the Board of Governors shall be economists with a masters degree (*kandidat*) from a higher education institution. The members shall have professional competence in one or more of the following areas of expertise:
  - 1) Economics.
  - 2) Finance and credit rating.
  - 3) Faroese business and industry.
  - 4) Special insight and understanding of the Faroese financial sector or the economy of the Faroe Islands.
4. <sup>1</sup>Considered as a whole, the competences of the members of the Board of Governors shall encompass all of the areas referenced in § 2 paragraph 3 points 1 to 4.

5. <sup>1</sup>Individuals who are likely to repeatedly be disqualified, pursuant to Chapter 2 of the Administrative Act, during the review of a particular case or issue before the Board of Governors may not serve on the Board of Governors.
6. <sup>1</sup>No member of the Board of Governors may be employed within the administration of any government minister or in the Governmental Bank.

§ 3 The Board of Governors shall appoint and dismiss the Managing Director.

§ 4

1. The Board of Governors shall establish the regulations and procedures governing the activities of the Board and the Managing Director.
2. The Board of Governors shall stipulate the requisite terms and conditions governing how the liquidity of the government shall be managed.
3. The Board of Governors shall stipulate the terms and conditions governing the management of the governmental debt.

§ 5 The Board of Governors shall ensure that the Governmental Bank follows the rules and regulations in effect for public government institutions.

*Financial Activities of the Governmental Bank of the Faroe Islands*

§ 6 The Governmental Bank is the governments financial institution. The municipalities and public trusts or foundations may use the Governmental Bank as a bank.

§ 7 The governments liquidity and debt shall be administered by the Governmental Bank pursuant to specific regulations promulgated by the Board of Governors.

§ 8 The Governmental Bank may rais funds in the Faroe Islands and abroad.

§ 9

1. The Governmental Bank administers the assets and debt of the government. The Governmental Bank may administer the assets and debt of the municipalities and public trusts or funds.
2. In those situations in which the Governmental Bank administers certain assets and debt, the Managing Director shall prepare and document the issue(s) upon which a decision must be taken.

§ 10

1. The liquidity of the government shall be administered by the Governmental Bank pursuant to the terms and conditions stipulated by the Board of Governors.
2. The administration of the government's liquidity shall ensure the following goals are achieved:

- 1) that the government always has the necessary liquidity available so that it can meet its debt obligations,
  - 2) that the government's liquidity is administered well, paying due regard to fiscal security, such that the cumulative risk, relative to the liquidity and economy of the country, shall be minimized as much as possible, and
  - 3) that the government's liquidity shall earn returns consistent with market rates and conditions.
3. The government's liquidity encompasses all the liquidity of all the government's respective administrations, all the government's institutions and agencies, etc. governed by § 2, paragraph 1 of Parliamentary Act on the National Public Accounts, etc.
  4. Further, the country's liquidity encompasses the country's cash-on-hand, deposits in financial institutions, undrawn credit in financial institutions, and non-mortgaged securities.

§ 11 -

1. The Minister of Finance shall ensure that the government's liquidity corresponds to at least 15% of the gross domestic product of the previous year.
2. <sup>1</sup>In the case of repayment or refinancing of a Treasury loan, derogations may be made from the requirement in § 11 paragraph 1 until the following Treasury loan is due for repayment. In such cases the government's liquidity may, however, not fall below 13% of the foregoing year's gross domestic product.
3. <sup>1</sup>In August of each year, the Board of Governors shall stipulate the amount referenced in paragraph 1.
4. <sup>1</sup>In the event that the government clearly cannot meet the requirements stipulated in paragraph 1, the Board of Governors shall recommend to the Minister of Finance to increase the government's liquidity and the deadline by which such action shall be taken.
5. <sup>1</sup>Government institutions may not place funds, borrow or engaged in financial derivative instruments or undertake similar financial decisions without permission from the Governmental Bank.

§ 12 With due regard to § 4, the Board of Governors shall develop an investment strategy for the placement of the government's liquidity. The investment strategy shall be publicly available.

§ 13

1. The Governmental Bank administers the government's debt instruments. The Governmental Bank shall undertake these pursuant to instructions from the Board of Governors.

2. Debt instruments can only be entered into upon the signature of the Minister of Finance, based on relevant authority granted by law.
3. The government's debt terms shall reflect market conditions.
4. The Governmental Bank shall be responsible for the day-to-day management of the government's debt instruments, pursuant to stipulated instructions from the Board of Governors consistent with § 4, paragraph 3.

