Rules of procedure for the board of the Governmental Bank

General Rules

According to § 4, subsection 1 of the Parliamentary Act no. 116 dated 24 November 2016 on the Governmental Bank of the Faroe Islands and of the Faroese Systemic Risk Counsil, the Board establishes rules governing the work of the Board and its Chief Executive Officer (CEO). These Rules of Procedure are valid once adopted by the Board.

These Rules og Procedure may be amended upon proposal by Board members, provided a majority supports the proposed amendment. Amendments come into force once approved by the Board.

The purpose of The Governmental Bank's is to promote financial stability in the Faroe Islands. Financial stability means that the financial system as a whole is sufficiently strong and resilient to withstand difficulties, so that problems which arise do not spread uncontrollably within the system, thereby ensuring fundamental services for citizens, businesses, and the public sector. The Governmental Bank fulfills this purpose by operating as a public financial and analytical institution. The Bank's financial activities are further specified in §§ 6–13 of the Act of Governmental Bank, and its analytical tasks in §§ 14–15 and § 24 of the Act.

Board

Composition of the board:
According to § 2, subsection 2, the Board consists of 5 members, appointed by the Minister of Finance for 3 years.

According to § 2, subsection 2 the Minister of Finance appoints the Chairman.

No Board member may be in management or sit on the board of a financial institution or insurance company.

The Board may permit the CEO and executive staff to serve as board members of public or semi-public institutions. Each case must be decided individually.

Quorum:
Board meetings are quorate when 3 of the 5 members are present. All matters are decided by simple majority. In the event of a tie, the Chairman has the casting vote.

Board meetings:
The Chairman ensures that board meetings are held, whenever necessary and at least once every quarter. A Board meeting must always be held if requested by any Board member.

The CEO calls board meetings on behalf of the Chairman. This is done through email.

Board meetings should, if possible, be notified at least 7 days in advance. Agendas and material must, as far as possible, be sent out with the meeting notice.

If a Board member is unable to attend the regular meetings in person, the meeting may be held electronically, e.g. via Teams or Skype.

The Board may hold special (ad hoc) meetings via Teams, in between the scheduled Board meetings, as needed, to coordinate work or discuss specific current matters. Invitations to such meetings are sent via Teams or email.

The Chairman leads board meetings.

Minutes

The Board ensures that minutes are kept of all matters handled by the Board.

The minutes must include:

- The agenda for the meeting
- The decisions taken on each item
- A list of Board members attending the meeting[1] and
- The date of meeting

The Cairman is responsible for ensuring that the minutes are written and presented for the Board members to sign. By signing, Boardmembers confirm their approval of the minutes. If a Board member disagrees with a Board decision, this must be noted in the minutes if requested.

Board members who were absent at a meeting, must later confirm that they have read the minutes.

The minutes shall be maintained electronically. Signed minutes and related documentation shall be scanned and stored in the Governmental Bank's records system. The decision-making basis for each matter shall likewise be stored in the system.

Appointment of CEO and executive staff

The Board appoints and dismisses the CEO. The Board approves hiring and dismissal of executive staff in the Governmental Bank. The Board approves the terms of employment for executive staff.

Chief Executive Officer (CEO)

The CEO is responsible for the administration and day-to day operations of the Governmental Bank in accordance with the Act about the Governmental Bank and the Board’s decisions. The work also includes serving as the secretariat for the Systemic Risk Counsil and the Economic Council.

The CEO makes recommendations to the Board and prepares the matters, that the board discusses or decides on.

Matters requiring urgent decisions shall be circulated electronically to all Board members. If the majority supports the CEO’s recommendation, the Chairman works further on the matter together with the administration.

[1] A board member participating via telephone, Skype, or similar, is considered present at the meeting.

No later than 31 March each year, the CEO shal present to the Board the financial statements (not yet audited) and a report on the Governmental Bank's previous year's work.

The CEO appoints and dismisses staff in the Governmental Bank. The Board must approve hiring of executive staff.

The CEO and a staff member together bind the Governmental Bank. The board must be informed about any binding commitment above 1 million DKK.

The CEO may not hold leading positions in private companies or business enterprises.

Assets and debt of the Government

According to the Governmental Bank Act, the Bank manages the assets and debt of the government. The Board adopts an investment strategy for the placement of national liquidity and a debt strategy for borrowing. The investment strategy is public. The Board also establishes more detailed rules concerning government debt, including borrowing and debt management. The CEO prepares matters relating to assets and debt and submits them to the Board for consideration. The CEO informs the Minister of Finance about the Board's decisions.

Accounting matters

The Governmental Bank's accounting year follows the calendar year.

The Auditor General audits the Bank's accounts. Accounting records are maintained in the government's accounting system (Búskaparskipan Landsins). The Board reviews the auditor's report and any comments arising from it.

Accounting instructions shall be prepared for the bank. In accordance with article 4, subsection 3 of the Government Accounts Regulation, the Ministry shall approve the accounting regulation.[2]

The administration prepares reports for the Board, in accordance with detailed instructions from the Board.

The Governmental Bank shall establish internal control in line with the requirements set by the Board and the activities carried out by the bank.

The Board ensures that the Governmental Bank follows public regulations applicable to public institutions.

Systemic Risk Counsil

The Governmental Bank serves as the secretariat for the Systemic Risk Counsil.

[2] The accounting instructions are sent to the Ministry of Finance for approval on the 11th of July 2022

The Economic Council

The Governmental Bank serves as the secretariat for the Economic Council. The administration prepares economic outlook reports and thematic reports for consideration by the Economic Council.

Who may speak on behalf of the Governmental Bank

The CEO speaks on behalf of the Governmental Bank. The Chariman of the Board may also speak on behalf of the Governmental Bank.

Conflict of Interest

A Board member shall not participate in matters in which they have a particular personal interest. If there is any doubt as to whether a Board member is ineligible or not, the board member shall be considered ineligible. Reference is also made to §3 about conflict of interest in the Parliament Act No. 132 dated 10th of June 1993 on the Administration Act.

Confidentiality

Members of the Systemic Risk Counsil, employees of the Governmental Bank, assistants, and others working for the Governmental Bank are obliged (under liability according to §152 and §§152c-152f of the Penal Code) to keep confidential any sensitive information they acquire through their work. This obligation also applies after the period of employment or service has ended. The Board members are bound by the same confidentiality requirements.

Board of the Governmental Bank

Tórshavn, __ / __ - ____