

REPORT 2018

Corporate Report



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The Bank aims to serve the community efficiently also in the years ahead, and to be worthy at all times of the trust that citizens, businesses and the government place in it.





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This chapter of the Corporate Report should be read in the light of the developments and trends described in the 2018 Report on economic and financial developments and prudential legislation and supervision. Similarly, it may prove useful to refer to the list of abbreviations contained in that Report when reading this chapter.





1. The National Bank as an enterprise

The National Bank of Belgium (the NBB) performs an impressive number of tasks. It does so on behalf of Belgian and international authorities, and in the service of the community.

In performing its tasks the Bank enjoys a high degree of independence, largely guaranteed by European legislation. That independence logically leads the Bank to strive for efficiency in carrying out its work, and entails a duty of accountability in relation to the government and the general public.

In view of the tasks entrusted to it and given that the reference framework in which it operates is constantly evolving in both legal and technological respects, the stakeholders rightly expect the Bank to adapt appropriately, as an enterprise, to that constantly changing environment. The Bank also aims to serve the community efficiently in the years ahead, and to be worthy at all times of the trust that citizens, businesses and the government place in it.

Section 1.1. of this *Corporate Report* reviews a number of key events which influenced the operation of the Bank in 2018. Section 1.2 explains how the Bank is adapting its organisation and its workforce to the changing needs, and section 1.3. illustrates the commitment to society of the National Bank of Belgium as an enterprise.

The National Bank of Belgium, an institution with multiple roles

The National Bank of Belgium primarily performs tasks in the general interest, at both Belgian and European level, and even worldwide. Some of those tasks form part of the traditional functions of a central bank, such as:

- issuing and withdrawing banknotes (on behalf of the Eurosystem) and coins (on behalf of the Belgian Treasury);
- helping to define the Eurosystem's monetary policy and implement monetary policy decisions;
- conducting scientific research in the economic and financial sphere at the level of Belgium, the euro area and the whole world. That research supports both the decisions of the Bank itself and the policies of the federal government and other levels of Belgian government;
- drawing up the Belgian balance of payments, financial accounts and statistics on financial markets and institutions;
- macroprudential supervision;
- oversight, within a European framework, of financial infrastructures based in Belgium;
- managing, within a European framework, the system of settling central bank transactions, wholesale interbank transfers in euro and other euro-denominated transfers;
- advising the government on both general and specific matters.



In connection with the above activities, the Bank has an ever-increasing number of representatives as members of **international bodies** such as the IMF, the Bank for International Settlements, the OECD, the ECB, the Single Supervisory Mechanism, the three European supervisory authorities, etc. The Bank also assists the Belgian government, for example in connection with the European Council of Ministers.

Printing banknotes has long been one of the Bank's core activities, but since it is evidently more efficient to buy them in, the Bank will terminate its printing activities during 2019. From then on the Bank will purchase banknotes jointly with the Portuguese and Austrian central banks.



Over the years, the government has entrusted **other tasks** to the National Bank, in addition to the ones listed above, giving it a unique role compared with the other banks in the Eurosystem:

- acting as State Cashier (since the Bank was founded in 1850);
- exercising microprudential supervision – whether or not jointly with the competent European authorities – over credit institutions, stockbroking firms, clearing and settlement institutions, electronic money institutions and insurance companies;
- performing the tasks of the national resolution authority within the Single Resolution Mechanism of the banking union;
- ensuring the continuity of the financial sector in Belgium and overseeing crisis management;
- drawing up the national and regional accounts;
- compiling statistics on public finances;
- managing a system of collecting and publishing the annual accounts of almost all legal entities in Belgium;
- operating the Central Individual Credit Register, the Central Corporate Credit Register and the Central Point of Contact (CPC);
- analysing microeconomic data on businesses, branches of activity, and economic operators in general;
- operating a securities settlement system for fixed-income financial assets.

The Bank likewise aims to make an active contribution to **financial education** in Belgium. That is why it runs a museum/visitor centre accessible to the general public.



Maintaining economic relations with the country's leading socioeconomic players (employers, workers' representatives, chambers of commerce, professional organisations, the academic world, local authorities, etc.) is and remains one of the Bank's principal tasks. In that connection it provides the secretariat for the Belgian Financial Forum which arranges conferences, debates and symposiums in Brussels and in its 15 regional committees. The Forum aims to stimulate financial and economic discussion, to offer a place where professionals, the authorities, the academic world and businesses can meet, and to serve as an instrument for disseminating knowledge and information in the economic and financial sphere.



2018



Radical reorganisation of the National Bank's cash-related activities



Monetary policy and research remain very important, including within the Eurosystem



Statistics form the backbone of decision-making



Microeconomic information used according to changing needs



Real-time payments via the ECB platform



The Bank and the world



Financial supervision



Resolution



Crisis management in the financial sector

1.1 Highlights



Radical reorganisation of the National Bank's cash-related activities

Historically, banknote issuance (placing notes in circulation, and their withdrawal and verification) has been an essential task of central banks. Even today, banknotes are still an important means of payment and saving. At the end of 2018 there were more than 22.6 billion euro notes in circulation, worth a total of € 1 231 billion. Since the introduction of the euro notes at the beginning of 2002, the currency in circulation has maintained a steady upward trend.

A new cash centre

Management of the circulation of banknotes and coins is the Bank's primary material activity. The Bank constantly strives to ensure that this logistical process

runs as efficiently and securely as possible. The current location of the Bank's cash centre on the premises of its head office in the heart of Brussels does not permit further automation of cash-related activities. Moreover, in the longer term the current cash centre cannot be made secure in accordance with the recommended international standards. The heavy traffic in the city also makes it difficult for cash transporters to gain access to the cash centre.

Further automation of cash-related activities is not possible in the Brussels premises

During 2018 the Bank therefore decided to acquire a site on the outskirts of the capital. A new, modern cash centre satisfying all the new standards is to be built on an industrial site at Asse (or at Zellik, to be precise).



First project sketch of the new cash centre, Zellik

The choice of location took account of various criteria: the environment, and the size, accessibility, security potential and, of course, the prices of the various sites were compared. The chosen site is immediately adjacent to the motorway network. Furthermore, the logistical centres of the main cash transporters are located within just a few kilometres.

The new infrastructure permits further automation of the logistical process involved in placing banknotes and coins in circulation. Consequently, the work will be less labour-intensive and more efficient.

The Bank's last establishments outside Brussels have closed down

In line with the radical reorganisation of the logistical process of currency circulation, the Bank has continued to centralise its cash-related activities.

During 2018 the National Bank closed down its last two branches outside Brussels. The Kortrijk branch closed its doors at the end of the day on 30 November, and the Liège branch shut down on 31 December. The Bank will continue to provide the same services for the general public from the banking hall at its headquarters in Brussels.

Further dismantling of the printing works' activities

In 2018, the Bank continued its preparations for ending banknote production in 2020, as previously announced. Within the Eurosystem, the Bank will remain involved in the production of banknotes and will continue to take on a number of the corresponding tasks.

BOX 1

The presence of the National Bank outside the capital

When it was founded in 1850, the National Bank – “of Belgium” only being added later – had been tasked with opening an agency in each of the country's 52 judicial districts, providing the State Cashier service in each one. The institution also had to open a discount office in each provincial capital, in order to offer cheap short-term credit. In practice, the Bank opened 24 agencies, 17 of which were taken over from the Société générale de Belgique, a private financial institution which had been founded in 1822. At its peak, in the inter-war years, the Bank's national network comprised 43 establishments, including the headquarters in Brussels and a branch in Luxembourg city.

The activities of the branches changed over the years. Some new tasks were introduced while others disappeared. Apart from their functions as State Cashier and discount office, the branches long played a role in placing banknotes and coins in circulation, and organised and housed clearing centres for interbank payments, but they also acted as regional branches of the Central Balance Sheet Office and the Central Individual Credit Register. In addition, the branches helped to maintain good contact between the Bank and a panel of business managers who assessed the economic situation for the purpose of the monthly business surveys.

The corporate culture of the branches always featured versatility and willingness to serve entrepreneurs and the general public. In addition, the regional representatives were always the Bank's ambassadors in





economic circles in their region, and the branches provided the secretariat for the local committees of the Belgian Financial Forum.

From the 1970s, the activities of the branches began to diminish, partly because financial institutions started organising their cash transport in other ways. Consequently, the number of branches also began to decline. Those that remained continued to play an important role when the Belgian franc was replaced by the euro notes and coins, but the network subsequently dwindled. At the end of 2018, the last two branches – in Liège and Kortrijk – closed down.

Citizens wishing to exchange damaged or soiled banknotes or coins can still go to the banking hall at the Bank's headquarters on any working day, and they can likewise still exchange Belgian franc notes for euros. When the Bank transfers its cash handling activities to its new cash centre in Zellik, it will still be possible to exchange cash at its counters.

The Bank also continues to invest in its relationship with the Regions. Every year, the NBB and the Belgian Financial Forum organise a large number of events relating to financial and economic activities in the country's principal cities.



Monetary policy and research remain very important, including within the Eurosystem

Economic research, a team sport

As a result of ever-increasing globalisation and innovations, the operation of economies and financial markets is becoming steadily more complex. For the authorities in charge of economic policy, those changes all represent a challenge to which they must

of course adapt, but to which they must above all respond by making an effort to understand them. That is why central banks in general are devoting ever greater effort to economic and financial analysis and research, so as to be able to fulfil their monetary and prudential responsibilities to the optimum, with a full understanding and the ability to judge correctly the consequences of their actions.

Since the beginning of the 2000s, the Bank has considerably reinforced its research capability

Since the beginning of the 2000s, the Bank has thus considerably reinforced its research capability, and that has been reflected in greater numbers of economic publications and close cooperation with the academic world, especially with Belgian universities.

These efforts regularly win awards for some of the Bank's publications or its economists. Last year was outstanding in that respect, with two prestigious awards: the Camille Gutt Foundation awarded a special prize to Ivo Maes for all his scientific and historical research on financial and monetary questions, and more particularly on the establishment of the European Monetary Union, and the European Commission's Joint Research Centre awarded the prize for the "Best policy-relevant research paper" to Olivier de Jonghe, Klaas Mulier and a co-author from outside the Bank for their article "Bank sectoral concentration and (systemic) risk: evidence from a worldwide sample of banks".

Our publications and symposiums allow others to benefit from our achievements

Every two years, the Bank's cooperation with the academic world culminates in an international scientific symposium at which the results of research on a joint

project are presented: on 25 and 26 October 2018, the theme of the symposium was "Understanding inflation dynamics: the role of costs, mark-ups and expectations"; on that occasion the Bank inaugurated a cycle of Lamfalussy Lectures with the aim of commemorating Baron Alexandre Lamfalussy at this biennial event. This Belgian citizen was the first president of the European Monetary Institute (the forerunner of the European Central Bank) and Director-General of the Bank for International Settlements. Known as one of the founding fathers of the euro, he played an active role in the process of Europe's monetary and financial unification. As a convinced European, he advocated an eclectic view of the economy in which theory and empirical analysis were combined in order to address problems of economic policy. The first Lecture was given by Mario Draghi, President of the ECB, on the subject of central bank independence.

The Bank publishes its analyses through various channels, such as the Annual Report, the Financial Stability Report, the Economic Review and the Working Papers.

In the Economic Review, the Bank's economists published 19 articles in 2018, including the traditional spring and autumn macroeconomic projections, and studies on the reform of corporate taxation,



President Mario Draghi and Governor Jan Smets, symposium 25-26 October 2018



household mortgage debt, the impact on Belgium of international trade tensions, local finances, the Chinese growth model, trends in productivity and the determinants slowing its growth, the polarisation of employment, the energy transition, and the rise of the sharing economy.

No fewer than 28 Working Papers were published in 2018. Three of them were historical, including one devoted to Alexandre Lamfalussy and another to Paul Van Zeeland, a former Prime Minister of Belgium but also the first head of the NBB's economic research department. Various papers analysed very detailed data at firm level in order to highlight the role of services in demand for goods or the way in which demand reacts to fluctuating exchange rates. A paper was also published on the impact on the level of employment of the degree of regulation on product or labour markets. A series of papers was produced for the aforesaid symposium. Others dealt with finance, such as the paper analysing the corporate bond market and the one on the way in which banks reallocate their credit in the event of a shock to their funding.

On the subject of microeconomic analysis, the Bank publishes studies in the Economic Review on the financial results of firms and on their social balance sheet. Analyses at branch of activity level and other

microeconomic or methodological research are published as Working Papers. Some of these publications are updated annually or every two years.

On 5 and 6 November 2018, the ECB, the Solvay Brussels School of Economics & Management, the École d'économie de Toulouse and the Bank organised a joint conference on the subject "Managing financial crises: where do we stand?" The aim of that event was to provide a platform for the leading policy-makers and universities for the purpose of an exchange of views on the lessons learnt from the management of the financial crisis of ten years ago.

The Bank publishes studies on firms' financial results and social balance sheets



Statistics form the backbone of decision-making

Central banks depend on vast quantities of statistical data for their economic and financial analyses; they use these analyses for their own decision-making but also make them available to government services, socio-economic organisations and the academic world.

The National Bank therefore devotes significant efforts to collecting and processing all kinds of data.

In its statistical work the National Bank goes farther than most central banks

Those data are available online to anyone who is interested: businesses, researchers, the press, etc.

The Belgian legislature has ensured that the National Bank goes farther than most central banks in its statistical work: it also draws up the national and regional accounts, and calculates the statistics on public finances and foreign trade.

The National Bank thus plays a key role in the day-to-day operation of the National Accounts Institute (NAI), which comprises the Federal Planning Bureau, Statbel, FPS Economy, SMEs, Small Firms and Energy, plus the Communities and Regions and the National Bank.

Two new macroeconomic statistics

In 2018 the NAI published two new macroeconomic statistics, after first submitting them to the European

authorities in accordance with the requirements of the data transmission programme of the European System of Accounts (ESA 2010).

In March 2018 the value of land owned in Belgium by private individuals was published for the period 1995-2016. This concerns both unbuilt and built-up land from which the value of buildings erected on it is deducted. Since the national accounts also supply information on the stock of capital held by individuals in the form of buildings constructed in Belgium and their financial assets and liabilities, we now know all the property and net financial assets of Belgian individuals, except for real estate located abroad.

In April 2018, the hours worked by employees and self-employed persons, broken down at regional level and by branch of activity, were published for the years 2003 to 2015. Knowing the volume of labour at regional level we can derive important variables for the analysis of the economic performance of the Regions. Thus, by combining the volume of labour with value added and workers' remuneration respectively, we can calculate productivity per hour worked and hourly labour costs.



Positive assessment by Eurostat

These developments thus increasingly enable Belgium to fulfil all the European obligations concerning the transmission of statistics on the national and regional accounts. For the first time, those statistics formed the subject of an annual quality report by Eurostat. That report, required by the ESA 2010 Regulation, assesses the quality of the data transmitted by the Member States via various indicators, such as compliance with the transmission deadlines, completeness, consistency of the data transmitted, revisions of the statistics (from 2019), and available documentation. In this first report which concerns data transmitted in 2016, Eurostat's appraisal of Belgium is largely positive. Similar reports by the ECB concerning Belgian contributions to the European monetary and financial statistics and to the prudential statistics are also positive overall.

Joining forces and improving working methods

Statistical reporting for the ECB on the securities portfolio of banking groups was extended in 2018: it initially concerned two Belgian banking groups, but the figure has risen to seven. Since the fourth quarter of 2018, quarterly reporting takes place via a platform (Securities Holdings Statistics Data Base – SHSDB) which the Bundesbank has developed and makes available to other ESCB central banks for the collection of data and the validation of securities reporting by banking groups in the euro area.

The Bank's staff also play an active part in the statistical work in preparation for the Euro Short-Term Rate (ESTER), which – following a trial period – will be published daily by the ECB in the autumn of 2019. This reference interest rate for unsecured overnight deposits between financial institutions is based on data collected pursuant to the directive on Money Market Statistical Reporting (MMSR).

In 2018, the Bank was actively involved in the European work on modernising Intrastat. This is the system of collecting from internationally active firms the data necessary for compiling the statistics on foreign trade in goods. This project includes the exchange of detailed data with Eurostat and the other EU Member States. To that end, and taking account

of the data's confidentiality, the IT systems and procedures for access to the data and their processing and storage were subjected to ISO 27002 certification.

The user interface of OneGate, the central system used by financial and non-financial corporations for reporting data to the Bank, was fully modernised and rolled out for its 30 000 users.

The Bank was actively involved in the European work on modernising Intrastat



Microeconomic information used according to changing needs

Since 2014, the National Bank has been in charge of organising and managing the central point of contact (CPC), intended to collect all the numbers of accounts and other types of financial contracts concluded in Belgium by resident and non-resident legal entities and individuals. It was initially designed as a purely fiscal database, but a 2016 programme-law extended the authorisation to receive the information recorded by the CPC to include various fiscal, judicial and civil institutions. A new law organises the CPC more specifically according to the new needs. It provides for the addition of certain data to be communicated, such as cash transactions, certain types of contract, and information on agents. The reporting frequency has increased from an annual snapshot to continuous updating. The growing number of communications and consultations implies that the application is being increasingly automated.

In May 2016, the ECB adopted a regulation on the collection of detailed data on credit and credit risk, also known as AnaCredit. That information is necessary for performance of the tasks of the Eurosystem, the European System of Central Banks, and the European Systemic Risk Board, notably the analysis of monetary policy, monetary policy operations, risk management, the monitoring of financial stability and macroprudential policies and research. Those data will also be useful for the prudential banking supervision specified under the Single Surveillance Mechanism. For that purpose, the Bank launched the BECRIS (Belgian Extended Credit Risk Information System) project, which aims to integrate this

The Bank has set up a hub comprising data of companies and businesses which are counterparties in lending within the Eurosystem

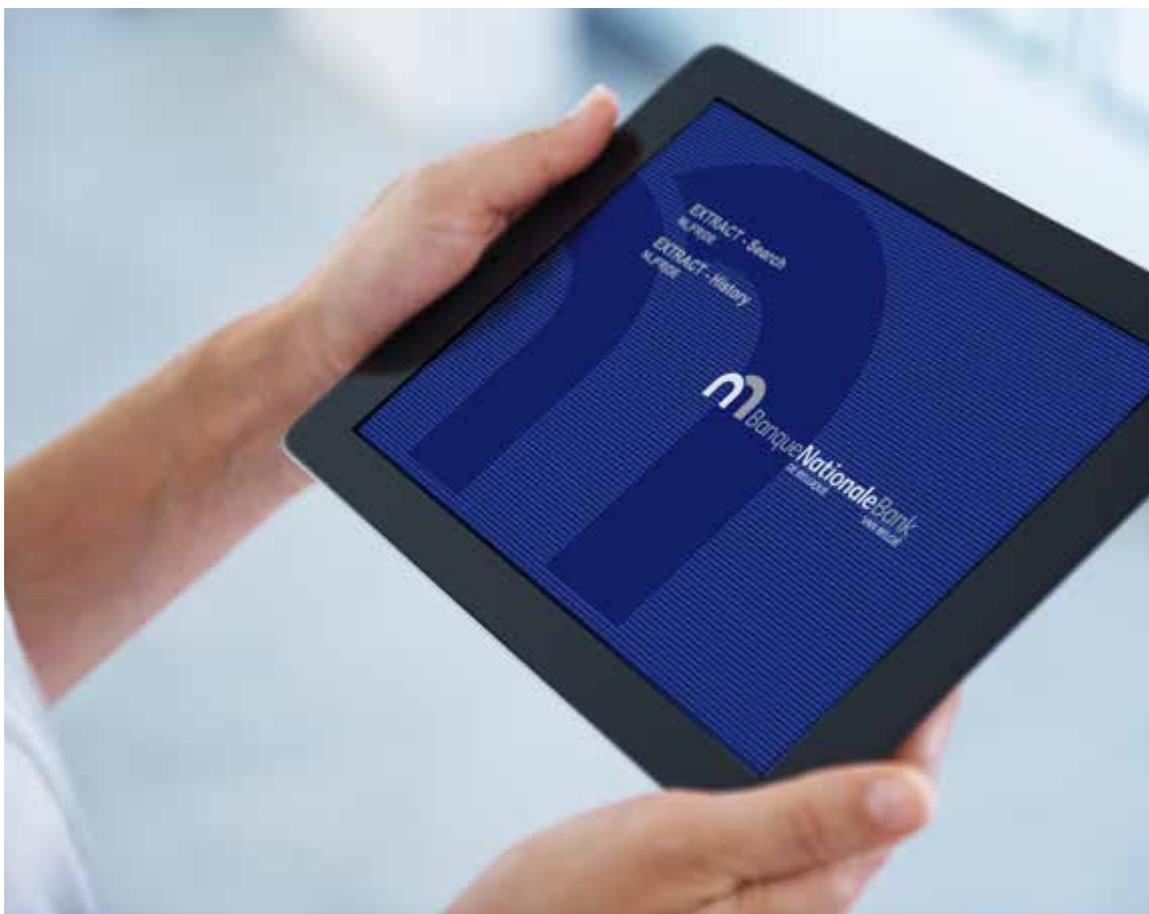
collection of data with that of the Central Corporate Credit Register so that, ultimately, there will be a single IT platform for both the Central Corporate Credit Register and the Central Individual Credit Register. The AnaCredit data collection for the ECB's needs became operational in July 2018. The Bank set up a local hub comprising the data of companies and businesses which are counterparties in lending within the Eurosystem. This local system feeds into the ECB's central system, the RIAD (Register of Institutions and Affiliates Database). A team was also created for the operational monitoring of this European activity, which forms part of the limitation of the risks associated with excessive lending.

The new "Companies and Associations Code" that enters into force on 1 May 2019 will have significant implications for the Central Balance Sheet Office. New accounting formats will need to be developed for the annual accounts of limited liability companies.

Small limited companies will have to file their annual accounts at the Central Balance Sheet Office in the same way as large and very large corporations; apart from the necessary adjustments to the existing formats, two new formats will have to be designed for micro companies and for firms which can opt for simplified accounting.

The Bank's staff are keeping a close eye on these developments so that the new models can be made available promptly to the public.

The development of two online applications to replace products which were still being distributed on a physical medium (CD/DVD) has been completed.





“Extract” offers the same functionalities as the “Data” DVD, namely supplying accounting data in a usable format for firms selected on the basis of various criteria. The database used for this application is now updated every day. The “Statistics” CD containing sectoral globalisations and accounting ratios has also been abolished and replaced with a publication on the National Bank’s “Statistics” portal, now available free of charge.



Real-time payments via the ECB platform

In June 2017 the ECB Governing Council decided to develop a platform by the end of November 2018 for the settlement of instant payments – real-time payments also known as “flash payments”. The infrastructure was named *TARGET Instant Payment Settlement (TIPS)* and is a component of TARGET2, the interbank payment system for large amounts.

This European platform now enables banking transactions in euro to be processed in ten seconds at any

time in many EU Member States – i.e. the countries whose central bank takes part in TARGET2 – for both national and cross-border payments. The system was developed under the aegis of the ECB and further promotes the harmonisation of European payment systems.

Banking transactions in euro can be processed in ten seconds

During 2019 – as soon as all the preparations are complete – Belgian banks will be able to offer their customers instant payments via TIPS.

Information on TIPS is available on the ECB website: <https://www.ecb.europa.eu/paym/target/tips/html/index.en.html>.

The Bank’s staff are assisting the Belgian banks in their preparations for TIPS and will take charge of the operational management.



The Bank and the world

The Bank's "Technical assistance" under the IMF

The Bank is developing an ambitious, high-quality cooperation policy for the central banks of the countries in the IMF constituency to which Belgium belongs. In 2018, the NBB was thus particularly active with the central banks of North Macedonia, Georgia, Armenia and Ukraine. The Bank is also more pro-active than in the past in offering the constituency central banks the opportunity to take

part in exceptional events that it organises, such as the International Conference on "Understanding inflation dynamics: the role of costs, mark-ups and expectations", held on 25 and 26 October 2018, and the workshop on "Supervision activities to build cybersecurity", organised jointly with the IMF, on 5 to 7 December 2018 in Washington.