*Analysis Activities of the Governmental Bank of the Faroe Islands*

§ 14

1. The principal mission is to conduct financial risk assessments and analyses.
2. The area of responsibility encompasses the supervision and analysis of economic conditions with particular focus on the risks associated with the financial system, as well as other areas of the economy that could impact the financial stability of the country as a whole.

*Authority to Collect, Review and Disseminate Information*

§ 15

1. The Governmental Bank may collect, review and publicly disseminate statistical data relative to its respective areas of operation and shall use said statistical data as deemed necessary to carry out its prescribed goals and purposes, pursuant to § 1.
2. The Governmental Bank may request legal and natural persons, government institutions / agencies, trusts / funds, government-owned corporations, municipalities and municipal associations, etc. to submit by a date certain any information within their purview that is deemed relevant and necessary to the respective areas of responsibility of the Governmental Bank. These entities include:
  - 1) Legal and natural persons domiciled in the Faroe Islands operating as financial and insurance institutions.
  - 2) Legal and natural persons domiciled in the Faroe Islands who have operations other than those referenced in paragraph 2, no. 1.
  - 3) Legal or natural persons domiciled in the Faroe Islands who issue or own securities, or engage in the trade or clearing or management of financial instruments.
  - 4) Departments and / or subsidiaries, etc. of financial institutions domiciled in the Faroe Islands that are not deemed to be legal or natural persons, but otherwise fall under the definitions stipulated in nos. 1 - 3.

§ 16

1. The Governmental Bank may further distribute all said statistical data or information to the extent required or with as much detail as deemed necessary to carry out its work in its respective areas of responsibility to the Risk Council, the statistics authority and other government agencies that work to ensure the financial stability of the country.
2. Information that may be distributed pursuant to paragraph 1 includes all information that makes it possible directly or indirectly to identify individually those entities, etc. referenced in § 15, paragraph 2.

*Financial Conditions*

§ 17 - <sup>1</sup> (Deleted).

1. <sup>1</sup>(Deleted)
2. <sup>1</sup>(Deleted).
3. <sup>1</sup>(Deleted).
4. <sup>1</sup>(Deleted).

§ 18 -

1. The Governmental Bank is financed by an appropriation from the annual budget adopted by the Parliament.
2. <sup>1</sup>(Deleted).
3. <sup>1</sup> (Deleted).

§ 19 The accounts of the Governmental Bank shall be audited by the National Audit Office.

§ 20 As a public governmental institution, the Governmental Bank is exempt from all taxes and fees.

**Article 2**  
**Risk Council of the Faroe Islands**

§ 21 The Risk Council of the Faroe Islands [hereinafter, Risk Council] is the government authority that shall be responsible to identify and maintain supervision of systemic financial risks in the Faroe Islands.

*Organization*

§ 22

1. The Risk Council is comprised of five (5) members and five (5) alternate members.
2. The Prime Minister shall select the members and alternate members of the Risk Council upon the recommendation of those government institutions responsible for ensuring the financial stability of the country. Members shall be appointed for a term of four

(4) years and may be reappointed at most three (3) times. In the event that a member does not sit on the Council for a full four-year term, said individual may again be recommended in the same manner as other members. The members shall be selected thus:

- 1) The Governmental Bank shall recommend two (2) members and two (2) alternate members. One shall be the Managing Director of the Governmental Bank, who shall serve as the chairman or chairwoman of the Council. The other individual shall be a specialist / recognized expert in finance.
- 2) The Economic Council shall recommend one (1) member and one (1) alternate member, who shall be an independent professional with specialized knowledge in the area of finance, and
- 3) The Minister of Finance shall recommend two (2) members and two (2) alternate members with special knowledge and experience encompassing executive policy within the area of finance.