Brexit

In 2018, the Bank continued to keep an eye on Brexit, working closely with the competent national and European institutions, from the point of view

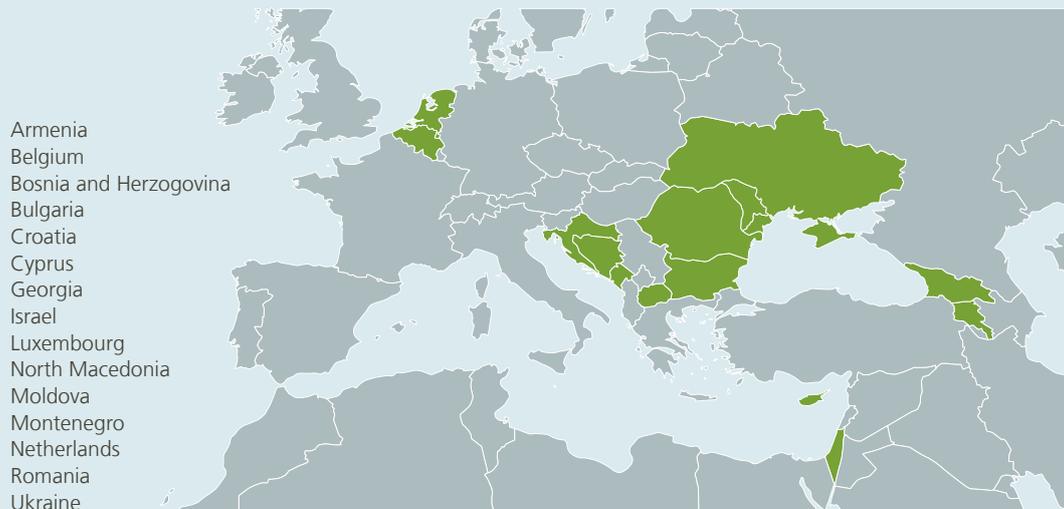
BOX 2

Belgium's constituency in the IMF

In accordance with the constituency agreement between Belgium and the Netherlands, the term of office of the Belgian Anthony De Lannoy on the IMF Executive Board was renewed for a two-year period in 2018. After that, the Netherlands will take over for four years.

In the context of the election of a Belgian director to the IMF Executive Board, but also on a more structural basis, it was considered important to reinforce Belgium's contribution and, in particular that of the National Bank, to the constituency office. The aim is not only to comment on a wider range of issues but also to make more substantial and strategic contributions which are useful to the constituency office.

Our constituency in the IMF





of both its task of maintaining financial stability and that of serving the general interest via its recommendations.

In regard to consultation at national level, the governor represents the Bank in the High Level Group chaired by count Paul Buisse. This group was set up on the initiative of the federal minister of Economic Affairs; it brings together various stakeholders from the world of business and public services to analyse the impact of Brexit on a range of sectors (pharmacy, construction, transport, ports, etc.) and to make recommendations on the subject to the competent authorities at both federal and regional level. With its data projections, the Bank plays a very active role in this working group on Brexit. It also assists FPS Foreign Affairs in constantly monitoring the Brexit negotiations, more specifically in the field of financial services.

As the Belgian supervisory authority for credit institutions, insurance and reinsurance companies, stock-broking firms, payment institutions and electronic money institutions, the Bank monitors the Belgian financial sector's preparations for Brexit and examines licence applications from British financial institutions wishing to set up in Belgium. A number of payment institutions and insurers who were licensed in Belgium

in 2017 and 2018 submitted their applications following reorganisation as a result of Brexit.

The ECB and the EU central banks exchange analyses on the impact of Brexit in various spheres (the economy, financial services, future functioning of the ESCB, etc.). With the ECB, the Bank co-chairs a task force of European central banks encouraging that exchange.

Fears that Brexit may happen without any transitional arrangements prompted the Bank, in consultation with the European Insurance and Occupational Pensions Authority and other supervisory authorities, to plan measures for both Belgian insurers and reinsurers doing business in the United Kingdom, and British companies engaging in insurance or reinsurance activities in Belgium. The latter include some which have already transferred their activities to Belgium or to other EU Member States. For the others, specific measures can be taken if these companies decide to stop underwriting new contracts in Belgium. Conversely, those wishing to continue

The Bank monitors the Belgian financial sector's preparations for Brexit

their activities will normally have to satisfy the legal conditions applicable to third-country enterprises, which means establishing a Belgian branch approved by the Bank.



Financial supervision

Financial supervision of insurance and reinsurance undertakings

The National Bank is responsible for the micro-prudential supervision of individual insurance and reinsurance undertakings. In 2018, 75 institutions (insurance and reinsurance companies and mutual guarantee societies) were subject to the Bank's supervision.

The National Bank is responsible for the microprudential supervision of insurance undertakings

Nine branches of companies established in the European Economic Area were also active on the Belgian market. Finally, almost 1 000 institutions indicated their intention to sell insurance products on the Belgian market under freedom to provide services. Those institutions do not all in fact operate on the Belgian market, and the premium income generated by their activities is not very great.

The supervision of insurance and reinsurance undertakings is divided into three main functions: prudential policy and financial stability, insurance supervision, and specific operational functions which include on-site inspections.

The "prudential policy and financial stability" function combines legislative work and risk analysis. This function is responsible for drawing up insurance legislation and for crisis management and prevention.

The "insurance supervision" function is organised as first- and second-line supervision. In 2018, the first-line supervision, which concerns all insurers operating on the Belgian market, continued to be dominated by the new prudential rules (the Solvency II framework). Firms made significant progress in applying the new rules correctly. Reporting quality remains a point for attention, although there was some further improvement. Second-line supervision is carried out



by supervision teams comprising an institutional analyst, a financial analyst and an actuary. They conduct detailed analyses using a risk-based approach.

For large domestic companies, a risk analysis was introduced in combination with a detailed "Own Risk and Solvency Assessment" (ORSA) stipulated by Solvency II. For companies forming part of a foreign group, the emphasis was on analysing licence applications connected with Brexit. That entailed close consultation with the companies concerned in order to gain an idea of their intentions. The registration of four applications has now been completed, but the prudential supervision of these new Belgian insurers and reinsurers will represent a considerable challenge for the Bank in the future. In addition, eleven other institutions underwent detailed examination in 2018, involving analysis of all their prudential reporting.

Horizontal analyses were also conducted on a number of specific topics. The work on the modelling

of costs in the “best estimates” of the technical provisions, which had begun in 2017 in the seven largest institutions, was completed. Analysis of the influence of profit-sharing on the best estimates of the technical provisions for life insurance in the same institutions was begun in 2017 and continued during the year under review. In this connection, particular attention focused on how a sudden rise in interest rates would affect profit-sharing. In addition, work began on analysing the modelling of technical provisions for non-occupational medical expenses insurance products among the main market players. An initial analysis was also conducted on the influence of ICT-related innovations on the professional activities of insurers. These horizontal analyses will continue during 2019. A final horizontal analysis concerned annual reporting, which was subjected to plausibility checks on key elements of the financial situation of firms. The emphasis was on monitoring the technical provisions, the quality of the calculation of the own funds requirements, and the nature of the firms’ asset portfolios. In addition, the information obtained from the “Regular Supervisory Reporting” or RSR was examined in parallel with that derived from the own risk and solvency assessment (ORSA), the Solvency and Financial Condition Report, and the governance memorandum.

Finally, in accordance with their duty of cooperation, the approved auditors explained their approach to the best estimate at a workshop. They also drew up a detailed report and discussed the results with the Bank.

As in previous financial years, inspections centred mainly on the aspects most affected by the new legislation, the calculation of the best estimate of the technical provisions, and the valuation of mortgage loans. In 2018, other subjects more closely concerned with economic business models and operational processes were also addressed. On-site inspections focused on pricing, independent audit functions and internal models.

In regard to the pricing aspects, the persistently low interest rate environment has encouraged mixed insurance undertakings to step up the marketing of non-life insurance products, on which profitability is less sensitive to fluctuations in the yield curve; that has led to fiercer competition in certain branches, notably in the industrial accidents branch where

there is downward pressure on rates. The inspection assignments carried out aimed to check the robustness of the rates and compliance with the necessary formalism in the pricing process. Shortcomings on these aspects may in fact result in inadequate monitoring of the activity and lead to a discrepancy between the profitability targets and the actual results. Apart from the purely prudential aspects, these inspections also aimed to ensure sound competition on this market segment.

The increased number of inspections in 2018 permitted more detailed examination of the independent audit functions. On the one hand, it was a question of verifying whether the holders of these functions had sufficient time and resources to perform the work efficiently and to develop their skills. The inspections also looked at the independence and objectivity of the persons concerned, e.g. by examining their status within the institution, not only according to the organisation chart but also in practice. Another key point concerned checking whether these persons received variable remuneration based on the results of the operational units and the areas over which they exercised supervision.

During the year under review, one company’s full internal model application was approved. Pre-application work also began in the case of two other companies wishing to set up in Belgium on account of Brexit. The monitoring of the internal models of other institutions continued in 2018. Various dimensions were covered, including the monitoring of the firm’s recovery plan, the terms and conditions imposed by the regulators, and general monitoring of the models’ performance. In addition, a number of significant changes made to these models were examined in the year under review. Firms were asked to take action where the quality of their internal models was inadequate. Apart from the work relating to the solvency capital requirement or SCR, the Bank continued its benchmarking in the case of economic scenario generators developed by insurers, and the monitoring of aspects relating to asset and liability management of models used to value life insurance liabilities. Internal development of challenger models likewise continued.

Inspections looked at the independence and objectivity of the holders of audit functions

Bank supervision

Since 2014, banking supervision in Europe has been organised via the Single Supervisory Mechanism (SSM). The SSM comprises the ECB and the national supervisory authorities of the euro area countries, including the Bank.

The SSM's main aims are to ensure the security and soundness of the European banking system, to strengthen financial integration and stability, and to guarantee consistent supervision.

With the SSM, the decision-making process has become longer and more complicated, in that prudential decisions concerning Belgian banks are no longer taken in Brussels but at the ECB in Frankfurt. On the other hand, the Bank is now involved in decisions taken in Frankfurt, not only for Belgian banks but also for all banks in the euro area. Moreover, these decisions are prepared jointly by the ECB and the national supervisory authorities concerned, of which the Bank is one. This system helps to avoid any national bias in the decision-making process.

The national supervisory authorities therefore play an important and substantial role in the SSM at various levels.

The day-to-day supervision of significant banks is conducted by Joint Supervisory Teams (JSTs). For each significant bank (or significant banking group), there is one specific JST composed of staff of the ECB and the national supervisory authorities. Members of the Bank's staff take part not only in the JSTs of banking groups based in Belgium but also in the JSTs of Belgian banks which have their head office elsewhere in the euro area. There are thus 15 JSTs in which the Bank plays an active part,

namely six for groups based in Belgium (Argenta, AXA Bank, Belfius, Degroof Petercam, Dexia and KBC) and nine for institutions headed by a non-Belgian parent

company (Bank of New York Mellon, BNPP Fortis et bpost banque, Crédit mutual group, ING Belgium, MeDirect, Monte Paschi Belgio, Puilaetco, Santander Consumer Bank and Société Générale Private Banking).

The national supervisory authorities play an important and substantial role in the SSM

The allocation of tasks in a JST depends on the size and structure of the banking group which it supervises. The Bank's staff who are members of a JST analyse the risks incurred by the banking group concerned in Belgium, but also help to supervise the risks incurred by the group elsewhere. In the largest JSTs, which supervise the biggest and most complex banking groups, there may be scope for specialisation, with the Belgian members of the JST focusing, for example, on a specific risk (such as operational risk) for the banking group as a whole.

In the SSM, the ECB exercises direct supervision over 119 significant banks of the participating countries. Together, those banks represent almost 82 p.c. of all banking assets in the euro area.

Banks which are not considered "significant" are classed as "less significant institutions"; these are mainly local and specialist banks. They remain subject to the supervision of the national supervisory authorities, in close cooperation with the ECB. The Bank is thus the supervisory authority for around fifteen local banks or specialist institutions (such as Euroclear).

Supervision of stockbroking firms

The Bank also exercises prudential supervision over 32 investment firms including 17 companies incorporated under Belgian law. The resources allocated to that task take account of the low risk profile of stockbroking firms, which are required to place their customers' money intended for transactions in financial instruments, or obtained from such transactions, in segregated accounts with credit institutions.

Tests on cyber-resilience via controlled ethical hacking

Digitalisation is steadily gaining ground in the financial sector. At the same time, cyber-attacks are becoming increasingly sophisticated. A successful attack may have serious implications for the confidentiality, availability and integrity of flows of payments and securities, for example. The cyber-resilience of large financial institutions and market infrastructures is therefore crucial to the stability of the financial system

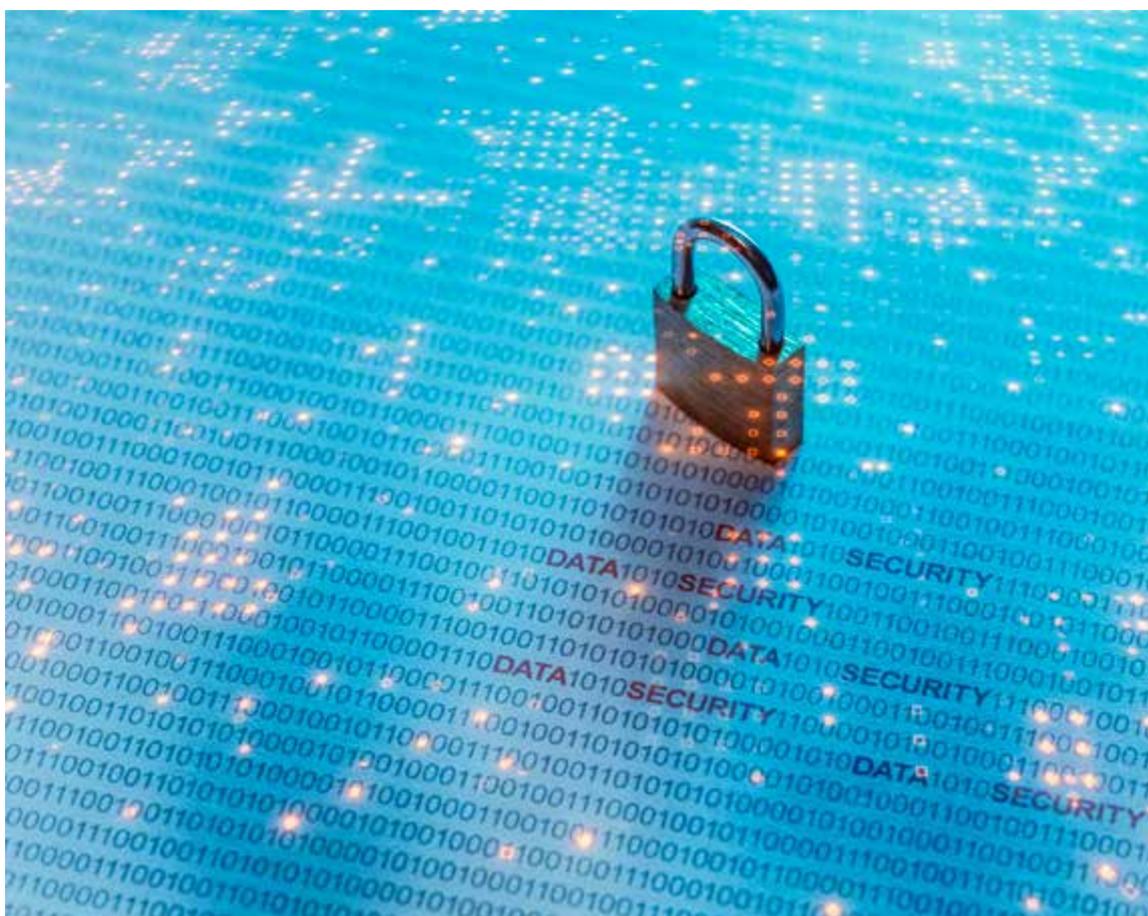
That is why the Bank decided, in 2018, to create a separate entity called "TIBER-BE", independent of the supervision and oversight activities. TIBER

stands for Threat Intelligence-based Ethical Red Teaming: a European framework set up by the Eurosystem, which avoids imposing multiple tests on international financial institutions and infrastructures, and promotes international cooperation between authorities.

Financial institutions and market infrastructures already conduct regular penetration and cyber-resilience tests. Specialist firms thus launch test attacks targeting various digital elements of an institution over a short period. These tests, which are limited in scope and scale, are conducted in a test environment. TIBER goes beyond conventional intrusion tests. The programme is geared to advanced cyber-attacks by organised crime and hostile states. It comprises realistic, individually tailored scenarios based on current threat information and testing takes place in the production environment. For this purpose, cooperation has been established with experts from the public and private sector. The tests will be carried

out very discreetly with the aid of specialist service providers, and will be coordinated by the TIBER-BE team. The costs will be borne by the participating financial institutions. Each institution will be tested on average every three years. A TIBER exercise takes around six months. A team of hackers from reputable cyber-security firms (the “red team”) is instructed to penetrate a financial institution or infrastructure on the basis of specific threats. Only a small group (the “white team”) knows about the attack on the target. The rest of the organisation (the “blue team”) has to detect, contain and eliminate the attack without knowing that it is a test. The supervisory and oversight authorities for the institution concerned are not informed of the test in advance either. Nevertheless, the TIBER team may consult them in order to learn more about

TIBER tests the resilience to cyber-attacks by organised crime and hostile states



the institution. However, the test results are subsequently notified to the authorities.

The generic results are then shared with the TIBER National Implementation Committee, which includes representatives not only from public institutions but also from critical market infrastructures and the most significant financial institutions. This Committee shares the generic results of the tests and threat-related information within the sector, and also develops best practice.

Although the initial focus is on the financial market infrastructures and the most significant financial institutions, TIBER is designed to be usable outside that sector, too. The Nederlandsche Bank (DNB), whose TIBER-NL programme inspired the European framework, has already extended the test hacking to the pension and insurance sector. In addition, a pilot project has been launched in the energy sector. The programme may also be applied to other sectors, such as telecommunications.

BOX 3

Promoting financial stability entails mobilising substantial resources

Prudential supervision requires the Bank, as the supervisory authority, to deploy resources on a massive scale. In its various dimensions, prudential supervision is a highly complicated subject which – in view of the complexity of the legislation and the international institutional context – also requires constant vigilance over the efficient use of resources according to the observed risks.

Apart from the staff directly responsible for the microprudential supervision of significant and less significant credit institutions and stockbroking firms, members of the staff take part in the prudential supervision of market infrastructures with the status of banks (such as Euroclear and Bank of New York Mellon), payment institutions and electronic money institutions, plus settlement institutions and similar entities. Another resource-intensive activity is the supervision of insurance and reinsurance institutions. Microprudential supervision also encompasses the collection and validation of data which the institutions must report to the supervisory authority, the preparation of decisions in the SSM (as regards both the governance of the Bank and that of the ECB) and support for the teams examining new licence applications, who have to assess the fitness of the institutions' managers and shareholders. It also involves monitoring the way in which individual institutions incorporate new financial sector trends in their business model (for example, FinTech or the directive regulating the payments market in the EU), trends which may present risks as well as new opportunities. The growing attention and interest concerning compliance with the anti-money laundering legislation is also involving ever-increasing numbers of staff.

Apart from microprudential supervision in the strict sense, the Bank also exercises oversight over financial market infrastructures, other market infrastructures and service providers. That activity comes under the promotion of financial stability and consists in ensuring that payment, clearing



and securities settlement systems function smoothly, and watching over the efficiency and security of these systems.

In addition, a group of staff is responsible for macroprudential policy aimed at financial stability, as the supervision of individual institutions is not enough to contain the increasing financial fragility of the economy.

One team focuses specifically on drawing up the financial stability policy and provides legal support for supervision and oversight.

The entities directly concerned with financial stability naturally have the support of the IT, logistical and general services provided by many other members of the Bank's staff.

Up-to-date lists of all the institutions subject to supervision or oversight are available on the Bank's website.



Resolution

The Single Resolution Mechanism (SRM), which is the second pillar of the European banking union, is meant to enable the authorities to resolve a crisis in a credit institution or stockbroking firm, minimising the costs to public finances and the disruption of the financial system. The SRM allocates the tasks and responsibilities between the Single Resolution Board (SRB) and the national resolution authorities. The SRB has the power to design resolution plans and take resolution decisions for significant institutions, institutions subject to the direct supervision of the ECB, and cross-border groups. The national resolution authorities have the same tasks and responsibilities in relation to other credit institutions and stockbroking firms.

The Resolution College is one of the Bank's organs established by law; it is the Belgian resolution authority and constitutes the national branch of the SRM.

During 2018, the Bank's Resolution College adopted draft resolution plans for thirteen "less significant institutions (LSIs)) and a draft MREL (minimum requirement for own funds and eligible liabilities) decision.

These drafts were submitted to the SRB, which is entitled to express its opinion on them, and in particular to draw attention to elements of the draft decision which do not conform to the SRB rules or its general instructions. The SRB's opinion is expected during the first four months of 2019. The draft resolution plans and MREL decision will then be formally adopted by the Resolution College.

For the first time, the Bank implemented three MREL decisions adopted by the SRB. Those decisions concern credit institutions over which the SRB exercises its powers. These decisions are determined at consolidated level and applied at the level of the parent company in the European Union.

In case of a crisis the costs to public finances and the disruption of the financial system are avoided



Crisis management in the financial sector

Sectoral authority

A 2011 law establishes the Bank as the sectoral authority for the protection of the financial sector and, more specifically, of the critical infrastructures of which the Bank itself forms part. In that connection, the Bank organises simulated operational crises periodically (at least once every two years) in consultation with 15 critical institutions and infrastructures (large banks and insurers, Euroclear, SWIFT, etc.) and with Febelfin and Assuralia, in close collaboration

with the federal crisis centre. The latest exercise took place on Thursday, 8 November 2018.

The Bank will continue to organise such sectoral tests in order to constantly improve its governance, processes and crisis management tools, with the aim of being as well-prepared as possible for the management of real operational crises which could have a significant impact on the financial sector and on Belgian citizens. In 2019, revised governance principles and new methods and tools will come into force. The Bank will also need to define and document new scenarios jointly with the main players. A new sectoral operational crisis test will be staged on that basis in 2020.



The crisis exercise on 8 November 2018

This crisis exercise served as a test and was intended primarily to improve governance, procedures, tools and communication relating to crisis management. The Bank is involved in crisis management on two accounts: not only as the sectoral authority responsible for crisis coordination for the sector, but also as a critical infrastructure itself.

The Bank's crisis unit, assisted by an operational support team and specialist analysts, met for four hours to deal with a simulated threat. For that exercise, the crisis scenario used was physical (terrorism, riots and vandalism). Various scenarios can be simulated (cyber-attack, pandemic, large-scale electricity outage, etc.), each potentially requiring recourse to different experts within the Bank.

The exercise was monitored by an external consultant specialising in crisis management, who scrutinised the operation of the Bank's crisis unit both from the point of view of coordination with external entities and in regard to the internal crisis management. His analysis looked at the systems for exchanging information, consultation, communication, etc. Both the consultant and the test participants expressed a largely positive view of the test.



Organisation



ICT



Infrastructure



**Human
resources**

1.2 Organisation and human resources

The National Bank is constantly adapting in order to meet the expectations of players in the socioeconomic world and society.

1.2.1 Organisation

Organisational changes

At the end of 2018, the Bank's Liège and Kortrijk branches closed down. Some of the staff of those branches retired; others were allocated to new posts at the headquarters in Brussels. Some of them, working from Brussels, continue to deal with relationships with the Regions, which remain important for the Bank.

A project team has been set up to achieve the Bank's considerable ambitions concerning real estate. That team reports direct to the board of directors.

On 1 December the Bank's prudential activities were reorganised.

The activities of the service dealing with Specific Operational Functions relating to prudential supervision, responsible for on-site inspections and model surveillance, among other things, were transferred to other entities. The Prudential Policy and Financial Stability service was divided into two services: one specialising in banks and the other in insurance. The internal consultation structures relating to prudential supervision underwent some minor adjustments. This reform will facilitate more harmonious cooperation between the entities and improve the allocation of resources. In addition, it will improve the coordination of contacts with financial institutions subject to the Bank's supervision.

The coordination of contacts with financial institutions is improved



A new approach to communication

In 2017 the Bank had already decided on a new approach to communication. The new communication strategy was rolled out in 2018.

One of the fundamental aspects of this new approach is the integration of all the decisive elements of communication in a single entity, in order to improve cooperation and efficiency and achieve transversal benefits. The key element is the 24/7 availability of the Bank's spokesman or his deputy, which has already achieved an improvement in relations with the Belgian and international media. The Communications service is also endeavouring to strengthen the Bank's presence in various social media, which are becoming an ever more important communication channel. The website has been made much more accessible and the home page has been totally redesigned. The service also uses more visual aids.

The layout of the Annual Report on economic and financial developments and on prudential regulation and supervision, and that of the present Corporate Report, have been updated. Many services contributing to the annual report were closely involved in that process. The Communications service also strives to use more accessible language, without impairing the accuracy and precision of the Bank's messages. We hope that you, the reader, appreciate these efforts.

1.2.2 ICT

Improving the Bank's IT security has remained the top priority in the information technology sphere, with significant progress in the implementation of the "IT Security Step-Up Plan": according to an external "IT maturity assessment", this transformation is going well compared with that of other players in the financial sector and in government: a certificate of conformity with the SWIFT guidelines was obtained and the campaign to raise awareness among all players continued. The Bank did not encounter any major incidents in the past year.

Improving IT security is the top priority

On the subject of digitalisation, the Bank continues to deploy the latest technologies in order to achieve its

targets for reducing paper consumption, automating processes and introducing a new way of working, which centres on the concepts of collaboration, mobility, productivity and flexibility.

There was a continuing exchange of ideas on the development of the Bank's IT function and its internal transformation to address two main challenges: first, the increasing difficulty of acquiring and retaining the right skills to deliver its services, and next, the need to play a more proactive role in technological innovation in the service of the Bank and its "customers".

1.2.3 Infrastructure

A state-of-the-art data centre

In 2018, in order to ensure the quality of service that its customers expect, the Bank acquired a new data centre which is more modern, secure and efficient than the previous one. An empty computer room dating from the early 1990s was transformed into a smaller, modern data centre. As a result, the infrastructure is more in line with real needs in terms of energy consumption and reliability. The Bank now has the necessary storage capacity and "machine power" to cope with the expected sharp rise in data volumes, resulting for instance from the development of its statistical, prudential and credit control activities.

It was decided that the data centre should conform to the "TIER III" rules, which means that there will be two duplicate, totally separate electricity and cooling water supply routes to the room. This principle means that a possible "single point of failures" is avoided.

For security reasons, the room is designed with horizontal separation. The upper zone, accessible to IT staff, houses the ICT equipment while the lower zone contains the cooling and electricity supply equipment, accessible to competent technicians. The respective zones are accessed via a security turnstile with a badge reader and biometric detection.

Renovation that respects our heritage

The work to replace the glass roof over the large, historic banking hall, in the area of the "Van Goethem"

building accessible to the public on the east side of boulevard de Berlaimont has been completed. The interior walls were also renovated and finished in a pale colour maximising the downward diffusion of light. Working closely with the Royal Heritage Commission, the Bank endeavoured to ensure that the view of the monumental banking hall remained as close as possible to the original plans of the architect Van Goethem.

In late 2017 and early 2018 a number of services housed in buildings offering less than ideal amenities were transferred to offices leased by the Bank in place Sainte-Gudule until 2022. The offices were fitted out to suit the new way of working.

A vast real estate project

The Bank launched a major project to address numerous issues and challenges concerning its offices and other infrastructures.

Among the first sizeable investments in premises is the construction of a new cash centre outside



The glass roof of the historic counter hall



Office at place Sainte-Gudule

the centre of Brussels. The location of the Central Cash Office in an old city-centre building, with all the associated problems of security and accessibility for the cash transporters, was no longer compatible with the operation of a modern cash centre. At the beginning of 2018, the Bank bought a site in Zellik. A contract for construction of the cash centre was placed with a multidisciplinary consultancy bureau via public tender.

The Bank also wants to make its Brussels premises conform as closely as possible to its real needs. In view of the reduction in staff numbers and the more efficient use of office space as a result of teleworking and shared office projects, some of the buildings can therefore be sold.

The main building will be renovated in one single operation

In the remaining premises, the necessary investments will be carried out to ensure that the Bank ultimately has modern office space permitting new ways of working.

The strategic option chosen involves full renovation of the main building on the east side of boulevard de Berlaimont in a single operation. This second ambitious real estate project can start once the cash handling has been transferred to the new cash centre (2023-2024) and once all the other staff members housed in this part of the head office have moved to a building leased temporarily in the immediate vicinity of the current headquarters. Part of the complex of buildings on the other side of boulevard de Berlaimont, accommodating various technical functions, will remain operational until completion of the renovation work (2027-2028). Opting for radical renovation carried out all at once, rather than a long series of successive, small projects, means that staff will not have to cope for years with the disruption caused by a building site.

In connection with termination of the activities of the printing works at the end of 2020, preparations for the sale of the building will start in 2019. In 2018, the Liège and Kortrijk branches closed down. The Liège building has already been sold by public auction. The Kortrijk building will temporarily continue to serve as a back-up for the Brussels cash centre.



A courtyard of the main building

1.2.4 Human resources

The Bank would like to express its gratitude to the staff who retired in 2018.

Staff movements and recruitment

The Bank's workforce declined from 1 912 FTEs at the end of 2017 to 1 828 FTEs at the end of 2018, thus maintaining a steady downward trend since 2000, except for the year 2011 when the activities and staff of the CBFA were transferred to the Bank.

The reduction in staff numbers achieved by a selective recruitment freeze has resulted in a marked rise in

the average age of the staff over the past 20 years. In 2018, the average age of clerical (non-managerial) staff in active service declined for the first time, following the early retirement of 85 FTEs with an average age of almost 60 years, although the figure remained high at 52.5 years.

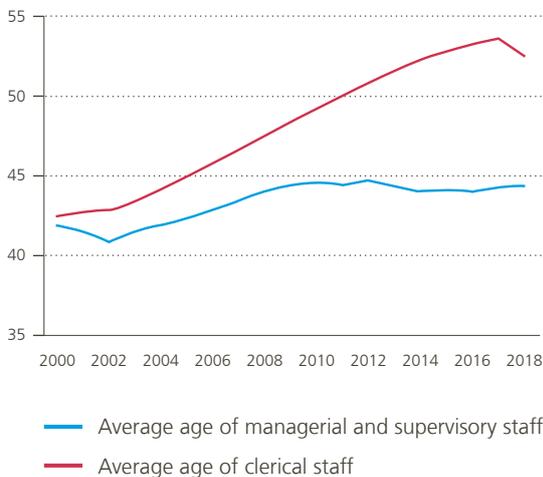
The age distribution of the staff is thus very different from that in the banking sector.

The level of education of the staff is currently lower than in the banking sector. Current recruitment centred on highly skilled profiles should cater for the new needs resulting from the change in duties and working methods.

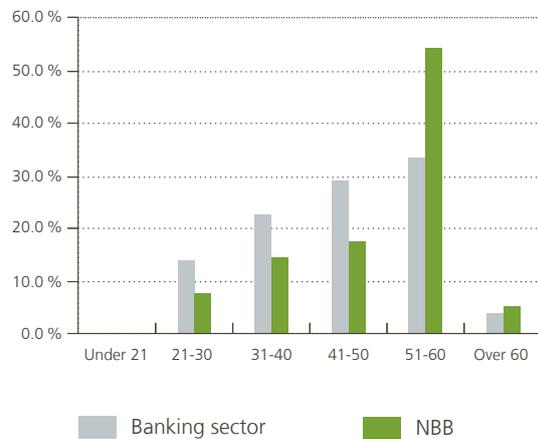
Number of Bank staff



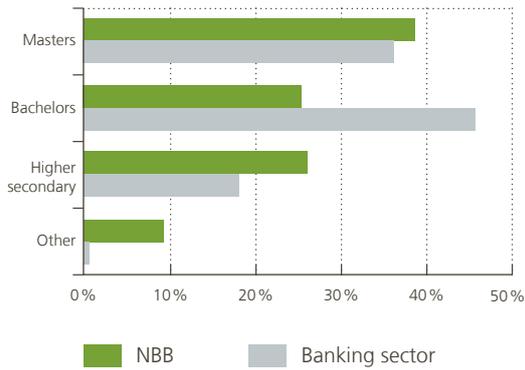
Average age of staff



Age distribution of staff



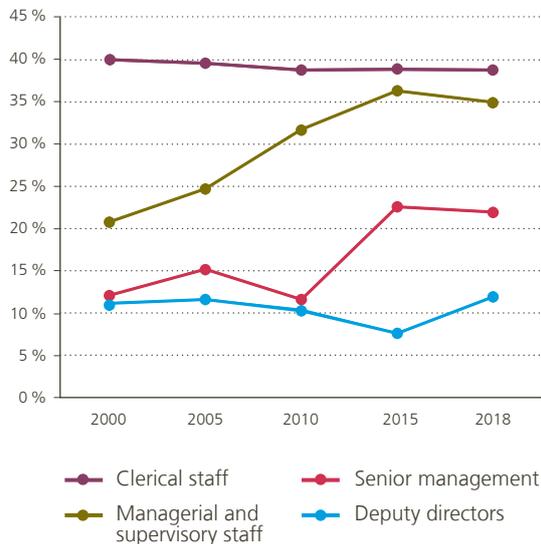
Staff level of education



Male / female staff breakdown



Proportion of female staff by level



Proportion of women recruited



The Bank aims to promote the recruitment and careers of women. The current staff situation features a smaller proportion of women than in the banking sector.

The proportion of female staff is particularly low in the most senior posts, although the situation has improved somewhat over the past 20 years.

The proportion of women recruited has risen over the years though it still falls short of expectations.

As well as wishing to ensure equal opportunities for all – fairness being one of its guiding principles – the Bank considers that diversity boosts performance. An inclusive culture open to diversity

of profiles and personalities makes it possible to attract new talent and ensure that all staff can fulfil their potential. That should create the conditions enabling the Bank to continue efficiently performing the tasks entrusted to it and to address the challenges ahead.

To that end, a working group was set up in 2018 with the primary task of proposing ways of improving gender diversity at all levels. A shortage of female role models, an historically masculine corporate culture, a somewhat old-fashioned image as an employer: these are all factors explaining why the percentage of women at the Bank is too low, from entry level right to the top of the hierarchy.

In view of this, the Bank's Board of Directors decided to take various measures to encourage women to apply for jobs at the Bank, and set a target of 40 p.c. women among new recruits. In order to gradually increase the proportion of women in management roles, the target is that 40 p.c. of staff promoted to management posts should be women. The measures needed to support the achievement of these quantitative targets concern not only the organisation of the work and career management but also the corporate culture, which has to change to a more inclusive model via campaigns to raise awareness and promote training, plus communication and messages by the management. All these measures aim to support the achievement of the quantitative targets set in terms of recruitment and promotion.

To ensure that these measures are implemented and the work launched in 2018 continues, a governance structure for diversity and inclusion is to be introduced in 2019. To support the work of the "diversity manager", an entity called the Diversity & Inclusion Council will act as an observer and advise on the implementation of the diversity policy. Diversity ambassadors within the Bank will be expected to promote a culture of inclusion and encourage dialogue with the various players.

In the months and years ahead, the governance structure for diversity and inclusion, based on the mandate from the Board of Directors, will extend its scope to

other aspects of diversity, such as the integration of disabled persons, inter-generational integration, cultural and social diversity, sexual orientation and gender identity.

Obituaries

In 2018, the Bank was saddened to hear of the death of Honorary Director Georges Janson, who had been a director of the Bank from 1971 to 1988. Honorary Regent Baron Rudi Thomaes, a regent from 2005 to 2013, Honorary Regent Baron Albert Frère, a regent from 1980 to 1995, and the former Regent Philippe Moureaux, who was a regent from 1977 to 1981, also died in 2018.

The Bank was also saddened by the death of two members of its staff in 2018: Anne Gauthier and Alain Monmart.

They will always be remembered.

The Works Council

In principle, the Works Council holds a monthly meeting, chaired by the governor or his deputy, in the Council of Regency room. The Works Council features equal representation. The staff representatives are elected every four years. The agenda and a brief summary of the meetings are made available to all the Bank's staff.



Works council meeting on 29 November 2018, chaired by Vice-Governor Pierre Wunsch



**A sustainable
enterprise**



**A company that
gets involved**



**Solidarity within
the community**

1.3 The Bank's corporate social responsibility

1.3.1 A sustainable enterprise

For many years now, the Bank has devoted efforts to sustainability and corporate social responsibility.

Bond portfolio sustainability criteria

The Bank decided to step up the integration of environmental, social and governance (ESG) criteria by applying them in a structured way to the management of the portfolio of "corporate" bonds in US dollars.

On the capital market, ESG issues are being increasingly taken into account: respect for the environment, social responsibility and governance standards are key factors

influencing firms' results. By incorporating these criteria in the management of their portfolios, both institutional and non-institutional investors obtain additional information permitting a more global, long-term view of firms' sustainability and risk management.

The ESG analyses and ratings provide managers with figures on the ability of firms to recognise, manage and reduce the risks that they incur through their activities or their environment, and to capitalise on the opportunities presented to them. In addition to these financial questions, ever-increasing numbers of investors want to invest responsibly so that they can help to ensure that all economic agents take greater account of these factors.



One of the green roofs on the NBB buildings

The incorporation of ESG criteria fosters the transition to a more sustainable financial model

In contrast to traditional financial analysis, the incorporation of ESG criteria makes it possible to mitigate the risks and fosters the transition to a more sustainable financial model. The greatest benefit from applying ESG criteria is achieved in the category of “corporate” issues. The method chosen is “positive screening” which favours firms with a higher ESG rating.

An ecodynamic enterprise

As long ago as 2008, for example, Brussels Environment awarded the Bank the “Ecodynamic

Enterprise” label with two stars, in recognition of the efforts made in the environmental sphere. Since 2011, the Bank has always received the highest possible award (three stars).

In 2018, Brussels Environment reformed the label, both to bring it more into line with the current state of technology and to promote the circular economy. The Bank made every effort to continue qualifying for the top award according to the changed criteria. At the end of 2018 it completed the new Brussels Environment questionnaire, and in February 2019 the Bank was once again awarded the “Ecodynamic Enterprise” label with three stars.

In 2018, the Bank was also awarded the “CO2 Neutral®” label.

BOX 5

The CO2 Neutral® label

CO2 Neutral® is based on the internationally recognised PAS 2060 standard. Since 2007, certification guarantees that participating organisations actively calculate, reduce and offset their impact on the climate at local and global level. In that context, the Belgian organisation CO2Logic calculated all the Bank’s CO₂ emissions. The appraisal covered energy consumption, waste and waste processing, procurement policy sustainability, staff mobility and transport, cooling systems and catering.

According to this examination, the Bank’s total annual emissions amount to 9 488 tCO₂e. Purchase of 100 p.c. green electricity is one of the most important moves. By this means, the Bank avoids emitting 3 389 tCO₂e. The Bank also performs well in terms of mobility, as cars are used for only 15 p.c. of commuter travel. Since the Bank offers its staff free use of public transport and the head office is very close to a railway station and a metro station, that encourages members of its staff to use public transport to get to work. Another positive contributory factor is the opportunity for staff to work from home.

Office paper consumption continues to decline by 6 p.c. each year, thanks to the digitalisation efforts, and the same applies to the associated CO₂ emissions. The major part of the Bank’s CO₂ emission comes from the consumption of gas for heating the buildings and the production of steam for humidification purposes (3 588 tCO₂e, or 38 p.c.).



The offset (or compensation) of the Bank's residual emissions will go to support five different climate projects. For instance, in Uganda the Bank will contribute to the distribution of more energy-efficient stoves that consume 50 p.c. less fuel than the traditional wood and coal fires that households still use for cooking. This will achieve a reduction of 1.4 tonnes of CO₂ per stove each year. Similar projects supported by the Bank include the "Paradigm" project in Kenya and the "Efficient cookstoves" project in China. The Bank also supports the "Green Sahel" project in Burkina Faso and the "Renewable Energy" project in Turkey. More detailed information is available on the website: <https://www.nbb.be/offsetting-greenhouse-gas>.

Small streams become large rivers

At the same time, the Bank has launched a plethora of smaller-scale environmental initiatives. For example, a second insect hotel has been installed on the Bank's site. For duty travel in the city, staff now have the use of three hybrid vehicles and two electric cars. Electric bicycles are also available for the staff. Finally, the peak pollution plan has been updated.

More energy-efficient drink dispensers have been installed. The Bank is also paying great attention to further reductions in waste plastic and paper. In addition, new contracts have been concluded for waste removal and processing, and there are plans for supplementary in-house training to increase the sustainability of specifications for public procurement.



Electric bicycles



Insect hotel

1.3.2 A company that gets involved

The Bank takes a broad view

In recent years the Bank has become a knowledge-based enterprise, and in that context it has developed an ambitious policy aimed at strengthening the culture of internal debate. Every month it arranges informal debates chaired by a member of the board with the aim of encouraging the exchange of innovative and stimulating ideas. In 2018, prestigious speakers (university professors, European commissioners, senior European officials, company directors) were invited to take part in debates on major social themes such as the rise of populism, China, the digital transformation, the European project, international trade and climate change.

These debates aim to give staff a broader view of what is happening around them. They are a useful and necessary complement to the more task-centred training that staff are offered.

Outreach

Efforts are also made to promote the education of the public in general, and the economic and financial education of young people in particular, in the spheres in which the Bank specialises and in related subjects.

The Bank's staff are regularly invited as guest speakers at universities and colleges. Some also pass on knowledge of their subject by teaching part time.

The French-speaking final of the Generation Euro Students' Award 2018 took place on 21 March, and the Dutch-speaking final on 22 March. The Generation Euro Students' Award is a game played in twelve euro area countries by teams of pupils in the last two years of secondary education. The competi-

tion is organised by the European Central Bank and the national central banks of the euro area. In Belgium, French-speaking and Dutch-speaking pupils take part in separate competitions. The competition aims to make young people more familiar with the implications of monetary policy and the functioning of central

The National Bank contributes to the economic and financial education of young people

banks. In 2018, the competitions in Belgium were won by pupils of the Barvaux Institut du Sacré-Cœur and the Ghent Sint-Lievenscollege. They visited the ECB in Frankfurt in May.



Generation Euro Students' Award 2018

Also in 2018, a seminar was held for secondary school economics teachers, with the support of the inspectorates for economics education. Hundreds of teachers attended. The seminar took place in French and Dutch, and participation was free. This seminar was on the subject of "The financial crisis, ten years later". Specialists from the Bank addressed various aspects of the subject, and for the first time the seminar ended with a panel discussion in which senior officials from the Treasury, the FSMA and Febelfin took part. Afterwards, dozens of participants took advantage of the opportunity for a guided tour of the Bank's new Museum.

The new Museum is a great success

In the meantime, the Bank's Museum, which reopened on 15 January 2018 and was the focus of much attention in the previous *Corporate Report*, is now fully operational.

The new Museum presents the central bank's activities in a very accessible way. It gives visitors the keys to a better understanding of its role. What does



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it do? How does it work? And why is it active in these areas? These questions are addressed in both contemporary and historical terms. The Museum's collection plays a dominant role in presenting the historical view.

In his inaugural speech, the Governor Jan Smets stressed that the National Bank wanted to be close to society and needed to develop new communication initiatives to explain how its role has changed. The modern interactive Museum plays a key part here.

During its first year of operation, the Museum welcomed over 26 000 visitors. Schools – ranging from primary education to university level – were the main target group, but cultural and social associations, groups of young people and adults from all walks of life, and families also came to visit the

Museum, where they were given a guided tour. Individual visitors used the audioguide available in four languages.

The Museum took part in some major public events, such as the Brussels Museum Nights, the Arts Festival, the opening of the North-South rail link on the occasion of the Enterprise Discovery Day, the national holiday and the Car-Free Sunday. The Museum made its collection, its stock of photos and its documentation available to third parties for research and for loan. The Museum also made a particular effort to engage in dialogue with the public through its website and social media.

The National Bank wants to be close to society

1.3.3 Solidarity within the community

In 2018, 581 staff members once again took part in the Global Challenge, a campaign in which participants undertake to walk at least 10 000 steps a day for three months. Participating staff actually achieved a daily average of over 16 000 steps, covering a cumulative distance of 578 213 kilometres, equivalent to more than 14 times round the world. The campaign's general aim is to promote healthier living.

In 2018, 375 staff took part in the Tournée minérale. Throughout February – the shortest month in the year – they did not drink a single drop of alcohol. Here, too, the aim is to promote a healthier lifestyle, but another motivating factor was the € 10 donation paid by the Bank to the Foundation against Cancer for each participant.

In 2018, apart from the financial support that it gives every year to cultural and other initiatives in Belgium,

the Bank made a financial contribution in aid of the victims of the fierce fires that ravaged Greece during the summer. The ECB had called on the national central banks of the Eurosystem to join it in providing this support.



Tournée Minérale 2018

1.4 List of publications in 2018

Articles from the Economic Review

JUNE 2018

- Economic projections for Belgium – Spring 2018
- Local government finances in Belgium
- Can China avoid the middle-income trap?
- Are inflation and economic activity out of sync in the euro area?
- Shedding new light on the mortgage debt of households in Belgium
- Energy transition: impact and economic stakes for firms

SEPTEMBER 2018

- America's new trade policy and its impact on the Belgian economy
- What will happen when interest rates go up?
- The rise of the sharing economy
- Is job polarisation accompanied by wage polarisation?
- Recent international trends in corporate taxation: more competition or more convergence?

DECEMBER 2018

- Economic projections for Belgium – Autumn 2018
- The track record of the National Bank of Belgium's macroeconomic projections
- Slowdown in productivity
- Low productivity growth
- House prices and economic growth in Belgium
- Does financial market volatility influence the real economy?
- Full employment, mismatches and labour reserve
- Recent developments in the financial situation and the social data of non-financial corporations

Working Papers

- 334 Exchange rate movements, firm-level exports and heterogeneity
- 335 Nonparametric identification of unobserved technological heterogeneity in production
- 336 Compositional changes in aggregate productivity in an era of globalisation and financial crisis
- 337 Decomposing firm-product appeal: How important is consumer taste?
- 338 Sensitivity of credit risk stress test results: Modelling issues with an application to Belgium
- 339 Paul van Zeeland and the first decade of the US Federal Reserve System: The analysis from a European central banker who was a student of Kemmerer
- 340 One way to the top: How services boost the demand for goods
- 341 Alexandre Lamfalussy and the monetary policy debates among central bankers during the Great Inflation



- 342 The economic importance of the Belgian ports: Flemish maritime ports, Liège port complex and the port of Brussels – Report 2016
- 343 The unemployment impact of product and labour market regulation: Evidence from European countries
- 344 Trade and Domestic Production Networks
- 345 Central banking through the centuries
- 346 IT and productivity: A firm level analysis
- 347 Identifying credit supply shocks with bank-firm data: methods and applications
- 348 Can inflation expectations in business or consumer surveys improve inflation forecasts?
- 349 Quantile-based Inflation Risk Models
- 350 International food commodity prices and missing (dis)inflation in the euro area
- 351 Pipeline Pressures and Sectoral Inflation Dynamics
- 352 Price Updating in Production Networks
- 353 Dominant currencies: How firms choose currency invoicing and why it matters
- 354 Endogenous forward guidance
- 355 Is euro area lowinflation here to stay? Insights from a time-varying parameter model with survey data
- 356 A price index with variable mark-ups and changing variety
- 357 Markup and price dynamics: linking micro to macro
- 358 Productivity, wages and profits: Does firms' position in the value chain matter?
- 359 Upstreamness, social upgrading and gender: Equal benefits for all?
- 360 A macro-financial analysis of the corporate bond market
- 361 Some borrowers are more equal than others: Bank funding shocks and credit reallocation

Belgian Prime News

This quarterly English-language publication is compiled jointly by the Bank, the Federal Public Service Finance (FPS Finance) and a number of Primary Dealers (market makers in Belgian government securities).

Each issue includes a "Consensus forecast" on the outlook for the main macroeconomic data for Belgium as well as a description of the most significant recent economic developments.

A review of the situation on the government securities market is also presented each time. The Treasury Highlights section gives information on Treasury decisions relating to the management of the public debt.

- 78 Special topic: Elevated corporate debt in Belgium: should we be worried?
- 79 Special topic: Belgium issues inaugural Green OLO
- 80 Special topic: Are inflation and economic activity out of sync in the euro area? What about Belgium?
- 81 Special topic: The Belgian financial sector, ten years after Lehman Brothers

Statistical publications

The Bank provides a wealth of macroeconomic statistics for the public on its website and via its statistical database, NBB.Stat (<https://stat.nbb.be/>). It is possible to subscribe for updates of specific tables. Anyone who is looking often for the same kind of information can save the used search criteria for later use.

The following publications and press releases are also available on the Bank's website:

GENERAL STATISTICS:

- Statistical Bulletin, Economic indicators for Belgium, Consumer Survey, Half-yearly Investment Survey, Business Surveys

EXTERNAL STATISTICS:

- Foreign trade in goods and services (monthly and quarterly), Regional breakdown of Belgian imports and exports of goods and services (annual)
- International investment position, details of foreign direct investment, balance of payments

FINANCIAL STATISTICS:

- Belgium's financial accounts (annual and quarterly)
- Observatory for Credit to Non-financial Corporations, Monetary financial institutions interest rates, Bank Lending Survey, Quarterly surveys on credit conditions: credit constraint perception indicator

NATIONAL ACCOUNTS:

Quarterly sector accounts, Quarterly accounts, First estimate of the annual accounts, Government accounts, Labour market, Detailed accounts and tables, Supply and use tables, Regional accounts including sector accounts, Satellite account for non-profit institutions

MICROECONOMIC DATA:

- Central Individual Credit Register
 - Annual Statistical Report
 - Key figures published monthly on consumer credit and mortgages
- Central Corporate Credit Register
 - Publication of statistics on credit authorised and used via the Observatory for Credit to Non-financial Corporations
 - Monthly flash
 - Quarterly update
- Central Balance Sheet Office
 - The Central Balance Sheet Office makes the annual accounts which it collects available to the general public, as well as a financial analysis as part of the Business Account, and sectoral statistics, providing them for various target groups in different formats according to requirements.

- **Microeconomic analyses**
Each year, the Microeconomic Analysis Service publishes its studies on the financial results of firms and their social balance sheet in the Economic Review.
Analyses of branches of activity and other economic or methodological research appear as Working paper of the Bank. Some of these publications are yearly or biennially updated (studies on ports and airport respectively).