*Official Duties and Responsibilities of the Risk Council*

§ 23

1. The Risk Council of the Faroe Islands has responsibility for the following:
  - 1) identify and maintain supervision of systemic financial risks in the Faroe Islands,
  - 2) publish its observations regarding systemic financial risks within the financial system of the Faroe Islands, pursuant to, however, paragraph 2,
  - 3) issue warnings about increasing risks within the financial system of the Faroe Islands, pursuant to, however, paragraph 2,
  - 4) issue recommendations on initiatives that could minimize or avert systemic financial risks in the financial system of the Faroe Islands, pursuant to, however, paragraph 2, and
  - 5) issue pronouncements on the financial systemic risks of the Faroe Islands.
2. The Risk Council may promulgate its observations, warnings, recommendations and pronouncements pursuant to paragraph 1, nos. 2-5 on the financial conditions that are relevant to the governmental areas of responsibility of the Faroe Islands and issue said announcements pursuant to paragraph 1, no. 5 on the financial conditions that are relevant to governmental areas of responsibility within the areas of finance controlled by the Kingdom of Denmark.
3. Warnings and recommendations, pursuant to paragraph 1, nos. 3 and 4, on the financial conditions relevant to the areas of responsibility controlled by the Faroese

Government, shall be submitted to the relevant Faroese executive authority. If said warnings or recommendations extend to desired legislation or amendments to legislation related to said areas of responsibility, the warnings and recommendations shall be submitted to the respective Faroese executive ministry.

4. Pronouncements pursuant to paragraph 1, no. 5 on financial conditions relevant to the areas of responsibility relative to the financial areas controlled by the Kingdom of Denmark shall be submitted to the Danish Systemic Risk Council [Det Systemiske Risikoråd], concurrent with notice to the Faroese Government.
5. The Risk Council may decide to disseminate its observations, warnings, recommendations and pronouncements upon a simple majority.
6. In the event that said observations, warnings or recommendations are in opposition to one or more executive authorities of the Faroese Government, the member(s) representing said authorities, pursuant to § 22, paragraph 2, may not vote, but should provide their own report on the relevant circumstances.
7. The observations, warnings and recommendations, relative to paragraph 1, nos. 2 – 4, should be published publicly. Exempted are those warnings or recommendations that are deemed to potentially have a negative impact on the financial stability. Such warnings or recommendations are then submitted to the relevant Faroese government authority in confidence and shall not be made public.
8. Pronouncements to the Danish Systemic Risk Council and notice to the Faroese Government, pursuant to paragraph 4, shall not be made public.
9. The Faroese authorities that receive a recommendation from the Risk Council shall, no later than three (3) months after receipt, either implement the recommendation or in writing provide the reasons why the recommendation shall not be followed.
10. The Faroese authorities and companies shall provide the Risk Council relevant information, hereunder information on an individual financial institution, etc., and provide the relevant documentation, etc. upon notice from the Risk Council in the event that the Risk Council believes that said information is necessary relative to its respective areas of responsibility.

§ 24 The Governmental Bank shall provide administrative services to the Risk Council. The government authorities in the area of finance shall participate in this work.

### **Article 3**

#### **Penalties, Confidentiality and Entry into Effect**

§ 25

1. Individual entities, etc. referenced in § 15, paragraph 2, may be punished by a fine in the event that they do not submit to the Governmental Bank in a timely manner the



requested information, or willfully or through gross negligence submit to the Governmental Bank incorrect or misleading information.

2. Companies and other legal entities shall be punished pursuant to the provisions of Article 5 of the Penalties Act.

§ 26 Pursuant to § 152 and §§ 152c-152f of the Penalties Act, individuals employed by the Governmental Bank shall be held accountable to maintain the confidentiality of any confidential information that they may gain knowledge of during the course of their work. The same is applicable to individuals assisting or otherwise providing services to the Governmental Bank. This restriction also remains applicable and extends after a specific period of employment, etc. is concluded. Paragraphs 1-3 are also applicable for members of the Risk Council that generate reports containing confidential information obtained through the activities of the Council, pursuant to § 354, paragraph 1 and 7 on the law governing financial activities.

§ 27

1. This Act of Parliament shall enter into effect on 1 January 2017.
2. §§ 2-5 enter into effect on 1 October 2016.
3. The Minister of Finance shall stipulate by executive order when Article 2 of this Act shall enter into effect. The executive order shall be promulgated no later than 1 July 2017.
4. Parliamentary Act No. 140, dated 20 December 2012, on the administration of the government's liquidity and debt shall be rescinded on 1 January 2017.

At Tinganes, 24 November 2016

/ Signature/

**Aksel V. Johannesen**  
Prime Minister

Parliamentary Bill No. 8/2016

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<sup>1</sup> Amended by Faroese Parliamentary Act No. 73 dated May 5<sup>th</sup> 2021.