Other publications

- Report 2017. Economic and financial developments
- Corporate Report 2017. Activities, governance and annual accounts
- Financial Stability Report 2018
- Financial Market Infrastructures and Payment Services Report 2018
- May 2018. Report on derivatives. Submitted to the Minister of Finance of Belgium and the High Level Expert Group on the future of the Belgian financial sector – December 2017
- October 2018. Update on asset management and shadow banking in Belgium
- November 2018. Impact of fintech and digitalisation on the Belgian banking sector and its supervision

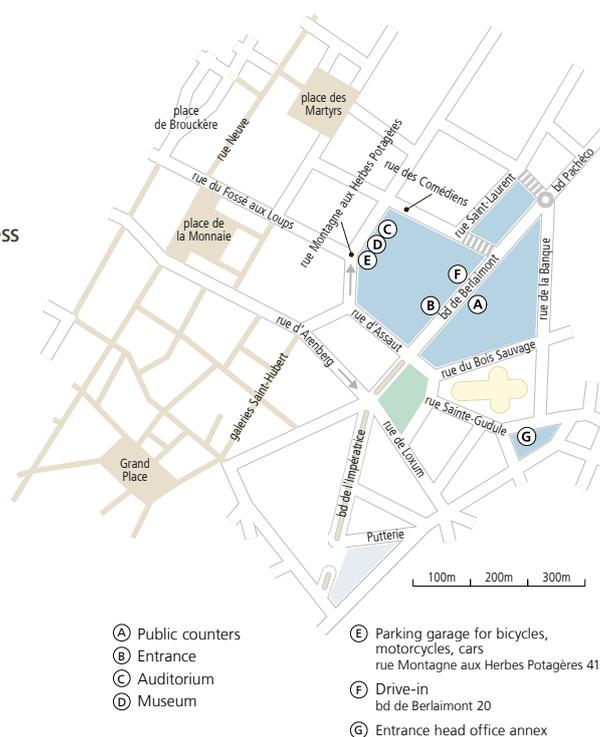
1.5 Contacts

Company number

RLP Brussels – BE 0203.201.340

Addresses

Head Office	Entrance for services to the public Boulevard de Berlaimont 3, 1000 Brussels
	Visitors' entrance and general postal address Boulevard de Berlaimont 14, 1000 Brussels
Head Office Annex	Visitors' entrance Place Sainte-Gudule 19, 1000 Brussels
Museum	Rue Montagne aux Herbes Potagères 57, 1000 Brussels
Auditorium	Rue Montagne aux Herbes Potagères 61, 1000 Brussels



Information

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Contact for the financial service for the Bank's shares	Marc Lejoly, Head of the Payments and Securities Service securities@nbb.be , Tel. +32 2 221 52 30

Services to the public

Head office banking hall
(Banknotes and coins,
Central Individual Credit Register)

Open from Monday to Friday
from 9 a.m. to 3.30 p.m.

Museum

Open from Monday to Friday from 9 a.m. to 5 p.m.
Free entrance. Also open at special occasions.
See website www.nbbmuseum.be.
Guided group visits can be booked via the website.



Organisation chart as of 1 March 2019



(*) Is also member of the Governing Council of the European Central Bank.
 (***) Is also member of the Supervisory Board of the European Central Bank.
 (****) Is also Secretary of the Bank.
 (*****) Is also Treasurer of the Bank.





2. Annual accounts and reports on the financial year

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2.1 Annual report

2.1.1 Developments concerning the Bank's results and position

2.1.1.1 Balance sheet

The balance sheet total has risen by 8 %, or € 13.9 billion, to € 186.5 billion.

Credit institutions saw a further improvement in their liquidity in euros thanks to securities purchases within the framework of monetary policy (+€ 16.7 billion). However, lending was down (–€ 1.7 billion).

Credit institutions used this surplus liquidity by making withdrawals from current accounts and the deposit facility (–€ 5.5 billion) in order to execute outgoing payments via TARGET2 (+€ 16.8 billion).

Since the volume of banknotes placed in circulation by the Bank (+11.3 % as an annual average) continued to rise faster than the figure for the Eurosystem (+4.1 % as an annual average), net claims relating to the allocation of euro-denominated banknotes in the Eurosystem declined (–€ 1.4 billion).

The table below gives an overview of the securities portfolios which represent a substantial proportion of the assets on the balance sheet.

On the balance sheet date, the two MTM portfolios are marked to market. The HTM, statutory and monetary policy portfolios are recorded at the amortised purchase price.

The MTM and HTM portfolios managed for the Bank's account were both down by € 1.1 billion as some of the securities were not renewed on reaching maturity. The MTM portfolio of securities in foreign currencies was enlarged in order to diversify the risks.

Summary of the fixed-income securities portfolios at book value

(end-of-period data, in € billion)

	2018	2017
■ fixed-income securities in foreign currencies ("MTM portfolio")	9.0	8.0
■ fixed-income securities in euro ("MTM portfolio")	3.5	4.6
■ fixed-income securities in euro held to maturity ("HTM portfolio")	5.5	6.6
■ statutory portfolio of fixed-income securities in euro	5.6	5.4
Total portfolios on the Bank's own account	23.6	24.6
■ securities held for monetary policy purposes	113.6	96.9
Total portfolios	137.2	121.5

The size of the statutory portfolio is determined by the sum of the capital, reserves and amortisation accounts. Following the allocation of the profits for the financial year 2017, supplementary fixed-income securities could thus be added to this portfolio.

In the case of the monetary policy portfolios for which the purchase programmes (Covered Bonds Purchase Programmes I and II and Securities Markets Programme) have ended, securities maturing were redeemed (–€ 0.6 billion). Securities purchases continued under the CBPP3, PSPP and CSPP programmes. The volume of asset purchases in the Eurosystem continued at a rate of € 30 billion per month up to the end of September, and then € 15 billion until the end of the year.

For the Bank, the CBPP3, PSPP and CSPP portfolios expanded by € 0.6 billion, € 5.9 billion and € 10.8 billion respectively.

In the case of the CSPP, the Bank purchased securities for the account of the Eurosystem in a much larger proportion than its share in the ECB's capital.

Below is the geographical distribution of the fixed-income securities in the own-account portfolios.

(in € million)

	Book value	Market value	Revaluation accounts
Belgium	5 976.6	6 415.2	3.9
United States	6 056.9	6 056.9	9.9
Germany	2 500.9	2 561.4	22.1
Spain	810.6	859.4	0.1
France	2 164.5	2 275.2	4.2
Austria	911.8	966.3	0.9
Ireland	134.7	140.0	–
Italy	343.1	354.6	7.5
Japan	1 079.4	1 079.4	0.6
International organisations	616.0	649.3	2.2
The Netherlands	595.7	627.2	0.3
Portugal	50.5	60.8	–
Greece	118.8	122.0	3.3
Switzerland	699.8	699.8	15.9
Finland	527.8	549.6	0.5
United Kingdom	59.1	59.1	–
Other	948.6	951.3	3.5
Total	23 594.8	24 427.5	74.9

If the Bank had sold all its own-account portfolios on the balance sheet date, it would have realised: (i) the gains currently recorded (as unrealised gains) in the revaluation accounts (€ 74.9 million) on the liabilities side of the balance sheet, and (ii) the positive difference between the market value and the book value (€ 832.7 million). Altogether, an additional gain of € 907.6 million would thus have been recorded in the results.

The impairment tests carried out in 2018 did not lead to any write-downs on the Bank's own-account portfolios.

In order to determine shared risks, account must also be taken of the Bank's share of € 50.9 billion in the monetary policy portfolios and credit operations of the Eurosystem central banks. In addition, securities

for which non-shared risks are included in item 7 of the balance sheet amounting to € 63.2 billion must be taken into account.

Monetary policy operations to which risk-sharing applies (in € billion)

	NCB balance sheets	NBB key: 3.52%	NBB balance sheet
Lending to euro area credit institutions related to monetary policy operations denominated in euro	734.4	25.8	22.7
Main refinancing operations	9.6	0.3	–
Longer-term refinancing operations	723.8	25.5	22.7
Marginal lending facility	1.0	–	–
Securities held for monetary policy purposes	710.9	25.1	50.3
SMP	67.7	2.4	2.5
CBPP3	240.7	8.5	8.3
ABSPP	–	–	–
PSPP-Supranational securities	224.5	7.9	–
CSPP	178.0	6.3	39.5
Total	1 445.3	50.9	73.0

With a view to reducing the exchange rate risk on its assets denominated in US dollars and SDRs, the Bank once again concluded forward contracts. Thus, in 2018, the net position in dollars and SDRs remained virtually unchanged at \$ 2.1 billion (€ 1.9 billion) and SDR 21.3 million (€ 25.9 million) respectively. The net position in Chinese Yuan and Korean Won also remained unchanged: CNY 1.5 billion (€ 184.3 million) and KRW 120.1 billion (€ 94 million). At the end of the financial year, the revaluation accounts on the liabilities side recorded positive exchange differences of € 278 million.

Agreement on Net Financial Assets (ANFA)

At the end of 2018 the Bank's net financial assets totalled €9.7 billion.

The Agreement on Net Financial Assets, concluded between the national central banks (NCBs) of the euro area and the European Central Bank (ECB), sets an overall limit on the total net financial assets relating to national tasks unconnected with monetary policy.

The limit on the amount that the NCBs can hold is necessary to ensure that the ECB Governing Council has full control over the size of the Eurosystem's balance sheet, to permit the effective implementation of monetary policy.

The net financial assets are equal to the difference between assets that are not directly related to monetary policy and liabilities that also have no direct link with monetary policy.

2.1.1.2 Result

In 2018 the Bank made a higher net profit than in the previous year (+€ 113 million).

Net interest income increased strongly (+€ 248 million), partly offset by the Bank's higher contribution to monetary income (–€ 119 million) and the fall in the net result on financial transactions (–€ 30 million).

The main factors driving up the net interest income were:

- the larger volume of the monetary policy asset purchase programmes (APP) (+€ 209 million) and the rise in interest on those programmes (+€ 30 million);
- the increased volumes (+€ 81 million) on current accounts and the deposit facility.

That effect was partly offset by:

- the smaller volumes on own portfolios in euro (–€ 25 million) and the decline in interest on those portfolios (–€ 23 million);
- the reduced volume of the monetary policy portfolios on which the purchase programmes have ended (–€ 28 million).

Higher dollar interest rates in 2018 led to realised and unrealised capital losses on securities totalling €61 million compared to €10 million in 2017 (–€ 51 million).

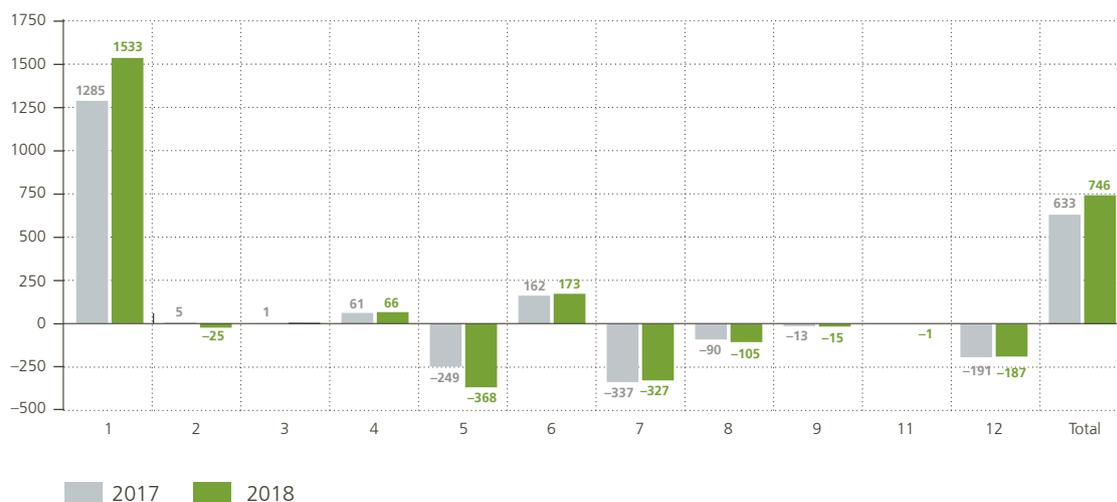
Although, in 2017, the Bank had recorded unrealised foreign exchange losses of €20 million on CNY and KRW, in 2018, unrealised foreign exchange losses on the yuan only were €2 million.

The Bank's contribution to the allocation of monetary income was larger than in the previous year (–€ 119 million), mainly because of its specific role in the Corporate Sector Purchase Programme (CSPP).

The impairments tests on monetary policy securities in the Eurosystem resulted in the formation of a provision amounting to €6 million.

General structure of the result

(€ million)



- 1. Net interest income
- 2. Net result of financial operations, write-downs and provisions
- 3. Net income / expense from fees and commissions
- 4. Income from equity shares and participating interests
- 5. Net result of pooling of monetary income
- 6. Other income
- 7. Staff costs
- 8. Administrative expenses
- 9. Depreciation of tangible and intangible fixed assets
- 11. Other expenses
- 12. Corporate tax

2.1.1.3 Profit distribution

The minimum amount of the Bank's reserves is determined on the basis of an estimate of the quantifiable risks. All the Bank's financial risks are quantified according to the value at risk/expected shortfall methodology, for which the Bank uses very cautious parameters with regard to probabilities and timescales.

The estimate of the minimum level of risks at the end of 2018 resulted in a figure of around € 5.4 billion.

That amount comprises the financial risks on:

- the Bank's own securities portfolios in euro and in foreign currencies;
- the monetary policy portfolios shown on the Bank's balance sheet for which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all national central banks (NCBs) in the Eurosystem,

for which the risk is shared among the NCBs (see notes 5 and 7 to the annual accounts).

The volume and the composition of the balance sheet, and particularly the Expanded Asset Purchase Programme, imply a risk of the Bank's results coming under pressure. Consequently, the Bank is maintaining its reserve policy at 50% of the profit for the year for so long as the period of non-standard monetary measures persists.

Thus, an amount of € 372.8 million is allocated to the available reserve. Following the profit distribution, the Bank's buffers total € 6.2 billion. In addition, the current profit is the first buffer used to cover any losses.

The dividend policy remains unchanged. This results in a gross dividend of € 138.47 per share, up by 8.5% on the year 2017.

The balance of the profit for the year is assigned to the State in accordance with the Organic Law. For 2018, this amounts to € 317.4 million.

2.1.2 Risk management

As regards risk management, the Bank applies the “three lines of defence” system.

Its Departments and autonomous Services assume the **first line of responsibility** for the effectiveness of the internal control system. This involves:

- identifying, assessing, controlling and mitigating the risks that their entities incur;
- setting up adequate internal control and risk management mechanisms for managing their entities' risks within the risk tolerance limits set by the Board of Directors;
- making sure that these objectives, policies and internal control are respected in their entities.

The **second line of responsibility** for the effectiveness of the internal control system lies with the Treasurer-Director, Jean Hilgers, as regards financial risks (see 2.1.2.1). For non-financial risks (see 2.1.2.2), second line responsibility rests with the Director Vincent Magnée.

The Internal Audit Service assumes the **third line of responsibility** for the efficiency of the internal control system. Its task is to give the Board of Directors further assurance, based on the highest degree of organisational independence and objectivity, as to the effectiveness of the Bank's governance, risk management and internal control, including the achievement of risk management and control objectives by the first and second lines of defence.

The Bank's financial and non-financial risk management during the course of the year under review is described below.

2.1.2.1 Financial risk management

2.1.2.1.1 *Management of the gold and foreign currency reserves, portfolios of securities in euro and monetary policy operations*

Management of the gold and foreign currency reserves and that of the portfolios of securities in euro exposes the Bank, like any financial institution, to financial risks (such as market and credit risks), and to operational risks.

The Bank defines a level of risk which it deems appropriate according to its risk aversion, the level of which depends among other things on constraints related to carrying out its tasks in all circumstances, as well as its ability to take even exceptional losses. That level is reviewed regularly as the Bank's tasks evolve and develop, and in the light of actual or expected changes in market risks. The Bank then establishes a policy which aims to limit these risks and keep them at the pre-selected level. In particular, it determines the currency mix, the market mix and the financial instrument mix, and the strategic duration (and permitted deviations) of each own-account bond portfolio by applying the value-at-risk method to assess market risk (losses which could be generated by adverse movements in exchange rates, asset prices and interest rates). It also conducts stress tests in order to estimate short- or even longer-term trends in its results under the various scenarios that are defined both within the Bank and by external institutions. The limits imposed for risk factors and the portfolio structure therefore reflect the level of risk which the Bank considers acceptable, and are adjusted if necessary on the basis of market developments and implications relating to the Bank's tasks, such as the constitution of monetary policy portfolios (the Securities Markets Programme, Covered Bonds Purchase Programmes, Asset-backed Securities Purchase Programme, Public Sector Asset Purchase Programme, Corporate Sector Purchase Programme).

Moreover, in order to limit its credit risk (including migration risk), i.e. the risk of losses which could result from payment default – including debt restructuring – or deterioration in the credit quality of counterparties or issuers, the Bank gives preference to sovereign risk instruments which have a high credit rating or which are collateralised, imposing strict limits on its other investments, especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, and ensures as far as possible that its investments are diversified. The securities purchase programmes under the Expanded Asset Purchase Programme have a specific impact on credit risk owing to a high concentration on certain sovereign issuers.

In order to assess the credit risk of each issuer or counterparty, the Bank refers to the ratings accorded by a number of specialist agencies and uses ‘prediction’ methods (such as implied ratings) which take account of developments on certain markets (credit default

swaps, stock market value, etc.) and financial ratios, and possibly financial analyses conducted with due regard for the total segregation of the Bank's entities responsible for banking supervision. For overall credit risk assessment, it uses the CreditMetrics method with cautious and consistent parameters whose adequacy is regularly reviewed.

In order to increase the return on its US-dollar-denominated assets in the long term, the Bank invests a very small proportion of those assets in corporate bonds. Specific rules have been drawn up for this type of bond (minimum rating, wide diversification obligation, etc.) to limit the credit risk and any losses.

The portfolios of securities in euro consist mainly of euro-denominated government paper issued by Member States of the European Union and, to a lesser extent, bonds backed by first-rate claims (*Pfandbriefe* type or other covered bonds) which help raise the expected yield. In conducting the investment operations concerning the Bank's portfolios, account is taken of the primacy of the monetary policy programmes and the strict organisational segregation designed to avoid any risk of a conflict of interests.

Both market risks and credit risks for the portfolios are closely monitored. The Bank has risk management procedures in place to enable it to monitor the limits and criteria that securities must meet before they are bought under the integrated portfolio management system, and it carries out regular internal reporting on these risks.

Finally, the Bank limits the operational risk by dividing the activities associated with investment transactions into three separate services: the Front Office, in charge of operations, the Back Office, which handles the settlement, and the Middle Office, which manages the risks.

As regards the Bank's lending transactions pursuant to the Eurosystem's monetary policy, a risk management framework was established within the Eurosystem to enable harmonised implementation throughout the euro area. In this way, the eligible assets can be used without discrimination and the same risk control measures are applied throughout the Eurosystem. The risk management framework contains the eligibility criteria, which can be used on the one hand to draw up a single list of eligible securities and, on the other hand, to select non-tradable assets (bank loans). This framework

also sets out risk management procedures and is regularly revised to take account of recent developments and in order to guarantee high-grade protection. Since 2012, every central bank has been able to define an additional framework for non-marketable assets, setting out eligibility rules and specific risk measures. These additional frameworks are approved by the Eurosystem. The Bank has not implemented such a framework as sufficient eligible assets are available.

2.1.2.1.2 Interest rate risk and risks associated with the volume of interest-bearing assets

Among the Bank's various sources of income, those obtained from issuing banknotes are traditionally the most important. For central banks, banknotes are unremunerated liabilities. As the counterparty, central banks hold interest-bearing or productive assets. The income from these assets is called "seigniorage income". It is pooled within the Eurosystem and redistributed among the central banks of the Eurosystem on the basis of their respective shares in the issuance of euro banknotes.

Owing to the APP, the counterparty to an increasing proportion of the assets on the Bank's balance sheet is no longer banknotes but other (short-term) liabilities remunerated at a pre-determined interest rate. That increases the longer-term interest rate risk.

In return for the right of issue which it confers on the Bank, the State is entitled to the balance of the Bank's profits after the formation of reserves and payment of dividends. Thus, the State is the first to bear the consequences of the volatility in the Bank's seigniorage income.

2.1.2.2 Non-financial risk management

The Bank's **operational risk framework** specifies that all services conduct risk analyses and residual risk analyses for their operational risks. Since 2017, the Bank has had a fully-developed second line of defence for operational risk which has been incorporated in a new Department responsible for the second line of defence for operational risk. That Department develops and maintains the risk management framework for the first line and supports the first line in the management of all operational risks, including risks relating to physical security, business continuity, subcontracting, information

technology, information security and cyber security, and major compliance risks (e.g. compliance with the anti-money-laundering legislation or the legislation relating to the General Data Protection Regulation [GDPR], the code of ethics, etc.)

Where **business continuity** is concerned, the Bank has reached a high degree of maturity. Each year, the impact analyses and plans for the continuity of critical tasks are updated. Next, these plans are tested in accordance with an annual schedule and adapted if necessary. The Bank's crisis management forms part of its business continuity management and is likewise tested regularly.

In the field of **information security** there is a clear allocation of roles and responsibilities between the first and second lines. To ensure that all staff are aware of the rules that must be respected in regard to keeping information systems secure, the Bank keeps a register containing all the relevant approved policies of the ESCB and the Bank. A regulation on the use of individual file storage space has been approved. Since, in addition to clear governance, user awareness also contributes to better information security, the awareness programme in the form of e-learning has been extended to all staff members and the study of all the awareness modules has been included in the personal annual targets of all staff. The awareness programme covers a four-year period and its content is constantly supplemented. Finally, the project set up last year for structurally enhancing information security continued in order to combat the emergence of new cyber risks.

Under second line supervision concerning **banknotes**, there were regular conformity checks at the Central Cash Office, in the Bank's branches and in the Printing Works in order to identify and avert any risks. This concerns cash inspections, dealing with cash discrepancies and complaints from financial institutions, internal checks on damaged banknotes, non-compliant packs of banknotes and offline destruction of banknotes, admission tests on BPS machines, checks on Printing Works suppliers, and measures to combat money laundering and terrorist financing.

On the subject of **legal compliance**, 62 questions regarding interpretation, 32 requests to authorise financial transactions and 360 benefit statements from staff and management concerning the application of the code of ethics were addressed. The Bank's personal data protection policy was defined in accordance

with the GDPR. To meet the requirements of that Regulation, an addendum was inserted in the Bank's current contracts. The declaration on the processing of personal data was adapted and the risks concerning respect for privacy in the processing of new or existing data were assessed. In addition, the regulation on outsiders' access to the Bank was revised. Finally, staff were able to attend four information sessions on ethics and the GDPR, and an e-learning course on compliance was arranged for junior and senior staff.

2.1.3 Post-balance-sheet events

There were no post-balance-sheet events having a significant influence on the financial situation and results of the Bank as at 31 December 2018.

2.1.4 Circumstances which could have a significant influence on the Bank's development

The ECB Governing Council intends to continue re-investing maturing securities acquired under the Expanded Asset Purchase Programme (APP) for a prolonged period following the date on which it begins raising the key interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and a high degree of monetary support. The implications of this programme could put the Bank's results under pressure.

2.1.5 Research and development

The research and development activities focused mainly on the provision of services within the Eurosystem including measures to combat counterfeiting, the development of new security features, and banknote circulation. The Bank and its Printing Works made a significant contribution to the functioning of various working groups in collaboration with various other central banks, including those in the Eurosystem.

2.1.6 Conflict of interests

During the year under review, no member of the Board of Directors had, directly or indirectly, any interest relating to property conflicting with a decision or transaction for which the Board of Directors was responsible.

2.1.7 Financial instruments

In managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency and interest rate swaps and futures. The information on this subject is mentioned in the annual accounts, and in particular in the accounting principles and valuation rules (I.3 and I.7) and in the notes to the accounts (notes 2, 3, 6, 9, 12, 15, 16, 24, 37 and 38).

See point 2.1.2.1. for a description of the Bank's financial risk management policy.

2.1.8 Expertise and independence of the Audit Committee

The Board of Censors is the Bank's Audit Committee.

In accordance with Article 36 of the Statutes, the Censors are chosen from among persons with specific qualifications in the field of supervisory procedures. They are experts in accountancy and auditing, in view of their training in economics and finance and/or their acknowledged professional experience in those fields. Most of them satisfy the independence criteria mentioned in Article 526^{ter} of the Company Code.

2.1.9 Corporate governance statement

2.1.9.1 Belgian corporate governance code and corporate governance charter

For listed companies in Belgium, the Belgian Corporate Governance Code 2009 ("the Code") is the reference text on governance. The Code, published on the website www.corporategovernancecommittee.be, is a recommendation and sets out principles, provisions and lines of conduct in regard to governance which complement the legislation in force and cannot be interpreted in a manner contrary to the law.

Established in the form of a public limited company listed on the stock market, the Bank is Belgium's central bank. It forms an integral part of the Eurosystem whose primary aim is the maintenance of price stability. It is also responsible for supervising the financial sector and performs other tasks in the general interest entrusted to it by law. Its situation is therefore very

different from that of an ordinary commercial company whose main objective is to maximise its profits.

In view of the pre-eminence of the Bank's tasks in the public interest, the law has given it a special legal framework. The provisions on public limited liability companies are applicable to it only additionally, i.e. in regard to matters not governed by the Treaty on the Functioning of the European Union, the Protocol on the Statutes of the ESCB and the ECB annexed to that Treaty, the Organic Law and the Bank's Statutes, and provided that the provisions on public limited liability companies do not conflict with those priority rules. Moreover, as a member of the Eurosystem, the Bank is subject to special accounting rules. It also enjoys special status regarding the information disclosure obligations. For instance, the rules on the production and circulation of periodic information do not apply to the Bank.

The Bank's tasks in the public interest pursuant to its role as a central bank also justify a special governance structure, laid down by its Organic Law and its Statutes. The specific provisions concerning the arrangements for appointing the members of its organs, the composition and specific role of the Council of Regency, the reduced powers of the General Meeting of Shareholders and the special arrangements for the exercise of supervision are intended to ensure that the Bank can perform the tasks in the public interest assigned to it with due regard for the independence requirements imposed by the Treaty.

That explains why certain provisions of the Belgian Corporate Governance Code, which is based on a governance model designed for ordinary companies with a monistic structure, with a board of directors which is accountable to the general meeting of shareholders and whose members can be dismissed *ad nutum*, do not apply to the Bank.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and its Statutes, and partly by EU rules, is just as exacting as the recommendations of the Belgian Corporate Governance Code, or even more so in some respects, such as oversight.

In order to provide the public with full information on the corporate governance rules which it applies, the Bank has drawn up a Corporate Governance Charter

which offers additional clarification regarding its organisation, governance and supervision. That Charter can be consulted on the Bank's website.

2.1.9.2 Internal control and risk management systems in connection with the financial reporting process

The financial and non-financial risks connected with the Bank's activities and their management, and the organisation of risk management according to the standard three-level model, are discussed in point 2.1.2 of this Report.

In its capacity as the Audit Committee, the Board of Censors is responsible for monitoring the financial reporting process and ensures that the main risks, including those relating to compliance with the current legislation and rules, are correctly identified, managed and brought to its attention and to that of the Board of Directors. It also examines the notes on internal control and risk management in the Annual Report.

The Audit Committee discusses important questions relating to the financial reporting with the Board of Directors and the auditor. The Board of Directors informs the Audit Committee of the principles adopted for recording significant and abnormal transactions in cases where various accounting approaches are possible. The Audit Committee assesses the relevance and consistency of accounting rules drawn up by the Council of Regency, examines proposed changes to those rules and expresses an opinion on that subject. It also assesses the accuracy, exhaustiveness and consistency of the financial information and examines the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

The Council of Regency approves the annual accounts, the Directors' Report, the accounting rules and the rules on the Bank's internal organisation. It consults the Audit Committee before approving the annual accounts, and may ask the Audit Committee to examine specific questions on that subject and report back to it.

In accordance with the Protocol on the Statutes of the ESCB and of the ECB annexed to the Treaty on

the Functioning of the European Union, the annual accounts are audited and certified by an independent auditor. The latter reports to the Audit Committee on important questions which arise in carrying out his/her statutory auditing task, particularly on significant weaknesses in the internal control regarding the financial reporting process. Each year, the auditor gives the Audit Committee written confirmation of his/her independence from the Bank, and examines with the Audit Committee the potential risks to that independence and the safeguard measures taken to attenuate those risks.

2.1.9.3 Shareholdership

The Bank's share capital of € 10 million is represented by 400 000 shares, of which 200 000, or 50 % of the voting rights, belong to the Belgian State. The other 200 000 shares are held by the public and listed on Euronext Brussels. Except for the shares owned by the State, the Bank does not know of any shareholdings carrying 5 % or more of the voting rights.

There is no current or planned programme for issuing or redeeming shares. There are no securities conferring special control rights. There are no legal or statutory restrictions on the exercise of voting rights. However, the Bank's shareholders must take account of the fact that the powers of the Bank's General Meeting of Shareholders are limited. The General Meeting in fact only has power to elect the Regents (from a dual list of candidates) and Censors, to appoint the auditor, to take note of the annual accounts and the Directors' Report, and to amend the Statutes on the proposal of the Council of Regency in cases where the latter does not itself have power to do so.

The Council of Regency amends the Statutes in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium. Other amendments to the Statutes are made by the General Meeting of Shareholders on the proposal of the Council of Regency. The General Meeting has to be convened for that purpose and can only pass valid resolutions if the proposed amendments are mentioned in the convening notice and if the shareholders present or represented hold at least half of the share capital. If that proportion of the capital is not represented at a first meeting, a new meeting must be convened which

can pass valid resolutions whatever the proportion of the capital held by the shareholders present or represented. Amendments to the Statutes must be approved by a three-quarters majority of the votes attached to all the shares present or represented at the General Meeting. They must also be approved by Royal Decree.

The dividend paid to shareholders is fixed by the Council of Regency. For more details, see the Bank's reserve and dividend policy (see point 2.2.7.3). The dividend is payable on the fourth working day following the General Meeting.

2.1.9.4 Composition and functioning of the organs and other actors

GOVERNOR

The Governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice of the European Union against such a decision.

Mr Jan Smets held the post of Governor from 11 March 2015 to 1 January 2019. By a Royal Decree dated 21 October 2018, he was authorised to hold the title of honorary governor from 2 January 2019. He was succeeded by Mr Pierre Wunsch, who was appointed governor with effect from 2 January 2019 by a Royal Decree dated 2 July 2017.

BOARD OF DIRECTORS

The Directors are appointed by the King on the proposal of the Council of Regency for a renewable term of six years. They may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

On 31 October 2018, Mrs Marcia De Wachter resigned her post as director. By a Royal Decree dated 6 December 2018, Mr Steven Vanackere was appointed as a director with effect from 2 January 2019.

Composition of the Board of Directors in 2018:

Member	Function
Jan Smets	Governor ¹
Pierre Wunsch	Vice-Governor ²
Marcia De Wachter	Director ³
Jean Hilgers	Director
Vincent Magnée	Director
Tom Dechaene	Director
Tim Hermans	Director

1 Governor until 1 January 2019.

2 Governor with effect from 2 January 2019.

3 Director until 31 October 2018.

The curriculum vitae of each of the Directors is available on the Bank's website.

The Board of Directors met 43 times in 2018 for central banking matters, 42 times for prudential supervision and 8 times to discuss macroprudential policy matters.

TREASURER

Director Jean Hilgers performs the function of Treasurer.

SECRETARY

Director Tim Hermans performs the function of Secretary.

COUNCIL OF REGENCY

The Council of Regency is composed of the Governor, the Directors, and ten Regents. The Regents are elected by the General Meeting for a renewable term of three years. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance. The terms of office of the Regents end after the Ordinary General Meeting. They leave office each year in groups, one of four members and the other two of three members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

At the General Meeting on 22 May 2018, the terms of office as Regents of Messrs Marc Leemans, Pieter Timmermans and Pieter Verhelst were renewed. Messrs Cedric Frère, Eric Mathay and Robert Vertenuel, Mrs Fabienne Bister and Messrs Danny Van Assche and Edwin De Boeck were elected as successors to Messrs Gérald Frère, Didier Matray and Rudy De Leeuw, Mrs Michèle Detaille and Messrs Karel Van Eetvelt and Jean-François Robe respectively.

Regents as at 31 December 2018:

Mr Marc Leemans¹
Mr Pieter Timmermans²
Mr Pieter Verhelst²
Mr Yves Prete²
Mr Cedric Frère³
Mr Eric Mathay³
Mr Robert Vertenuel¹
Mr Danny Van Assche³
Mrs Fabienne Bister³
Mr Edwin De Boeck³

The Council of Regency met 23 times in 2018. These meetings focused in particular on the approval of the 2017 annual accounts and Annual Report, including the remuneration report, and on the settlement of the year's profit distribution. The Council of Regency approved the Bank's 2019 budget, and, after examination by the Audit Committee, laid down the accounting rules for the financial year 2018. It took note of the report on the activities and auditing work of the Board of Censors. Finally, it exchanged views on general questions relating to the Bank and to the Belgian, European and global economy.

BOARD OF CENSORS/AUDIT COMMITTEE

The Board of Censors is composed of ten members. The Censors are elected by the General Meeting of Shareholders for a renewable term of three years. They are chosen from among persons with special qualifications in the field of supervisory procedures.

- 1 Regent elected on the proposal of the most representative labour organisations.
- 2 Regent elected on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.
- 3 Regent elected on the proposal of the Minister of Finance.

The Censors' functions come to an end after the Ordinary General Meeting. The Censors leave office each year in groups, one of four members and the other two of three members. The Censor elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

At the General Meeting on 22 May 2018, the terms of office as Censor of Mr Jean-François Hoffelt and Mrs Claire Tillekaerts were renewed. Messrs Lionel Rouget, Dimitri Lhoste and Eddy Vermoesen were elected as successors to Messrs Bernard Jurion, Eric Mathay and Edwin De Boeck respectively.

Censors as at 31 December 2018:

Mr Jean-François Hoffelt
Mrs Mia De Schamphelaere
Mr Jean Eylenbosch
Mr Herman Matthijs
Mr Grégoire Koutentakis
Mr Mario Coppens
Mrs Claire Tillekaerts
Mr Lionel Rouget
Mr Dimitri Lhoste
Mr Eddy Vermoesen

The Board of Censors met 12 times in 2018. At these meetings, the Board of Censors, in its capacity as the Audit Committee, examined *inter alia* the annual accounts and the Annual Report for the year 2017. The Chairman of the Board of Censors reported back to the Council of Regency on these subjects. In addition, the Board of Censors, as the Audit Committee, took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Board of Censors also supervised the preparation of the Bank's 2019 budget and handed down a positive opinion on the accounting rules for the financial year 2018.

BUDGET COMMITTEE

The Budget Committee is responsible for examining the Bank's budget before it is submitted to the Council of Regency for approval. It is chaired by a member of the Board of Censors and also comprises three Regents, two additional Censors, the representative of the Minister of Finance and – in an advisory capacity – the member of the Board of Directors competent for the Controlling Department.

Composition of the Budget Committee as at 31 December 2018:

Chairman: Mr Herman Matthijs, Censor
Mr Pieter Verhelst, Regent
Mr Eric Mathay, Regent
Mr Robert Verteneuil, Regent
Mr Grégoire Koutentakis, Censor
Mr Mario Coppens, Censor
Mr Hans D'Hondt, representative of the Minister of Finance
Mr Tom Dechaene, Director

This Committee met once in 2018. At that meeting, Director Tom Dechaene commented on the key facts concerning the Bank's budget. The priorities for the 2018 financial year were first of all recalled. The budget forecasts were then set out in the context of the NBB 2020 strategic plan. Priorities for the year 2019 were discussed in some detail. Following an in-depth discussion, the Budget Committee gave a positive opinion on the Bank's budget proposals for 2019.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee advises the Council of Regency on the remuneration of the members of the Board of Directors, the Regents and Censors. It also expresses opinions for the attention of the organs and entities competent to propose candidates for vacancies on the Board of Directors, the Council of Regency and the Board of Censors, in order to enable those bodies and entities to respect all the legal, statutory and ethical rules applicable and to ensure that the composition of the Bank's organs is balanced.

The Remuneration and Appointments Committee comprises two Regents, two Censors and the representative of the Minister of Finance. The Governor attends as an adviser.

Composition of the Remuneration and Appointments Committee as at 31 December 2018:

Chairman: Mr Jean Eylenbosch, Censor
Mr Pieter Timmermans, Regent
Mr Yves Prete, Regent
Mrs Claire Tillekaerts, Censor
Mr Hans D'Hondt, representative of the Minister of Finance

The Remuneration and Appointments Committee met four times in 2018. Its meetings are confidential. However, in order to demonstrate proper transparency in relation to the public, the activities and decisions of the Remuneration and Appointments Committee concerning remuneration policy and remuneration are spelt out in the remuneration report (see point 2.1.10).

SPECIAL FUND COMMITTEE

The Special Fund Committee is responsible for examining the allocation of the Special Fund for the Bank's sponsorship work, prior to its approval by the Council of Regency. It is chaired by the Governor and also comprises two Regents, two Censors and one member of the Board of Directors.

Composition of the Special Fund Committee as at 31 December 2018:

Chairman: Mr Jan Smets, Governor
Mr Pierre Wunsch, Vice-Governor
Mr Marc Leemans, Regent
Mr Cedric Frère, Regent
Mr Jean-François Hoffelt, Censor
Mrs Mia De Schamphelaere, Censor

This committee met once in 2018. At that meeting, the various proposals concerning the Bank's sponsorship were examined.

REPRESENTATIVE OF THE MINISTER OF FINANCE

Since 1 October 2012, Mr Hans D'Hondt has acted as representative of the Minister of Finance.

GENERAL MEETING OF SHAREHOLDERS

At the Ordinary General Meeting on 22 May 2018, the Governor and Director Tom Dechaene reported on the operations of the financial year 2017. The Secretary then read out the report of the Works Council on the annual information. The members of the Board of Directors answered numerous questions. Finally, the shareholders present conducted the necessary elections to fill the vacant posts of Regent and Censor. The minutes of this General Meeting are available on the Bank's website.

AUDITOR

The firm Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, acts as the Bank's auditor and was appointed by the General Meeting on 15 May 2017 for a renewable term of three years.

2.1.9.5 Diversity policy

The Bank ensures respect for diversity in all its forms. It attaches importance to a balanced composition of its organs and its staff.

In particular, the Remuneration and Appointments Committee, which is responsible for issuing opinions on appointments, takes the question of diversity into account in its deliberations.

Nevertheless, the Bank is bound by the specific provisions of its Organic Law and its Statutes. It is the King who appoints the Governor. The other members of the Board of Directors are also appointed by the king, upon a proposal from the Council of Regency. The Regents are appointed on the proposal of the Minister of Finance and civil society. In view of the arrangements for appointing the members of its organs, it is therefore not the Bank alone that establishes and implements the diversity policy.

2.1.10 Remuneration report

2.1.10.1 Procedure for developing the remuneration policy and determining remuneration

The Council of Regency is authorised to determine the remuneration policy and the remuneration of the members of the Board of Directors, including that of the Governor, the Council of Regency and the Board of Censors. The Council of Regency is assisted by the Remuneration and Appointments Committee in the exercise of that power. The role, composition and functioning of the latter are set out in the Remuneration and Appointments Committee regulations, available on the Bank's website.

On the recommendation of the Remuneration and Appointments Committee, the Council of Regency decided to assess at least once a year the principles

underlying the remuneration policy and the actual remuneration. In other words, the Council of Regency meets at least once a year to discuss remuneration. The Council of Regency may also at any time decide to hold additional meetings on this subject, e.g. in response to reports which it receives from the Remuneration and Appointments Committee, which meets at least twice a year.

The remuneration policy and the remuneration paid are discussed in the remuneration report which is included in the Directors' Report each year. The present remuneration report relating to the year 2018 was prepared by the Remuneration and Appointments Committee and approved by the Council of Regency, in accordance with Article 30.5 of the Statutes, at its meeting on Wednesday, 27 March 2019.

2.1.10.2 Declaration on the remuneration policy

PRINCIPLES UNDERLYING THE REMUNERATION

Governor, Vice-Governor and Directors

The Council of Regency determines the salaries and pensions of members of the Board of Directors. The latter cannot be present during the discussions or the voting by the Council of Regency concerning their own remuneration.

Upon the advice of the Remuneration and Appointments Committee and in the light of the debate on public sector pay, the Council of Regency decided in 2014 to derogate from the policy that had been followed for many years which had involved setting the remuneration of every new Governor, Vice-Governor or Director at the level of his predecessor. A decision was taken to lower salaries by more than 12 % across the board. This new salary level applies to all Governors, Vice-Governors and Directors appointed from 1 June 2014 onwards and also to Board members whose term of office is renewed after that date.

Since the Bank, in its capacity as a central bank, is unlike other listed companies in that maximising profits is not its primary objective, the Organic Law stipulates that the remuneration of the Governor, the Vice-Governor and the Directors must not include a share in the profits. Consequently, their remuneration

consists solely of a fixed component, with no variable element. No bonuses are paid.

The Governor and the other members of the Board of Directors hand over to the Bank the remuneration that they receive in respect of any external posts held in connection with their position at the Bank. As the sole exception to this principle, the Governor may keep the fee that he receives as a director of the Bank for International Settlements. Conversely, the Bank no longer pays the cost of accommodation and furnishings for the Governor.

The salaries of the members of the Board of Directors are index-linked in line with the health index.

The Governor, Vice-Governor and Directors are prohibited from holding shares issued by the Bank, by enterprises subject to the Bank's supervision, by Belgian enterprises subject to the supervision of the European Central Bank, or by foreign enterprises established in Belgium and subject to the supervision of the European Central Bank, or shares in other companies belonging to groups comprising enterprises subject to the supervision of the Bank or the European Central Bank as mentioned above, except for shares which they already held when taking office. They may trade such securities only with the prior authorisation of the Board of Directors. When determining whether to grant or refuse that authorisation, the Board of Directors takes account of a range of factors, such as the state of the market and the issuer of the securities in question, the size of the transaction, its justification and its urgency, the existence of unpublished information concerning the market or the issuer of the securities in question, and any risks to the Bank's reputation if the transaction takes place. The Board of Directors produces an annual report for the attention of the Council of Regency, describing in general terms the authorisations which it has granted or refused. If members of the Board of Directors trade the Bank's shares, they are required to notify the Financial Services and Markets Authority (FSMA).

There is a pension plan for members of the Board of Directors, offering them a supplementary pension in addition to the statutory pension. The supplementary pension plan is a "defined benefits" plan. The pension of the members of the Board of Directors is subject to the Law of 5 August 1978 on economic and fiscal reforms (the Wyninckx Law).

Regents and Censors

The Regents and Censors receive attendance fees and travel expenses. The amount of these allowances is fixed by the Council of Regency, subject to the supervision of the Minister of Finance exercised by his representative, and on the recommendation of the Remuneration and Appointments Committee.

The amount of the attendance fees comprises only a fixed component, with no variable element, and is granted for each meeting actually attended by members of the Council of Regency and the Board of Censors. The same attendance fees are paid to the Regents and Censors for each meeting attended by the members of the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee, except if the meeting is held on the same day as a meeting of the Council of Regency or the Board of Censors.

The amount of the attendance fees is index-linked annually in line with the health index, and is assessed periodically by the Council of Regency, on the recommendation of the Remuneration and Appointments Committee.

The calculation method and rules for granting travel expenses to the Regents and Censors are aligned with the rules of tax law (fixed allowance per kilometre).

PROPORTIONS OF THE VARIOUS REMUNERATION COMPONENTS

As explained above, the remuneration of the Governor, Directors, Regents and Censors comprises only a fixed component, and no variable remuneration.

CHARACTERISTICS OF PERFORMANCE BONUSES

No performance bonuses are paid in any form to the Governor, Directors, Regents and Censors.

INFORMATION ON THE REMUNERATION POLICY FOR THE NEXT TWO FINANCIAL YEARS

At its meeting on 27 March 2019, the Council of Regency analysed, assessed and confirmed the remuneration policy as described in this report,

on the recommendation of the Remuneration and Appointments Committee. It did not propose any major changes for the coming financial years.

2.1.10.3 Attendance fees paid to Regents and Censors

The fee for attending the meetings of the Council of Regency, the Board of Censors, the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee stood at € 533 gross per meeting attended in 2018.

On the basis of actual attendance at meetings in 2018, the following of statement of fees can be established, in alphabetical order:

Censors: Mario Coppens (€ 5 863 for 11 meetings), Edwin De Boeck¹ (€ 4 797 for 9 meetings), Mia De Schamphelaere (€ 5 863 for 11 meetings), Jean Eylenbosch (€ 8 528 for 16 meetings), Jean-François Hoffelt (€ 6 929 for 13 meetings), Bernard Jurion² (€ 2 665 for 5 meetings), Grégoire Koutentakis (€ 4 797 for 9 meetings), Dimitri Lhoste³ (€ 4 264 for 8 meetings), Eric Mathay⁴ (€ 4 797 for 9 meetings), Herman Matthijs (€ 6 929 for 13 meetings), Lionel Rouget⁵ (€ 4 264 for 8 meetings), Claire Tillekaerts (€ 4 797 for 9 meetings), Eddy Vermoesen⁶ (€ 4 264 for 8 meetings).

Regents: Fabienne Bister⁷ (€ 6 929 for 13 meetings), Edwin De Boeck⁸ (€ 5 863 for 11 meetings), Rudy De Leeuw⁹ (€ 2 665 for 5 meetings), Michèle Detaille¹⁰ (€ 1 599 for 3 meetings), Cedric Frère¹¹ (€ 6 929 for 13 meetings), Gérald Frère¹² (€ 3 198 for 6 meetings), Marc Leemans (€ 7 462 for

- 1 Member of the Board of Censors until 22 May 2018.
- 2 Member of the Board of Censors until 22 May 2018.
- 3 Member of the Board of Censors from 22 May 2018.
- 4 Member of the Board of Censors until 22 May 2018.
- 5 Member of the Board of Censors from 22 May 2018.
- 6 Member of the Board of Censors from 22 May 2018.
- 7 Member of the Council of Regency from 22 May 2018.
- 8 Member of the Council of Regency from 22 May 2018.
- 9 Member of the Council of Regency until 22 May 2018.
- 10 Member of the Council of Regency until 22 May 2018.
- 11 Member of the Council of Regency from 22 May 2018.
- 12 Member of the Council of Regency until 17 May 2018.
- 13 Member of the Council of Regency from 22 May 2018.
- 14 Member of the Council of Regency until 22 May 2018.
- 15 Member of the Council of Regency from 22 May 2018.
- 16 Member of the Council of Regency from 22 May 2018.

14 meetings), Eric Mathay¹³ (€ 5 330 for 10 meetings), Didier Matray¹⁴ (€ 3 731 for 7 meetings), Yves Prete (€ 12 259 for 23 meetings), Pieter Timmermans (€ 11 193 for 21 meetings), Danny Van Assche¹⁵ (€ 5 330 for 10 meetings), Pieter Verhelst (€ 11 193 for 21 meetings), Robert Vertenuel¹⁶ (€ 3 198 for 6 meetings).

2.1.10.4 Information on the amount of the remuneration paid to members of the Board of Directors as members of the Council of Regency

The Governor, Vice-Governor and Directors do not receive any payment for the duties which they perform in the Council of Regency. Neither do they receive any payment for their positions on the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee.

2.1.10.5 Criteria for assessing performance in connection with the payment of variable remuneration

As already stated, the remuneration of the Governor, Directors and Censors comprises solely a fixed component and no variable remuneration is paid.

2.1.10.6 Remuneration and other benefits granted to the Governor, Vice-Governor and other members of the Board of Directors

In 2018, the gross salaries came to € 497 318 for the post of Governor, € 397 855 for the post of Vice-Governor, and € 342 978 for the post of Director. These amounts are paid on the basis of self-employed status.

In accordance with the principles of the Organic Law and the remuneration policy determined by the Council of Regency, no variable remuneration is paid to the Governor, Vice-Governor and other members of the Board of Directors.

Under the pension plan, the Bank's contributions represent the amounts paid on the individual contracts of the members of the Board of Directors and the (non-individualised) amounts paid into the

financing fund to spread the contributions evenly over time. For the year 2018, the Bank's contribution came to € 498 513.

Members of the Board of Directors are provided with a company car. For the past financial year, the value of this benefit in kind is assessed at € 11 379 for the Governor and € 28 961 for the other Directors taken together.

2.1.10.7 Shares, share options and other rights to acquire shares in the Bank

The Bank does not grant any shares, share options or other rights to acquire shares in the Bank to the Governor, Directors, Regents and Censors.

2.1.10.8 Provisions on severance pay for members of the Board of Directors

Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and other members of the Board of Directors may not hold any office in institutions which are subject to the Bank's supervision until one year after leaving office. On the recommendation of the Remuneration and Appointments Committee, the Council of Regency therefore decided that, as a general principle, a payment equivalent to 12 months' salary can be made to members of the Board of Directors whose term of office is not renewed, so long as they do not take up any new professional activities and have not attained the age of 67 years. The Council of Regency will always ensure that these conditions are fulfilled on a case-by-case basis.

2.1.10.9 Decisions on severance pay

No severance pay was granted to members of the Board of Directors in 2018.

2.1.10.10 Right to reclaim variable remuneration

As already stated, the remuneration of the Governor, Directors, Regents and Censors comprises solely a fixed component and no variable remuneration is paid.

2.1.11 Non-financial declaration

In its capacity as the country's central bank, the National Bank has been assigned tasks in the general interest (see also point 2.1.9.1). The Bank's main activities are not of a commercial or industrial nature.

In view of the nature of its activities, its location and the procedures that it applies, the Bank is only very marginally exposed to risks relating to environmental issues, respect for human rights and the fight against corruption. Nevertheless, as an important player in the economic world and in regard to society, the Bank ensures respect for non-financial values.

As far as sustainability is concerned, the Bank has been awarded the Ecodynamic Enterprise label by the Brussels Institute for Environmental Management (IBGE), with three stars, the highest award possible. Point 1.3 gives a detailed description of the efforts that have been made in this area.

On the social front, the Bank strives to guarantee its staff a quality working environment. It also closely monitors its staff's security, which has been tightened up as a result of the terrorist threat. The Bank has put in place a series of measures designed to make it easier to reconcile personal and professional life. It pays particular attention to skills development and career progression. All its buildings are accessible to people with reduced mobility.

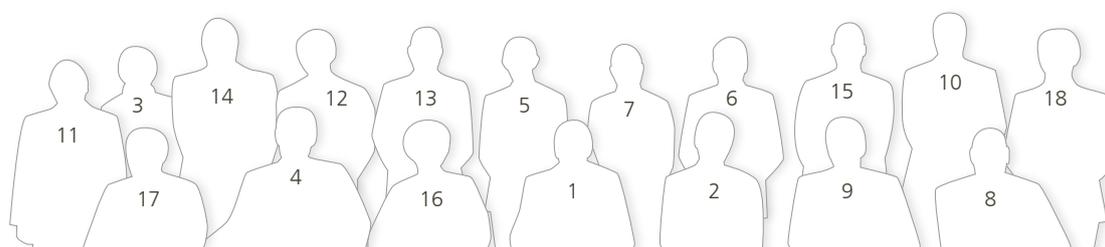
The Bank has adopted a code of ethics in order to ensure ethical behaviour by its management and its staff. Moreover, the Bank is subject to the anti-money-laundering and terrorist financing legislation and takes all necessary measures to implement it. The Bank remains in regular contact with the CTIF (Financial Intelligence Processing Unit). The Bank is also subject to public procurement legislation and has to respect strict procedures for all orders for work, supplies or services. This legislation notably includes rules designed to avoid any conflict of interest. Under its purchasing policy, which refers to this regulatory framework, the Bank takes account of social and environmental criteria.

In regard to risk management, the Bank applies the three lines of defence system (see point 2.1.2 for a description of the system and point 2.1.2.2 regarding non-financial risks).

Council of Regency



- | | |
|--------------------------------------|--|
| 1 Jan Smets, GOVERNOR * | 10 Pieter Verhelst, REGENT |
| 2 Pierre Wunsch, VICE-GOVERNOR ** | 11 Yves Prete, REGENT |
| 3 Marcia De Wachter, DIRECTOR *** | 12 Cedric Frère, REGENT |
| 4 Jean Hilgers, DIRECTOR – TREASURER | 13 Eric Mathay, REGENT |
| 5 Vincent Magnée, DIRECTOR | 14 Robert Vertenueil, REGENT |
| 6 Tom Dechaene, DIRECTOR | 15 Danny Van Assche, REGENT |
| 7 Tim Hermans, DIRECTOR – SECRETARY | 16 Fabienne Bister, REGENT |
| 8 Marc Leemans, REGENT | 17 Edwin De Boeck, REGENT |
| 9 Pieter Timmermans, REGENT | 18 Hans D’Hondt, REPRESENTATIVE OF THE MINISTER OF FINANCE |

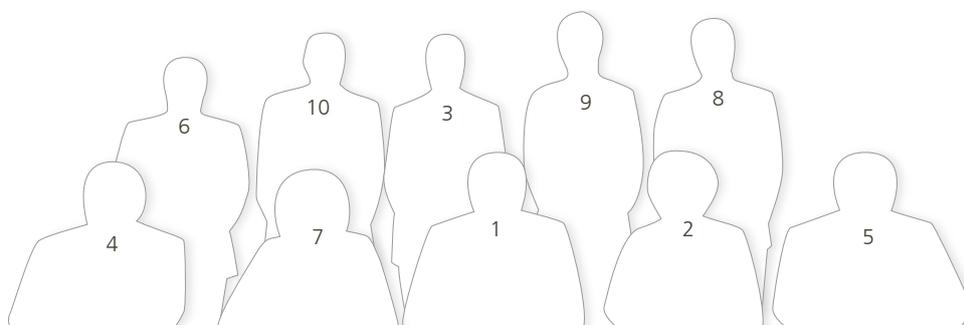


* Governor until 1 January 2019. Mr Steven Vanackere was appointed Directeur as of 2 January 2019.
 ** Governor since 2 January 2019.
 *** Marcia De Wachter ended her term as Director on 31 October 2018.

Board of Censors / Audit Committee



- 1 Jean-François Hoffelt
- 2 Mia De Schamphelaere
- 3 Jean Eylenbosch
- 4 Herman Matthijs
- 5 Grégoire Koutentakis
- 6 Mario Coppens
- 7 Claire Tillekaerts
- 8 Lionel Rouget
- 9 Dimitri Lhoste
- 10 Eddy Vermoesen



2.2 Annual accounts

2.2.1 Balance Sheet

(before profit distribution)

Assets

(end-of-period data, in € thousand)

	See note below	2018	2017
1. Gold and gold receivables	1	8 195 519	7 909 800
2. Claims on non-euro area residents denominated in foreign currency	2	15 288 762	13 885 370
2.1 Receivables from the IMF		6 402 443	5 951 516
2.2 Balances with banks and security investments, external loans and other external assets		8 886 319	7 933 854
3. Claims on euro area residents denominated in foreign currency	3	405 191	328 489
4. Claims on non-euro area residents denominated in euro	4	1 666 137	848 633
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	22 690 200	24 383 650
5.1 Main refinancing operations		–	40 000
5.2 Longer-term refinancing operations		22 690 200	24 343 650
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		–	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	6	17 543	227 673
7. Securities of euro area residents denominated in euro	7	122 199 708	107 720 140
7.1 Securities held for monetary policy purposes		113 574 838	96 877 893
7.2 Other securities		8 624 870	10 842 247
8. Intra-Eurosystem claims	8	8 199 806	9 648 703
8.1 Participating interest in ECB capital		287 101	287 101
8.2 Claims equivalent to the transfer of foreign currency reserves		1 435 911	1 435 911
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		6 476 794	7 925 691
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	7 876 801	7 723 922
9.1 Coins of euro area		8 849	9 112
9.2 Tangible and intangible fixed assets		416 899	410 473
9.3 Other financial assets		6 041 445	5 846 341
9.4 Off-balance-sheet instruments revaluation differences		–	47 699
9.5 Accruals and prepaid expenditure		1 399 710	1 400 374
9.6 Sundry		9 898	9 923
Total assets		186 539 667	172 676 380

Liabilities

(end-of-period data, in € thousand)

	See note below	2018	2017
1. Banknotes in circulation	10	39 870 275	37 913 638
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	59 408 947	64 957 740
2.1 Current accounts (covering the minimum reserve system)		23 669 646	15 710 572
2.2 Deposit facility		35 739 301	49 247 168
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	12	543 628	838 406
4. Liabilities to other euro area residents denominated in euro	13	379 465	293 207
4.1 General government		11 355	25 605
4.2 Other liabilities		368 110	267 602
5. Liabilities to non-euro area residents denominated in euro	14	8 147 501	8 413 888
6. Liabilities to euro area residents denominated in foreign currency	15	710 480	236 388
7. Liabilities to non-euro area residents denominated in foreign currency	16	3 219 651	3 515 801
8. Counterpart of special drawing rights allocated by the IMF	17	5 254 592	5 134 403
9. Intra-Eurosystem liabilities	18	53 192 130	36 296 706
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates		–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
9.3 Other liabilities within the Eurosystem (net)		53 192 130	36 296 706
10. Other liabilities	19	706 583	727 179
10.1 Off-balance-sheet instruments revaluation differences		8 994	–
10.2 Accruals and income collected in advance		44 542	30 569
10.3 Sundry		653 047	696 610
11. Provisions	20	5 670	2 424
11.1 For future exchange losses		–	–
11.2 For new premises		–	–
11.3 For contingencies		–	–
11.4 In respect of monetary policy operations		5 670	2 424
12. Revaluation accounts	21	8 231 503	7 898 906
13. Capital, reserve fund and available reserve	22	6 123 680	5 815 009
13.1 Capital		10 000	10 000
13.2 Reserve fund:			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 153 600	1 152 963
Amortisation accounts in respect of tangible and intangible fixed assets		329 958	338 266
13.3 Available reserve		3 461 428	3 145 086
14. Profit for the year	23	745 562	632 685
Total liabilities		186 539 667	172 676 380

2.2.2 Profit and loss account

(end-of-period data, in € thousand)

	See note below	2018	2017
1. Net interest income	24	1 532 936	1 284 936
1.1 Interest income ¹		1 783 670	1 476 176
1.2 Interest expense ^{1,2}		-250 734	-191 240
2. Net result of financial operations, write-downs and provisions	25	-25 090	4 674
2.1 Realised gains/losses arising from financial operations ^{1,2}		20 331	53 408
2.2 Write-downs on financial assets and positions ²		-45 421	-48 734
2.3 Transfer to/from provisions		-	-
3. Net income/expense from fees and commissions	26	-264	627
3.1 Fees and commissions income		6 859	7 452
3.2 Fees and commissions expense		-7 123	-6 825
4. Income from equity shares and participating interests¹	27	66 271	61 190
5. Net result of pooling of monetary income	28	-367 648	-248 906
6. Other income¹	29	173 484	161 556
7. Staff costs	30	-326 889	-336 948
8. Administrative expenses¹	31	-105 028	-90 469
9. Depreciation of tangible and intangible fixed assets	32	-14 791	-13 015
10. Banknote production services	33	n.	n.
11. Other expenses	34	-637	-
12. Corporate tax	35	-186 782	-190 960
Profit for the year		745 562	632 685

1	Of which proceeds from statutory investments and similar:		
1.1	Interest income	129 173	134 971
1.2	Interest expense	-	-
2.1	Realised gains/losses arising from financial operations	4 635	179
4.	Income from equity shares and participating interests	14 231	18 435
6.	Other income: Proceeds from sale of real estate	9 673	-
8.	Administrative expenses: Costs related to the sale of real estate	-17	-
	Total	157 695	153 585

2	Of which due to (-) / by (+) the State:		
1.2	Interest expense	-33 559	-32 214
2.1	Realised gains/losses arising from financial operations	15 486	12 860
2.2	Write-downs on financial assets and positions	-	1 186
	Total	-18 073	-18 168

2.2.3 Profit distribution

(in € thousand)

	See note below	2018	2017
Profit for the year	36	745 562	632 685
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law:			
1. A first dividend of 6 % of the capital shall be allocated to the shareholders		600	600
2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, shall be allocated to the reserve fund or to the available reserve		372 781	316 343
3. From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserve shall be allocated to the shareholders		54 788	50 452
4. The balance shall be allocated to the State; it shall be exempted from corporate tax		317 393	265 290

2.2.4 Dividend per share

(in €)

	2018	2017
Gross dividend	138.47	127.63
Withholding tax	41.54	38.29
Net dividend	96.93	89.34

The dividend is payable the fourth bank working day following the General Meeting.

2.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

	See note below	2018	2017
Forward transactions in foreign currencies and in euro	37		
Forward claims		5 191 245	4 464 195
Forward liabilities		5 222 592	4 427 582
Forward transactions on interest rate and fixed-income securities	38	8 468 813	454 312
Liabilities which could lead to a credit risk	39		
Commitments towards international institutions		16 120 879	11 236 980
Commitments towards other institutions		815 140	1 497 610
Valuables and claims entrusted to the institution	40		
For encashment		4	14
Assets managed on behalf of the Treasury		205 302	186 973
Assets managed on behalf of the ECB		1 776 686	1 656 963
Custody deposits		757 831 692	769 569 103
Capital to be paid up on participations	41	228 343	223 120

2.2.6 Social Balance Sheet

1. Statement of persons employed

A. Workers for whom the enterprise has submitted a DIMONA declaration or who are recorded in the general staff register

	Total	Men	Women
1. During the financial year			
a. Average number of employees			
Full-time	1 779.80	1 272.20	507.60
Part-time	524.40	159.30	365.20
Total in full-time equivalents (FTE)	2 155.26	1 389.10	766.16
b. Number of hours actually worked			
Full-time	2 380 678.10	1 738 688.70	641 989.40
Part-time	449 895.60	146 676.20	303 219.40
Total	2 830 573.70	1 885 364.90	945 208.80
c. Staff costs (in €)			
Full-time	259 800 527	196 575 694	63 224 833
Part-time	49 670 024	16 123 416	33 546 608
Total	309 470 551	212 699 110	96 771 441
d. Amount of benefits additional to wages	3 081 778	2 118 106	963 672
2. During the previous financial year			
Average number of workers in FTEs	2 155.39	1 394.83	760.56
Number of hours actually worked	2 808 347.40	1 884 718.66	923 628.74
Staff costs (in €)	319 103 155	219 447 240	99 655 915
Amount of benefits additional to wages (in €)	3 086 625	2 122 672	963 953
	Full-time	Part-time	Total in full-time equivalents
3. On the balance sheet date			
a. Number of workers	1 796	512	2 163.06
b. By type of employment contract			
Permanent contract	1 694	510	2 059.46
Fixed-term contract	102	2	103.60
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By gender and level of education			
Men	1 282	151	1 392.90
Elementary	97	17	109.20
Secondary	338	67	386.10
Higher non-university	314	38	343.40
University	533	29	554.20
Women	514	361	770.16
Elementary	63	60	104.46
Secondary	135	153	242.30
Higher non-university	114	90	179.50
University	202	58	243.90
d. By occupational category			
Management staff	21	0	21.00
Clerical workers	1 775	512	2 142.06
Manual workers	–	–	–
Other	–	–	–

B. Agency staff and persons on secondment

	Agency staff	Persons on secondment
During the financial year		
Average number of persons employed	7.13	–
Number of hours actually worked	13 439.83	–
Costs to the enterprise (in €)	201 659.29	–

2. Table of staff movements during the year

A. Recruitment

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers for whom the enterprise submitted a DIMONA declaration or who were entered in the general staff register during the year	186	5	190.00
b. By type of employment contract			
Permanent contract	105	4	108.20
Fixed-term contract	81	1	81.80
Contract for a specific project	–	–	–
Substitution contract	–	–	–

B. Departures

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract expiry date was recorded in a DIMONA declaration or in the general staff register during the year	132	37	155.70
b. By type of employment contract			
Permanent contract	73	36	96.20
Fixed-term contract	59	1	59.50
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By reason for termination of contract			
Retirement	57	34	78.60
Unemployment with company supplement	–	–	–
Redundancy	6	0	6.00
Other reason	69	3	71.10
of which: number of persons continuing to provide services for the enterprise at least half time as self-employed workers	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	1 143	718
Number of hours of training completed	36 099	24 532
Net cost to the enterprise (in €)	6 077 218	4 129 909
of which:		
Gross cost directly relating to training	–	–
Contributions and payments to communal funds	–	–
Subsidies and other financial benefits received (to be deducted)	–	–
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1 338	771
Number of hours of training completed	26 949	14 106
Net cost to the enterprise (in €)	2 946 335	1 542 242
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the enterprise	–	–

2.2.7 Notes to the annual accounts

2.2.7.1 Legal framework

The annual accounts are drawn up in accordance with Article 33 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, which provides that:

“The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1° in accordance with this Law and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

2° and otherwise in accordance with the rules laid down by the Council of Regency.

Articles 2 to 4, 6 to 9 and 16 of the Law of 17 July 1975 on business accounting and their implementing decrees shall apply to the Bank, with the exception of the decrees implementing Articles 4 (6) and 9, § 2.”¹

The mandatory rules referred to in Article 33 (1) are defined in the Guideline of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34), OJ L347 of 20 December 2016.

In accordance with Article 20 § 4 of the Organic Law, the Council of Regency approves the expenditure budget and the annual accounts presented by the Board of Directors. It finally determines the distribution of the profits proposed by the Board of Directors.

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, adhering to the format and the

accounting rules approved by the Council of Regency on 19 December 2018. The accounting principles are unchanged compared to 2017.

They are presented in thousands of euro unless otherwise stated.

2.2.7.2 Accounting principles and valuation rules

I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTE

The accounts, which are drawn up on a historical cost basis, are adjusted to reflect the valuation at market prices of marketable instruments (other than the statutory portfolio, the held-to-maturity portfolios, and the portfolios held for monetary policy purposes), of gold and of all the elements, both on-balance-sheet and off-balance-sheet, denominated in foreign currencies.

Spot and forward foreign exchange transactions are recorded off-balance-sheet on the contract date and shown on the balance sheet on the settlement date.

1. Assets and liabilities in gold and foreign currencies

The Belgian State's official foreign exchange reserves, which are shown on the balance sheet, are held and managed by the Bank. Assets and liabilities in gold and foreign currencies are converted into euro at the exchange rate on the balance sheet date.

Foreign currencies are revalued on a currency-by-currency basis; the revaluation includes both on-balance-sheet and off-balance-sheet items.

Securities are revalued at market prices separately from the revaluation of foreign currencies at their market exchange rates.

2. Fixed-income securities

Fixed-income marketable securities, excluding those in the statutory portfolio, those held to maturity (HTM), and those held for monetary policy purposes, are valued at the market price prevailing

¹ Pursuant to Articles 11 and 12 of the Law of 17 July 2013 inserting a Book III entitled “Freedom of establishment, to provide services and general obligations of undertakings” in the Code of Economic Law and inserting specific definitions under Book III in Books I and XV of the Code of Economic Law, this provision should be interpreted as: “Articles III.82 to III.84, III.86 to III.89 and XV.75 of the Code of Economic Law and their implementing decrees shall apply to the Bank, with the exception of the Decrees implementing Articles III.84, paragraph 7, and III.89, § 2”.

on the balance sheet date (MTM). Securities are revalued individually.

The held-to-maturity (HTM) portfolios consist exclusively of fixed- or determinable-income securities and fixed-term securities which the Bank has the express intention to hold to maturity. The securities are treated as a separate portfolio and valued at the amortised purchase price.

Securities held for monetary policy purposes are treated as separate portfolios and valued at amortised purchase price regardless of the holding intention.

Securities valued at amortised purchase price may be subject to impairment.

3. (Reverse) repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase them and the transferee expressly agrees to sell them back at an agreed price and on an agreed date.

The transferor records, on the liabilities side of the balance sheet, the amount of the liquidity received as a debt to the transferee, and values the securities transferred in accordance with the accounting rules applicable to the securities portfolio in which they are held.

The transferee, for his part, records on the assets side of his balance sheet a claim on the transferor corresponding to the amount paid out, while the securities acquired are not recorded in the balance sheet but off-balance-sheet.

The Bank regards the above-mentioned transactions as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities.

Repurchase agreements and reverse repurchase agreements denominated in foreign currencies have no effect on the position in the currency in question.

4. Share in the capital of the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the national central banks (NCBs) of the

ESCB are the sole subscribers to the capital of the ECB. Subscriptions depend on the ECB's capital subscription key which is determined in accordance with Article 29 of the ESCB Statute.

5. Banknotes in circulation

The ECB and the NCBs of the countries which have adopted the euro, and which together comprise the Eurosystem, issue euro banknotes¹. The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

8 % of the total value of the banknotes in circulation is allocated to the ECB, while the remaining 92 % is allocated to the NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

6. Determination of the result

- 6.1 The result is determined in accordance with the following rules:
- income and expenses are recognised in the financial year in which they are earned or incurred;
 - realised gains and losses are taken to the profit and loss account;
 - at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;

¹ Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 09/02/2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21/02/2015).

- negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account;
- losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or assets in gold;
- for gold, no distinction is made between the price and currency revaluation;
- in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.

6.2 Premiums or discounts arising from the difference between the average acquisition cost and the redemption price of securities are presented as part of interest income and amortised over the remaining life of the line of securities in question.

6.3 Interest accrued but not yet paid which influences the foreign exchange positions is recorded daily and converted at the exchange rate prevailing on the date of recording.

6.4 The amount of monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income resulting from the earmarkable assets held in counterpart to the liabilities items which serve as the basis for calculation. This basis comprises the following items:

- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET2 transactions;
- net intra-Eurosystem liabilities related to the allocation of euro banknotes in the Eurosystem;
- accrued interest arising on monetary policy liabilities with a collection period that equals or exceeds one year.

Any interest on liabilities included in the basis for calculation will be included in the monetary income pooled by each NCB.

The earmarkable assets consist of the following items:

- lending to euro area credit institutions related to monetary policy operations and denominated in euro;
- intra-Eurosystem claims in respect of the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET2 transactions;
- net intra-Eurosystem claims related to the allocation of euro banknotes in the Eurosystem;
- euro-denominated securities held for monetary policy purposes;
- a limited amount of each NCB's gold holdings, in proportion to each NCB's subscribed capital key. Gold is considered to generate no income;
- accrued interest arising on monetary policy assets with a collection period that equals or exceeds one year.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference is remunerated at the latest marginal interest rate applicable to the main refinancing operations of the Eurosystem¹.

6.5 The whole of the income of the ECB arising from the 8% share in euro banknotes allocated to it and that arising from its purchases of portfolio securities for monetary policy purposes (SMP, CBPP3, ABSPP and PSPP) is payable to the NCBs in the financial year in which it is generated. The ECB distributes that income to the NCBs in January of the next financial year.

The whole of that income is distributed unless it exceeds the ECB's net profit.

In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of that income to a

¹ Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L347 of 20/12/2016).

provision for foreign exchange rate, interest rate, credit and gold price risks¹.

7. Off-balance-sheet instruments

Forward foreign exchange transactions, the forward leg of currency swaps, and any other foreign currency instruments involving the exchange of one currency for another at a future date are included in the net foreign exchange position for the purpose of calculating the average cost price and exchange gains and losses.

In the case of foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, they do not influence the "Revaluation accounts" item on the liabilities side.

Interest-rate swaps and futures are revalued individually and recorded under the off-balance-sheet items. In the case of futures, daily margin calls are recorded in the profit and loss account and influence the foreign exchange position.

Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same manner as those appearing in the balance sheet.

8. Post-balance-sheet events

The assets and liabilities are adjusted to take account of information obtained between the balance sheet date and the date of adoption of the annual accounts by the Bank's Board of Directors if that information has a material effect on the balance sheet asset and liability items at the balance sheet date.

II. RULES PURSUANT TO THE ORGANIC LAW, LAWS, STATUTES AND CONVENTIONS

1. Gold and gold receivables

The capital gains realised by the Bank on arbitrage transactions in gold assets against other external reserve components are recorded in a special unavailable reserve account in accordance with Article 30 of the Organic Law and Article 54 of the Statutes.

2. IMF operations

Under Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for implementing Article 9 of the Organic Law, the Bank carries the rights that the State holds as a member of the IMF in its accounts as its own assets. Article 9 (2) of the Organic Law goes on to stipulate that the State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank for the purpose of these operations.

3. Loans granted and other operations relating to financial stability

Under Article 9 (2) of the Organic Law, the State guaranteed the Bank the reimbursement of any loan granted in connection with its contribution to the stability of the financial system, and guaranteed the Bank against any loss incurred as a result of any operation required in that regard.

Since, according to the European Commission, such an automatic State guarantee means that emergency liquidity measures must be classed as state aid – which could give rise to constraints on the Bank's performance of its role as lender of last resort – that provision was cancelled². In the event of a sudden crisis on the financial markets or a serious threat of a systemic crisis, the King could still – on the Bank's recommendation – grant the Bank an ad-hoc guarantee via a Royal Decree deliberated in the Council of Ministers on the basis of Article 36/24, § 1, 2° of the Organic Law.

¹ Decision of the ECB of 15 December 2014 on the interim distribution of the income of the ECB (recast) (ECB/2014/57, OJ L53 of 25/02/2015), as amended by the Decision of 2 July 2015 (ECB/2015/25, OJ L193 of 21/07/2015).

² Law of 18 December 2016 on the recognition and definition of crowdfunding, and laying down miscellaneous provisions concerning finance (Article 76), *Moniteur belge/Belgisch Staatsblad* of 20/12/2016.

4. Treasury's current account

Pursuant to an agreement of 13 November 2014 and its amendment of 2 June 2017, the end-of-day credit balance of the Treasury's current account at the closure of TARGET2 bears interest, up to a maximum of € 150 million, at the Euro Overnight Index Average Rate (EONIA).

5. Capital, reserve fund and available reserve

5.1 Capital

Under Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400 000 shares, which do not have any nominal value. The share capital is fully paid-up.

The Belgian State holds 200 000 registered, non-transferable shares, or 50 % of the total voting rights.

5.2 Reserve fund

The reserve fund, provided for in Article 31 of the Organic Law, consists of the statutory reserve, the extraordinary reserve and the amortisation accounts.

It is intended for:

- 1° compensating for the losses in capital stock;
- 2° supplementing any shortfall in the annual profit up to a dividend of 6 % of the capital.

Upon expiry of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund. The remaining four-fifths shall be distributed among all the shareholders¹.

5.3 Available reserve

The available reserve, provided for in Article 32 of the Organic Law may, by decision of the Council

¹ Pursuant to Article 141, § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Article 31 (2) of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium is interpreted as meaning that the right of issue in question includes that which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community (Article 128(1) of the Treaty on the Functioning of the European Union).

of Regency, be used to compensate for losses or to pay out the dividend.

6. Determination of the result

6.1 Proceeds fully assigned to the State

By virtue of Article 30 of the Organic Law, the net income from the assets which form the counterpart to the capital gains realised by the Bank through arbitrage transactions of gold assets against other external reserve components, entered in a special unavailable reserve account, is assigned to the State. The implementing procedures relating to these provisions are governed by an agreement dated 30 June 2005 between the State and the Bank, published in the *Moniteur belge/Belgisch Staatsblad* of 5 August 2005, and its amendment dated 10 July 2009, published in the *Moniteur belge/Belgisch Staatsblad* of 17 July 2009.

In addition, the Bank pays annually to the Treasury, in accordance with the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, a sum of € 24.4 million to compensate for the additional expenses resulting for the latter from the conversion, in 1991, of the Treasury's consolidated debt to the Bank into freely negotiable securities.

6.2 Net foreign exchange differences accruing to the State

In accordance with Article 9 of the Organic Law, the international monetary cooperation agreements or transactions which the Bank carries out on behalf of the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue to the State.

Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold to the Belgian Royal Mint are handed over to the State. Sales of gold to that Institution with a view to issuance by the State of numismatic or commemorative coins may not exceed 2.75 % of the weight of gold shown under the assets of the Bank as at 1 January 1987.

7. Profit distribution

Pursuant to Article 32 of the Organic Law, the profits for the year are distributed as follows:

1. a first dividend of 6% of the capital is allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve;
3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50% of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is allocated to the State; it is exempt from corporate tax.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Participations in the statutory portfolio

The participations which the Bank holds in the form of shares representing the capital of various institutions are recorded in the balance sheet at their acquisition price, as recommended by the said ECB Guideline.

2. Fixed-income securities held in the statutory investment portfolio

These securities constitute a separate portfolio; they are valued at their purchase price amortised on the basis of their actuarial yield, as recommended by the said ECB Guideline.

3. Ceiling on the portfolio of statutory investments

The ceiling on the statutory investments is determined annually at the time of the final profit distribution. It is equal to the sum of the following elements:

- the capital;
- the reserve fund (statutory reserve, extraordinary reserve and amortisation accounts);
- the available reserve;
- the additions to the reserves.

The valuation of the statutory investments is based on the principles described in points 1 and 2 above.

4. Transfer of securities between different portfolios

The transfer of securities between portfolios subject to different accounting rules is effected at market price.

5. Tangible and intangible fixed assets

Land, buildings, plant, machinery, computer hardware and software, furniture and vehicles are recorded at their acquisition value.

Buildings under construction are recorded at the cost actually paid.

Tangible and intangible fixed assets with a limited economic life, acquired from the 2009 financial year onwards, including ancillary costs, are written off in accordance with the probable useful economic life accepted under the tax rules.

Useful economic life of the principal items:

■ land	unlimited
■ buildings	34 years
■ renovations	10 years
■ furniture	10 years
■ software	5 years
■ machinery	5 years
■ security work	3 years
■ hardware	3 years
■ improvements to property held for rental	no more than the duration of the tenancy

6. Stocks

Supplies intended for the production of orders for third parties, work in progress and the resulting finished products are valued at the material acquisition cost.

7. Corporate tax

Pursuant to Article 32 of the Organic Law, the balance of the profits for the financial year assigned to the State after profit distribution and allocations to the reserves is exempt from corporate tax. For the purpose of calculating the average tax rate, in other words the ratio between the tax due and the pre-tax profit, the share of the profits accruing to the State is deducted from the result for the financial year.

The calculation of the average tax rate takes account of tax settlements for preceding financial years, regardless of whether they are positive or negative.

8. Calculation of the second dividend

The net proceeds from the assets as defined in Article 32(3) of the Organic Law are equal to the gross proceeds after deduction of the tax due, calculated at the average tax rate defined in point 7 above.

The gross proceeds are equal to the proceeds from the statutory investments, excluding the proceeds generated by the capital, which is remunerated by the first dividend.

9. Off-balance-sheet items

	Category of off-balance-sheet items	Valuation principle
Liabilities which could lead to a credit risk	Commitments towards international institutions	Nominal value, currencies converted at the market exchange rate
	Commitments towards other institutions	
Valuables and claims entrusted to the institution	For encashment	Nominal value
	Assets managed on behalf of the Treasury	Nominal value/cost, currencies converted at the market exchange rate
	Assets managed on behalf of the ECB	
	Custody deposits	Nominal amount, currencies converted at the market exchange rate
Capital to be paid up on participations		Nominal amount, currencies converted at the market exchange rate

2.2.7.3 Reserve and dividend policy

The reserve and dividend policy rules, defined by the Council of Regency pursuant to Article 32 of the Organic Law, are as follows:

1. The result of the year is the first buffer for absorbing losses. Any negative result for the financial year is first charged to the available reserve. Next, if necessary, it is covered by the reserve fund.

An estimate of the quantifiable risks forms the basis for determining the minimum amount of the reserves. For the calculation of the financial risks, the Bank applies the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons. These methodologies are also applied by other Eurosystem members.

Each year, as long as the period of unconventional monetary measures persists, 50 % of the profit of the year is allocated to the reserve fund or to the available reserve.

The risks estimate is updated annually. On the basis of this assessment, the Council of Regency may decide to transfer a different percentage of the profits to the reserves.

The comparison between the existing reserves and the minimum amount disregards the amortisation accounts, since these cannot be used to cover losses or to supplement profits.

Since the reserve fund is almost totally non-available, and in view of its size in relation to the capital, profits to be reserved are added to the available reserve.

If the level of the reserves is considered excessive, withdrawals from the available reserve may be made. They must be exceptional and duly founded. Such withdrawals may only be paid out as a dividend.

2. The shareholders' dividend comprises a first dividend of 6 % of the capital and a second dividend established by the Council of Regency pursuant to Article 32, 3° of the Organic Law.

The first dividend of € 1.5 per share (6% of the capital) is guaranteed both by the available reserve and by the reserve fund.

The second dividend is established by the Council of Regency at 50% of the net proceeds from the assets forming the counterpart of the reserves ("the statutory portfolio").

Net proceeds refers to the amount mentioned in the profit and loss account ("proceeds from statutory investments") following adjustment for the capital counterpart and after deduction of corporate tax actually due for the financial year in question (see point 2.2.7.2.III.8).

The second dividend is guaranteed by the available reserve, unless a withdrawal from the available reserve would reduce the reserves to a level insufficient to cover the estimated risks. The financial soundness and independence of the Bank take priority.

3. If an amount which is less than half the net proceeds from the statutory portfolio is allocated to the reserves, the allocation to the reserves is supplemented until it corresponds to 50% of these net proceeds insofar as the net profit after deduction of the dividend permits.

If the Bank does not have to make further allocations to the reserves, and if the profit is sufficient, the second dividend is increased until it corresponds to the total net proceeds (100%) of the statutory portfolio.

The reserve and dividend policy therefore guarantees that, if the profit is sufficient, the net proceeds from the statutory portfolio are either allocated to the reserves, thus increasing the basis of calculation of the second dividend, or paid directly to the shareholders by way of a second dividend. The balance allocated to the State will never include any part of the net proceeds from this portfolio.

4. For the purposes of the reserve and dividend policy, net proceeds from the sale of real estate are treated entirely as proceeds from the statutory portfolio. Net proceeds refers to the proceeds from the sales after the deduction of all costs (including taxes) and any replacement investments in property.

5. Equity, transparency and stability are the guiding principles of the Bank's reserve and dividend policy. The Bank expressly aims at consistent application of the policy set out above. Any change to that policy must be duly motivated and made public immediately.

2.2.7.4 Notes to the balance sheet

NOTE 1. GOLD AND GOLD RECEIVABLES

Gold stock (end-of-period data)

	2018	2017
In ounces of fine gold	7 311 154.9	7 311 154.9
In kg of fine gold	227 402.4	227 402.4
At market price (in € million)	8 195.5	7 909.8

As at 31 December 2018, 9 tonnes of gold were still available for the issue of numismatic or commemorative coins by the State.

The major part of the gold stock is held at the Bank of England. A much smaller part is held at the Bank of Canada and at the Bank for International Settlements. A very small quantity is stored at the National Bank of Belgium.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce, notified by the ECB.

Gold price (end-of-period data, in €)

	2018	2017
Ounce of fine gold	1 120.96	1 081.88
Kg of fine gold	36 039.73	34 783.28

The last loan of one tonne of gold matured in February 2018.

NOTE 2. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Exchange rates

(end-of-period data, per €)

	2018	2017
SDR	0.8228	0.8420
USD	1.1450	1.1993
JPY	125.8500	135.0100
CNY	7.8751	7.8044
KRW	1 277.9300	1 279.6100

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (IMF);
- balances held on accounts with banks which do not belong to the euro area as well as loans made to non-residents of the euro area, securities and other foreign currency assets issued by the latter.

Net positions in SDR and USD

Net position in SDR

(million)

	in SDR	in €
Balance sheet		
Claims	5 267.8	6 402.4
Liabilities	-4 323.3	-5 254.6
Pro rata interest	0.5	0.7
Off balance sheet		
Liabilities	-923.7	-1 122.6
Net position	21.3	25.9

The position in SDR is guaranteed by the State. In order to reduce the exchange risk, the Bank concluded forward transactions which limit the net position to SDR 21.3 million.

Net position in USD

(million)

	in USD	in €
Balance sheet		
Claims	9 238.1	8 068.2
Liabilities	-4 500.1	-3 930.2
Pro rata interest	31.7	27.7
Off balance sheet		
Claims	1 030.4	900.0
Liabilities	-3 642.5	-3 181.3
Pro rata interest	-8.9	-7.8
Net position	2 148.7	1 876.6

The net position is USD 2.1 billion. The major part of the portfolio invested in dollars is financed by foreign exchange swaps or repurchase agreements.

Receivables from the IMF

Receivables from the IMF

(end-of-period data, in € million)

	2018	2017
Special Drawing Rights	4 733.2	4 622.9
Participation of the IMF	819.8	355.1
Loans to the IMF	411.8	524.6
Loans to the PRGT	437.6	448.9
Total	6 402.4	5 951.5

Special Drawing Rights (SDR)

SDRs are reserve assets created *ex nihilo* by the IMF and allocated by it to its members to supplement their existing official reserves.

The SDRs allocated to IMF members may be sold in exchange for convertible currency on the basis of swap agreements freely concluded between member countries. The agreement between the Bank and the IMF, which was revised in October 2009, stipulates that the Bank's SDR holdings must total between 65 and 135 % of the net cumulative allocation.

As at 31 December 2018 the holding recorded on the SDR account stood at SDR 3 894.4 million, against SDR 3 892.7 million a year earlier. Net use of the SDR

holding, i.e. the difference between the SDR allocation and the SDR holdings, stood at SDR 428.9 million on the balance sheet date.

Participation in the IMF

This liquid claim of Belgium on the IMF is also called the reserve tranche position. It is equal to the difference between Belgium's quota in the IMF, namely SDR 6 410.7 million, and the Fund's holdings of euro with the Bank. The quota determines Belgium's voting rights in the IMF.

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies for financing a balance of payments deficit. Changes in the participation may also result from a contribution by Belgium to the granting of credit by the IMF in favour of member countries faced with the same type of deficit, or from the repayment of such loans by those countries, as well as from euro transactions carried out by the Fund on its own behalf. The rate of interest on such loans is adjusted weekly. On the balance sheet date, the reserve tranche position amounted to SDR 674.5 million against SDR 299.1 million a year earlier. This increase is due to net loans by Fund member countries.

Loans to the IMF

These receivables represent the counter-value of the loans granted to the IMF by the Bank in its own name and the claims of the Belgian State on the IMF in the event of implementation of loan agreements intended to increase the IMF's resources, namely the General Arrangements to Borrow and the New Arrangements to Borrow.

The General Arrangements to Borrow officially ended on 25 December 2018. As at 31 December 2018, the Bank's claims in respect of new loan agreements came to SDR 338.8 million, against SDR 441.7 million a year earlier.

Loans to the PRGT

The amount shown under this item is the equivalent of the money which the Bank has lent to the Poverty Reduction and Growth Trust (PRGT), managed by the IMF. This credit facility is intended to support the efforts of low-income developing countries that commit themselves to macroeconomic and structural adjustment programmes. The resources lent to this Trust are used by the IMF to fund the principal of the loans granted to developing countries under this facility.

Pursuant to the 1999 and 2012 lending agreements and a new agreement dated 30 August 2017, the PRGT has a credit line with the Bank totalling SDR 1 050 million. On 31 December 2018, the Bank's claims under this heading amounted to SDR 360.1 million, against SDR 378.0 million a year earlier, following repayments made during the year.

Balances with banks and security investments, external loans and other external assets

Breakdown by type of investment

(end-of-period data, in € million)

	2018	2017
Sight deposits	39.4	39.1
Time deposits	109.2	49.6
Reverse repurchase agreements	158.5	132.9
Fixed-income securities	8 579.2	7 712.3
Total	8 886.3	7 933.9

Breakdown by foreign currency

(end-of-period data, in € million)

	2018	2017
USD	7 678.0	6 687.6
JPY	916.0	964.3
CNY	194.9	186.4
KRW	96.8	94.3
Other	0.6	1.3
Total	8 886.3	7 933.9

Breakdown of fixed-income foreign currency securities by their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	2 703.8	2 842.8
> 1 year and ≤ 5 years	4 482.4	3 559.7
> 5 years	1 393.0	1 309.8
Total	8 579.2	7 712.3

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2018	2017
United States	6 056.9	5 352.6
Japan	1 079.4	1 056.8
International organisations	124.9	95.4
United Kingdom	59.1	31.7
Switzerland	699.8	837.6
Other	559.1	338.2
Total	8 579.2	7 712.3

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 27.8 million and € 41.4 million respectively.

NOTE 3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Breakdown by type of investment (USD)

(end-of-period data, in € million)

	2018	2017
Time deposits	23.6	–
Fixed-income securities	381.6	328.5
Total	405.2	328.5

Breakdown of fixed-income foreign currency securities according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	143.0	125.5
> 1 year and ≤ 5 years	216.2	203.0
> 5 years	22.4	–
Total	381.6	328.5

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2018	2017
Belgium	4.4	4.4
Germany	80.0	95.6
France	94.3	84.8
Austria	39.1	11.6
The Netherlands	125.6	106.2
Finland	26.2	22.7
Other	12.0	3.2
Total	381.6	328.5

On the balance sheet date, the unrealised gains and losses on securities at market prices came to € 0.5 million and € 2.3 million respectively.

NOTE 4. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

Breakdown by type of investment

(end-of-period data, in € million)

	2018	2017
Sight deposits	269.6	162.7
Reverse repurchase agreements	1 014.1	351.6
Fixed-income securities	382.4	334.3
Total	1 666.1	848.6

Breakdown of fixed-income securities by their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2018	2017	2018	2017
≤ 1 year	93.8	78.5	29.0	–
> 1 year and ≤ 5 years	171.3	165.3	60.9	90.5
> 5 years	27.5	–	–	–
Total	292.6	243.8	89.9	90.5

Value of fixed-income securities by issuer country
(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
International organisations	109.3	109.3	89.9	93.9
Other	183.3	183.3	–	–
Total	292.6	292.6	89.9	93.9

On the balance sheet date the unrealised gains on securities at market prices came to € 3.0 million.

NOTE 5. LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

This item comes to € 734.4 billion for the Eurosystem as a whole, of which € 22.7 billion for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss resulting from operations under this heading, once realised, is in principle shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

Main refinancing operations

Reverse transactions intended to grant liquidity to credit institutions for a one-week term via weekly tenders.

On the balance sheet date, the liquidity provided via the weekly main refinancing operations was € 9.6 billion for the euro area as a whole, compared to € 3.4 billion at the end of 2017, no sum being attributed to credit institutions in Belgium, against € 40 million last year.

Longer-term refinancing operations

Reverse transactions intended to provide liquidity to credit institutions by way of tenders with a term of between 3 and 48 months.

At Eurosystem level, these operations decreased from € 760.6 billion in 2017 to € 723.8 billion in 2018, mainly as a result of the repayment at maturity of the

TLTRO I in September 2018 in the sum of € 13.4 billion and a partial repayment of € 20.7 billion under the TLTRO-II.

At the end of 2018, the longer-term refinancing operations for Belgian banks amounted to € 22.7 billion, compared to € 24.3 billion at the end of 2017.

NOTE 6. OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Claims on credit institutions which do not relate to monetary policy operations.

Breakdown by type of investment
(end-of-period data, in € million)

	2018	2017
Current accounts	0.5	0.7
Reverse repurchase agreements	17.0	227.0
Total	17.5	227.7

NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Securities held for monetary policy purposes

In 2018 the Eurosystem continued to buy bonds under the asset purchase programme (APP) which comprises the CBPP3, the PSPP, the CSPP and the ABSPP (the latter being included on the ECB's balance sheet).

The monthly asset purchases by the Eurosystem under the APP continued at a monthly rate of € 30 billion, on average, up to the end of September 2018, and € 15 billion from October 2018 to the end of the year, when the purchases ceased. With effect from 2019, the purchases will only concern the reinvestment of purchased securities reaching maturity.

Composition of the monetary policy portfolios held by the Bank

(end-of-period data, in € million)

	Book value	Market value	Book value	Market value
	2018		2017	
CBPP1	30.0	31.6	65.1	68.2
CBPP2	17.1	18.7	37.1	39.6
CBPP3	8 289.6	8 368.7	7 728.9	7 817.5
SMP	2 543.7	2 726.3	3 080.7	3 432.3
PSPP	63 201.7	63 178.4	57 288.4	57 957.7
CSPP	39 492.7	38 961.6	28 677.7	28 853.7
Total	113 574.8	113 285.3	96 877.9	98 169.0

In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss incurred by NCBs on CBPP3 and SMP securities, on securities of international or supranational organisations in the PSPP portfolio and on CSPP securities, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

Conversely, the Bank bears the risks on the CBPP1, CBPP2 and PSPP portfolios included in the balance sheet.

CBPP1 – First covered bonds purchase programme

This programme, which expired at the end of June 2010, involved the acquisition of covered bonds in euro issued by euro area credit institutions. The Bank held covered bonds amounting to € 30.0 million on 31 December 2018.

Breakdown of first programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	20.0	34.9
> 1 year and ≤ 5 years	10.0	30.2
> 5 years	–	–
Total	30.0	65.1

CBPP2 – Second covered bonds purchase programme

This second programme for the purchase of euro-denominated covered bonds came to an end on 31 October 2012. On 31 December 2018, the Bank held covered bonds amounting to € 17.1 million under this programme.

Breakdown of second programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	5.0	20.0
> 1 year and ≤ 5 years	12.1	17.1
> 5 years	–	–
Total	17.1	37.1

CBPP3 – Third covered bonds purchase programme

Third programme for the purchase of covered bonds in euro issued by euro area credit institutions. These purchases are spread across the whole euro area and effected gradually by the ECB and the Eurosystem NCBs in the form of purchases on the primary and secondary markets.

On 31 December 2018, the Bank held covered bonds amounting to € 8 289.6 million under this programme.

Breakdown of third programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	849.1	654.4
> 1 year and ≤ 5 years	4 596.3	4 383.1
> 5 years	2 844.2	2 691.4
Total	8 289.6	7 728.9

SMP – Securities markets programme

This programme, which ended on 6 September 2012, involved buying up both private and government bonds in the euro area. On 31 December 2018,

the Bank held securities totalling € 2 543.7 million under this programme.

Breakdown of securities markets programme bonds, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	1 114.2	562.5
> 1 year and ≤ 5 years	1 399.9	2 484.9
> 5 years	29.6	33.3
Total	2 543.7	3 080.7

PSPP – Public sector purchase programme

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2018, the Bank held PSPP securities issued by Belgian public authorities totalling € 63 201.7 million.

Breakdown of bonds acquired under the public sector purchase programme, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	1 679.0	1 388.4
> 1 year and ≤ 5 years	16 065.2	12 406.8
> 5 years	45 457.5	43 493.2
Total	63 201.7	57 288.4

CSPP – Corporate sector purchase programme

Purchases under this programme began on 8 June 2016. On 31 December 2018, the Bank held CSPP securities of issuers located in various European countries (BE, CY, LU, NL, PT, SI and SK), totalling € 39 492.7 million.

Breakdown of corporate sector purchase programme bonds, according to their residual term

(end-of-period data, in € million)

	2018	2017
≤ 1 year	1 216.7	605.5
> 1 year and ≤ 5 years	13 415.8	8 175.6
> 5 years	24 860.2	19 896.6
Total	39 492.7	28 677.7

Other securities

Portfolio of euro securities held for investment purposes and consisting mainly of negotiable government bonds denominated in euro issued by Member States of the European Union, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims (*Pfandbriefe* type), and bonds issued by national public organisations.

Breakdown of fixed-income securities, according to their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2018	2017	2018	2017
≤ 1 year	693.3	890.2	924.2	1 035.5
> 1 year and ≤ 5 years	2 295.1	3 072.4	3 171.5	3 482.3
> 5 years	270.3	411.8	1 270.4	1 950.0
Total	3 258.7	4 374.4	5 366.1	6 467.8

Value of fixed-income securities, by issuer country

(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	806.9	806.9	2 583.0	2 817.2
Germany	1 366.2	1 366.2	365.2	384.7
Spain	4.1	4.1	407.1	423.1
France	623.8	623.8	681.4	731.2
Austria	124.9	124.9	562.0	591.9
Ireland	–	–	49.8	51.6
Italy	66.2	66.2	133.8	138.1
The Netherlands	62.4	62.4	313.2	335.4
Greece	18.5	18.5	46.7	47.8
Finland	88.5	88.5	223.9	237.3
Other	97.2	97.2	–	–
Total	3 258.7	3 258.7	5 366.1	5 758.3

On the balance sheet date, the unrealised gains on securities at market price came to € 43.6 million.

NOTE 8. INTRA-EUROSISTEM CLAIMS

Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. The Bank's share in

that capital, which is fully paid, comes to 2.4778 %, or € 268.2 million. Following changes to the apportionment of the ECB's capital, there was a redistribution between the NCBs of their shares in the accumulated reserves of the ECB; that raised the Bank's share to € 287.1 million.

Claims equivalent to the transfer of foreign currency reserves

Euro-denominated claim amounting to € 1 435.9 million on the ECB arising from the transfer of foreign reserves. That claim is remunerated at the interest rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

The Bank manages the reserves transferred to the ECB at the beginning of 1999. They are recorded off-balance-sheet.

Net claims related to the allocation of euro banknotes within the Eurosystem

Net claims on the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see accounting principles and valuation rules relating to the item "Banknotes in circulation"). This interest-bearing intra-Eurosystem item corresponds to the difference between the amount of the banknotes in circulation allocated to the Bank and the amount of the banknotes which it has issued.

Net claims related to the allocation of euro banknotes within the Eurosystem (end-of-period data, in € million)

	2018	2017
Banknotes in circulation	39 870.3	37 913.6
Banknotes put into circulation by the Bank	-33 393.5	-29 987.9
Total	6 476.8	7 925.7

The increase in the amount of banknotes issued by the Bank exceeded that in the Eurosystem, so that the claim on the Eurosystem has diminished.

NOTE 9. OTHER ASSETS

Coins of the euro area

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury, and credited to the latter's account. In accordance with the ECB Decision of 8 December 2017 on the approval of the volume of coin issuance (ECB/2017/40), the maximum amount of the euro coins to issue in 2018 was € 48.8 million for Belgium. Since the net amount issued in 2017 was € 1 432.8 million, the total authorised amount for 2018 was € 1 481.6 million. On 31 December 2018, the amount actually issued came to € 1 455.1 million.

Tangible and intangible fixed assets

In 2018, the Bank's investment in tangible and intangible fixed assets totalled € 31.1 million, including € 9.1 million for the purchase of a site in Zellik (new Cash Centre). Apart from that, an amount of € 24.7 million corresponding to the acquisition price of assets disposed of or taken out of use was deducted from the "Tangible and intangible fixed assets" account, of which € 19.2 million was for the Hasselt agency and the Liège branch (see note 29).

Other financial assets

In accordance with Article 19 (4) of the Organic Law, the Board of Directors decides on the statutory investments after consulting the Council of Regency. The statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims (*Pfandbriefe* type), and shares in the Bank for International Settlements (BIS).

Breakdown by type of investment (end-of-period data, in € million)

	2018	2017
Fixed-income securities	5 626.7	5 355.3
Participating interests	332.2	332.2
Reverse repurchase agreements	82.5	158.8
Total	6 041.4	5 846.3

Value of fixed-income securities by issuer country (the market value is given for information)

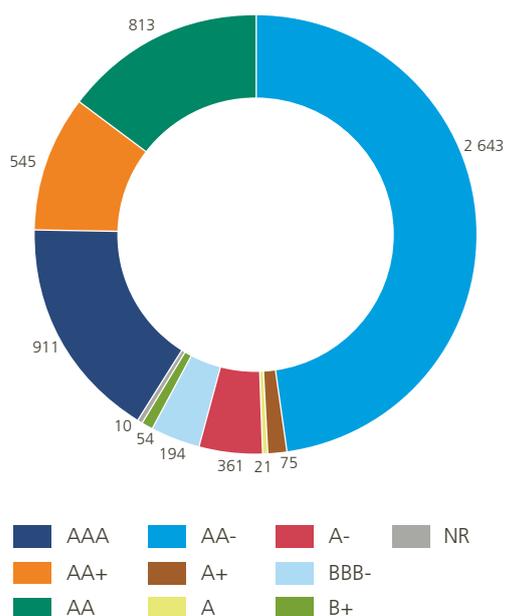
(end-of-period data, in € million)

	Book value		Market value	
	2018	2017	2018	2017
Belgium	2 582.4	2 363.5	2 786.7	2 634.8
Germany	689.5	644.8	730.4	679.2
Spain	399.3	436.8	432.2	476.8
France	764.9	734.4	825.9	805.8
Austria	185.8	177.0	210.4	206.0
Ireland	84.9	84.7	88.4	92.7
Italy	143.1	153.2	150.4	167.6
International organisations	292.0	267.2	321.3	304.6
The Netherlands	94.4	104.6	103.8	115.3
Portugal	50.5	96.7	60.8	114.3
Greece	53.7	54.3	55.7	56.7
Finland	189.3	181.8	197.7	188.9
Other	96.9	56.3	99.5	59.7
Total	5 626.7	5 355.3	6 063.2	5 902.4

The amount of the unrealised gains on fixed-income securities amount to €436.5 million on 31 December 2018 compared to €547.1 million the year before.

Rating of fixed-income securities

(book values in € million)



Yield on fixed-income securities according to their maturity, as at 31 december 2018

(in € million)

Maturity	Book value	Average volume	Income	Yield (in %)
2018	–	157.4	5.5	3.5
2019	411.3	413.1	12.4	3.0
2020	399.0	399.3	14.2	3.6
2021	354.3	354.4	13.5	3.8
2022	358.3	359.3	13.2	3.7
2023	513.3	502.3	13.2	2.6
2024	375.6	374.6	9.2	2.5
2025	385.3	370.5	6.1	1.6
2026	552.2	545.2	14.4	2.6
2027	467.7	448.2	5.6	1.2
2028	594.2	521.3	9.9	1.9
2029	68.0	65.6	0.8	1.2
2030	24.4	20.1	0.2	1.1
2031	277.9	246.7	2.2	0.9
2032	102.7	80.4	0.9	1.1
2033	103.3	61.9	0.8	1.3
2034	199.1	170.2	1.7	1.0
2035	147.1	140.7	2.6	1.8
2036	109.4	104.7	1.3	1.2
2037	93.8	70.1	1.0	1.4
2038	89.8	38.8	0.5	1.4

Interest income	5 626.7	5 444.8	129.2	2.4
Realised gains/losses			4.6	
Total	5 626.7	5 444.8	133.8	2.5

Breakdown of participating interests

(end-of-period data)

	Number of shares	In € million	Number of shares	In € million
	2018		2017	
BIS	50 100	329.8	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	156	0.4	156	0.4
Total		332.2		332.2

Accruals and prepaid expenditure

These are subdivided into:

- Expenses carried forward (€ 4.5 million);
- Income acquired (€ 1 395.2 million), essentially interest accrued but not received on securities and other assets.

Sundry

Principally:

- Trade receivables (€ 1.9 million);
- Printing Works stocks (€ 0.2 million);
- Receivable on sale of real estate (€ 7.3 millions).

NOTE 10. BANKNOTES IN CIRCULATION

The share in the circulation of euro banknotes in the Eurosystem, allocated to the Bank (see note 8).

NOTE 11. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

Current accounts (covering the minimum reserve system)

Euro-denominated accounts of credit institutions, which mainly serve to meet their minimum reserve requirements. These requirements have to be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. The minimum reserves are remunerated at the interest rate on the main refinancing operations. Excess reserves have been remunerated at the negative deposit facility rate.

The amounts placed in current accounts by euro area credit institutions (including excess reserves) increased by € 44.4 billion in 2018 to € 1 230.2 billion on the balance sheet date.

The asset purchase programmes decided by the Eurosystem have created a liquidity surplus which is recorded either in current accounts as excess reserves, in the deposit facility or in TARGET2 (see note 18).

Moreover, the banks prefer to hold a larger liquidity buffer as a precaution at the turn of the year.

In Belgium, the amounts placed on accounts rose from € 15.7 billion to € 23.7 billion.

Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. That rate remained negative throughout the year at – 0.40 % as in 2017.

Credit institutions in Belgium reduced their deposits, which were down from € 49.2 billion in 2017 to € 35.7 billion in 2018. It does not matter to credit institutions whether they hold their excess liquidity on current account or in the deposit facility since the remuneration is the same. At the level of the Eurosystem, use of the deposit facility declined from € 695.8 billion to € 623.5 billion.

NOTE 12. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This concerns “repurchase agreement” operations relating to the management of the securities portfolio.

NOTE 13. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

General government

Balances of the current accounts opened in the name of the State and of general government. On the balance sheet date, the Treasury's current account balance stood at € 0.8 million.

Other liabilities

Current account balances held mainly by financial intermediaries which do not have access to standing facilities.

NOTE 14. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

Current accounts held by central banks, other banks, international and supranational institutions and other account holders situated outside the euro area. Repurchase agreement operations relating to the management of the securities portfolio.

NOTE 15. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank's investment policy.

NOTE 16. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank's investment policy.

NOTE 17. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Countervalue of SDRs which must be returned to the IMF if SDRs are cancelled, if the SDR Department established by the IMF is closed, or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 4 323.3 million.

NOTE 18. INTRA-EUROSYSTEM LIABILITIES

Other liabilities within the Eurosystem (net)

The Bank's net liability resulting from all the intra-Eurosystem liabilities and claims.

The intra-Eurosystem balances result from cross-border payments in euro within the EU, settled in central bank money. Most of these transactions are made by private entities (credit institutions, firms or individuals). They are settled via the TARGET2 system and lead to bilateral balances on the TARGET2 accounts of EU central banks. These bilateral balances are offset before being allocated daily to the ECB; each NCB thus has only one net bilateral position in relation to the ECB alone. The net position of the National Bank of Belgium in TARGET2 in relation

to the ECB and the other euro-denominated intra-Eurosystem balances (such as interim dividends paid to the NCBs) are shown on the Bank's balance sheet in the form of a net position under the assets or the liabilities, and appear in the item "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)". The intra-Eurosystem balances of the NCBs outside the euro area in relation to the ECB, resulting from their participation in TARGET2, appear in the item "Liabilities to non-euro area residents denominated in euro".

The intra-Eurosystem balances resulting from the allocation of euro banknotes within the Eurosystem are shown in the form of a single net asset under the item "Net claims related to the allocation of euro banknotes within the Eurosystem". The intra-Eurosystem balances resulting from the transfer of reserve assets to the ECB by the NCBs joining the Eurosystem are denominated in euro and recorded under the item "Claims equivalent to the transfer of foreign currency reserves" (see note 8).

The Bank's net liability vis-à-vis the Eurosystem can be broken down as follows:

1. the Bank's liability vis-à-vis the ECB resulting from transfers effected via TARGET2 (€ 52 869.7 million);
2. the intra-Eurosystem liability of € 364.4 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see note 28);
3. the intra-Eurosystem claim of € 41.9 million relating to the allocation of the ECB's income (see note 27).

NOTE 19. OTHER LIABILITIES

Off-balance-sheet instruments revaluation differences

Net negative revaluation differences on forward foreign exchange and interest rate transactions and on spot foreign exchange transactions between the contract date and the settlement date (€ 9.0 million).

Accruals and income collected in advance

Costs carried forward (€ 44.5 million) including interest accrued but not yet paid on liabilities and outstanding invoices.

Sundry

In particular:

- unavailable reserve of capital gains on gold (€ 298.9 million);
- taxes, wages and social contributions (€ 245.6 million);
- proceeds accruing to the State (€ 18.1 million);
- trade debts (€ 5.9 million);
- repurchase agreements under statutory investments (€ 82.5 millions).

NOTE 20. PROVISIONS

In accordance with the reserve and dividend policy established in 2009 (see § 2.2.7.3), and owing to the creation of the available reserve, the Bank does not constitute any general provisions.

Provision in respect of monetary policy operations

In accordance with Article 32.4 of the ESCB Statutes, any losses incurred on securities purchased under the CSPP Programme are shared between the Eurosystem NCBs in proportion to their shares in the ECB's subscribed capital. Depreciation tests carried out on the CSPP portfolio have revealed that securities held by an NCB may incur some loss in value. The ECB Governing Council therefore felt it would be advisable to set aside a provision to cover losses on monetary policy operations in 2018. That provision amounts to € 161.1 million, which comes to € 5.7 million for the Bank corresponding to 3.52003 % of the paid-up capital. The provision formed in 2017 (€ 2.4 million) was written back in view of the sale of the security in 2018. The whole of the loss incurred was covered by the provision.

NOTE 21. REVALUATION ACCOUNTS

Positive exchange rate and price revaluation differences between, on the one hand, the market value of the net foreign reserve and security positions (other than those valued at amortised cost) and, on the other hand, their average cost value.

(end-of-period data, in € million)

	2018	2017
Positive exchange revaluation differences on:		
■ gold	7 878.6	7 592.9
■ foreign currencies	278.0	211.6
Positive price revaluation differences on:		
■ securities in foreign currencies (items 2 and 3 of the assets)	28.3	22.9
■ securities in euro (items 4 and 7 of the assets)	46.6	71.5
Total	8 231.5	7 898.9

NOTE 22. CAPITAL, RESERVE FUND AND AVAILABLE RESERVE

Capital

The Bank has not received any declarations pursuant to Article 6 § 1 of the Law of 2 May 2007 on the disclosure of large shareholdings in listed companies, notifying shareholdings equal to 5 % or more of the voting rights, other than those held by the State.

Representation of the capital

(end-of-period data, number of shares)

	2018	2017
Registered shares	205 855	206 394
Dematerialised shares	194 145	193 606
Total	400 000	400 000

Reserve fund

The amortisation accounts in respect of tangible and intangible fixed assets decreased by € 8.3 million in 2018, as the amount written off (€ 14.8 million) on tangible and intangible fixed assets was lower than the amount written off on assets sold or taken out of service (€ 23.1 million of which an amount of € 17.7 million relating to the Hasselt agency and the Liège branch (see note 29)).

Change in the amortisation accounts in 2018
(in € million)

Balance as at 31-12-2017	338.3
Recorded	+14.8
Withdrawn of cancelled following sales or disposals	-23.1
Balance as at 31-12-2018	330.0

The extraordinary reserve increased by € 0.6 million following the transfer of the tax-exempt amount of the capital gain on the sale of the Liège branch (see note 34). The tax-exempt part of the extraordinary reserve came to € 18.5 million against 17.8 million last year.

Available reserve

An amount of € 316.3 million relating to the profit distribution for the previous year was allocated to the available reserve.

Capital, reserve fund, available reserve and corresponding profit distribution
(end-of-period data, in € million)

	2018	2017
Capital	10.0	10.0
Reserve fund	2 652.3	2 659.9
Available reserve	3 461.4	3 145.1
Profit distribution	372.8	316.3
Total	6 496.5	6 131.3

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund. That rule does not apply to the available reserve.

2.2.7.5 Notes to the profit and loss account

NOTE 24. NET INTEREST INCOME

In the current context of negative interest rates, some assets (longer-term refinancing operations, other euro-denominated claims on euro area credit institutions) generate interest expense, and some liabilities (current accounts, deposit facility) generate interest income.

In order to harmonise the presentation of interest income/expenses relating to monetary policy assets and liabilities within the Eurosystem, the interest income and expense are presented as net values under 1.1 "Interest income" or 1.2 "Interest expense" depending on the sign. The interest is calculated per sub-item on the balance sheet. That approach also applies to the other sub-items unrelated to monetary policy.

Interest income

(end-of-period data)

	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2018			2017		
Interest income of assets in euro						
Credit transactions related to monetary policy	0.0	3.8	0.0	0.0	5.0	0.0
Securities portfolios in euro held for monetary policy purposes	879.2	106 647.9	0.8	672.6	79 110.5	0.9
Other securities portfolios in euro	189.1	10 157.0	1.9	230.9	12 076.7	1.9
Claims equivalent to the transfer of foreign currency reserves	0.0	1 435.9	0.0	0.0	1 435.9	0.0
Net claims related to the allocation of euro banknotes within the Eurosystem	0.0	7 379.0	0.0	0.0	9 018.7	0.0
Statutory investments (bonds, reverse repurchase agreements and repurchase agreements)	129.2	5 444.8	2.4	135.0	5 130.8	2.6
Total	1 197.5	131 068.4	0.9	1 038.5	106 777.6	1.0
Interest income of external assets						
Claims related to international cooperation transactions	55.3	6 069.3	0.9	31.1	6 259.3	0.5
Investments in gold and in foreign currencies	117.7	7 868.0	1.5	71.8	7 037.3	1.0
Total	173.0	13 937.3	1.2	102.9	13 296.6	0.8
Interest income of liabilities in euro						
Monetary reserve accounts, deposit facility and other interest-bearing deposits	412.7	107 027.7	0.4	333.7	88 198.8	0.4
Repurchase agreement transactions in euro	0.5	70.0	0.8	1.1	135.4	0.8
Total	413.2	107 097.7	0.4	334.8	88 334.2	0.4
Total interest income	1 783.7			1 476.2		

Interest expense

(end-of-period data)

	Expense	Average volume	Average rate	Expense	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2018			2017		
Interest expense on liabilities in euro						
Net liabilities to the ECB related to TARGET2	0.0	10 139.6	0.0	0.0	6 201.2	0.0
Total	0.0	10 139.6	0.0	0.0	6 201.2	0.0
Interest expense on external liabilities						
Liabilities in SDR	-48.5	5 165.0	-0.9	-27.9	5 374.3	-0.5
Repurchase agreement transactions in foreign currencies	-78.2	3 349.7	-2.3	-37.5	2 772.8	-1.4
Total	-126.7	8 514.7	-1.5	-65.4	8 147.1	-0.8
Interest expense on assets in euro						
Longer-term credit operations related to monetary policy	-89.3	23 754.3	-0.4	-82.1	21 873.6	-0.4
Other claims	-1.2	177.8	-0.6	-11.5	1 845.6	-0.6
Total	-90.5	23 932.1	-0.4	-93.6	23 719.2	-0.4
Proceeds accruing entirely to the State						
Income resulting from the capital gains on gold recorded in a special unavailable reserve account ¹	-9.1			-7.8		
Annual sum paid to the State in compensation for the additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities ²	-24.4			-24.4		
Total	-33.5			-32.2		
Total interest expense	-250.7			-191.2		

1 That income is calculated by applying to the average balance of the unavailable reserve account during the year a rate of yield obtained by comparing the net financial income with the difference between the average amount, calculated on an annual basis, of the interest-bearing assets and the interest-bearing liabilities. The counterpart of the capital, reserves and amortisation accounts and the corresponding proceeds are excluded from that calculation. For the year 2018, the average balance on the unavailable reserve account came to € 298.9 million, net financial income came to € 1 092.0 million, the annual average amount of the interest-bearing assets came to € 163.8 billion and the annual average amount of the interest-bearing liabilities came to € 125.8 billion. The volume of liabilities in euro for the years 2015 to 2017 was adjusted, leading to an additional expense of € 0.5 million. For the purpose of comparison, the volume of these liabilities in 2017 was adjusted from € 86 695.3 million to € 88 198.8 million.

2 The extra cost for the State of this conversion, which took place in 1991, amounts to the difference between the 3 % which accrued to the Bank in accordance with the allocation rule prevailing at that time, and the 0.1 % fixed allocation due from the State at that time on its consolidated debt to the Bank. That difference applied to the amount of that debt, namely 34 billion francs, gives a figure of 986 million francs, i.e. € 24.4 million.

NOTE 25. NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND PROVISIONS

Realised gains/losses arising from financial operations

(end-of-period data, in € million)

	2018	2017
Capital gains/losses (-)		
on statutory investments	4.6	0.2
on investments		
in USD	-17.3	18.0
in EUR	11.6	13.4
Foreign exchange gains/losses (-)		
on USD	21.4	22.0
on other currencies	-	-0.2
on SDR	-15.5	-12.9
on gold	-	-
Foreign exchange gains (-) / losses (+) accruing to the State (SDR and gold)	15.5	12.9
Total	20.3	53.4

Write-downs on financial assets and positions

(end-of-period data, in € million)

	2018	2017
Capital losses on investments		
in USD	-43.7	-27.6
in EUR	-	-0.7
Foreign exchange losses		
on USD	-	-
on CNY	-1.7	-14.0
on KRW	-	-6.4
on SDR	-	-1.2
on other currencies	-	-
Foreign exchange losses charged to the State (SDR)	-	1.2
Total	-45.4	-48.7

Capital gains on the markets for euro-denominated securities remained at the same level as at the end of 2017.

Conversely, in the case of dollar investments, the higher interest rates led to an increase in capital losses.

In addition, as a result of the dollar's appreciation the Bank recorded larger revaluation gains than during the previous financial year.

SDR operations led to realised foreign exchange losses of € 15.5 million charged to the State.

NOTE 26. NET INCOME/EXPENSE FROM FEES AND COMMISSIONS

Fees and commissions income

Commissions received as remuneration for the Bank's services as financial intermediary: € 6.9 million of which € 5.8 million related to collateralisation operations concerning monetary policy. The lion's share of the revenue comes from guarantees managed by the Bank within the framework of the Correspondent Central Banking Model (CCBM). The volume of guarantees diminished gradually during the year.

Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 7.1 million), including € 5.9 million related to monetary policy.

The commissions paid increased in 2018 following the rise in assets deposited. This is due to the expansion of portfolios as a result of the asset purchase programmes for monetary policy purposes.

NOTE 27. INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

(end-of-period data, in € million)

	2018	2017
Dividend on participation in the ECB	10.1	8.0
Income distributed by the ECB	41.9	34.8
Dividends on participations in the statutory investment portfolio	14.2	18.4
Total	66.2	61.2

At the end of the previous financial year, an interim dividend of € 34.8 million was paid on the ECB's net profit for 2017. The balance of € 10.1 million corresponding to the dividend on the Bank's participation in the ECB's capital was paid in February 2018.

As last year, the ECB distributed all the income from its allotted share in the issue of euro banknotes and the income generated by the securities which it purchased under the SMP, CBPP3, ABSPP and PSPP programmes in accordance with the Governing Council decision of 21 January 2019. The interim dividend for the Bank comes to € 41.9 million.

For the 2017-2018 financial year, the BIS paid a dividend of SDR 235 per share, or € 14.2 million, compared to € 18.4 million (SDR 300 per share) last year.

NOTE 28. NET RESULT OF POOLING OF MONETARY INCOME

The monetary income is allocated to the euro area NCBs in accordance with the paid-up capital key (3.52003 % for the Bank since 1 January 2015).

The impact on the net monetary income allocated is due to the balance sheet structure of the NCBs.

The Bank's contribution to the allocation of monetary income resulting from the securities programmes

was greater than in previous years. The Bank played a specific role in the CSPP programme and contributed to the purchase of corporate securities in amounts proportionately greater than its share in the ECB's capital. In addition, the yield on securities acquired by the Bank in that portfolio exceeded the average yield on securities acquired by the Eurosystem. The same applies to the SMP portfolio.

Conversely, the Bank received interest collected on supranational securities held by other NCBs under the PSPP programme.

Net result of pooling of monetary income

(end-of-period data, in € million)

	Income (+) / Expense (-)		
	Result	Pooling of monetary income	Real result
	(1)	(2)	(3) = (1) + (2)
	2018		
Monetary income pooled by the Bank within the Eurosystem		-805.3	
Monetary income allocated to the Bank by the Eurosystem		440.9	
		-364.4	
Items taken into account in monetary income			
Credit operations related to monetary policy	-89.3	-5.8	-95.1
Securities portfolios in euro held for monetary policy purposes	879.2	-249.5	629.7
Claims equivalent to the transfer of foreign currency reserves	-	-	-
Net claims related to the allocation of euro banknotes within the Eurosystem	-	-	-
Net liability towards the ECB in respect of TARGET2	-	-	-
Monetary reserve account and deposit facility	384.8	-117.9	266.9
Non-earmarkable assets	-	-	-
Items not taken into account in monetary income			
Net investments in gold and in foreign currencies	39.5		39.5
Net claims relating to international cooperation transactions	6.8		6.8
Securities portfolios and repurchase agreements in euro	189.6		189.6
Statutory investment portfolio	129.2		129.2
Other claims	-1.1		-1.1
Interest-bearing deposits not related to monetary policy	27.8		27.8
Proceeds accruing entirely to the State	-33.5		-33.5
Net interest income (item 1)	1 533.0	-373.2	1 159.8
Net result of financial operations (item 2)		-2.5	
Revision of previous years		11.3	
		-364.4	
Provision in respect of monetary policy operations		-3.2	
		-367.6	

Belgian credit institutions are still keeping larger volumes on current accounts and the deposit facility, in excess of the key, so that it was necessary to contribute to the allocation of monetary income.

This item also includes the change in the provision for risks on monetary policy operations.

NOTE 29. OTHER INCOME

(end-of-period data, in € million)

	2018	2017
Amounts recovered from third parties	163.7	161.1
Other	9.8	0.5
Total	173.5	161.6

The amounts recovered from third parties concern income from the supply of goods and rendering of services in various spheres, such as:

- the Central Balance Sheet Office, the Central Individual Credit Register, the Central Corporate Credit Register and the Central Contact Point (€ 40.6 million);
- prudential supervision (€ 98.2 million);
- work done by the Printing Works (€ 0.6 million);
- payment systems such as TARGET2 (€ 1.4 million);
- the securities settlement system (€ 11.2 million);
- the internationalisation of IT applications (€ 7.8 million).

In accordance with Article 12*bis* of the Organic Law, the Bank's operating costs related to the prudential supervision of financial institutions are borne by the institutions concerned.

In addition, on the basis of Article 12*ter* of the Organic Law, the Bank performs tasks as the resolution authority, and the corresponding operating costs are also borne by the institutions concerned.

The operating costs are calculated annually and imputed to the financial institutions in accordance with the Royal Decree of 17 July 2012 as amended by the Royal Decrees of 1 October 2012, 21 December 2013 and 5 July 2015.

For the year 2018, the costs came to € 62.6 million for banks and stock-broking companies, and € 35.0 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions, mutual guarantee schemes and payment companies, pay a flat charge which totalled € 0.6 million for the year 2018.

The item "Other" comprises proceeds from the sale of real estate, the disposal of used equipment and furniture, and miscellaneous other proceeds. The sale of the Hasselt agency and the Liège branch produced total income of € 9.7 million.

NOTE 30. STAFF COSTS

These costs comprise the remuneration and social costs of the staff and the Board of Directors, and the attendance fees of the Regents and Censors. In 2018, an amount of € 12.6 million was recorded under this item for the early retirement plan.

NOTE 31. ADMINISTRATIVE EXPENSES

This item comprises in particular administrative and IT expenses (€ 26.5 million), those related to the repair and maintenance of premises (€ 14.2 million), printing work (€ 11.4 million), and work done and services rendered by third parties (€ 19.0 million). The withholding tax on income from immovable property, non-deductible VAT and the regional, provincial and municipal taxes are also included here (€ 5.7 million).

NOTE 32. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

The depreciation covers the following investments:

(end-of-period data, in € million)

	2018	2017
Renovation of premises	6.6	4.9
Hardware and software	3.1	2.5
Equipment for the Printing Works	1.5	1.5
Other equipment and furniture	3.6	4.1
Total	14.8	13.0

NOTE 34. OTHER EXPENSES

This item records the tax-exempt amount included under the extraordinary reserve (see note 22) of the capital gain realised on the sale of real estate (see note 29) in accordance with Articles 44, § 1, 2° and 190 of the Income Tax Code 1992.

NOTE 35. CORPORATE TAX

Tax due

(end-of-period data, in € million)

	2018	2017
Tax on the profit for the year	187.1	190.1
Tax on the profit for previous years	-0.3	0.8
Total	(1) 186.8	190.9

Main differences

(end-of-period data, in € million)

	2018	2017
Profit before tax	932.3	823.6
Tax-free profit allocated to the State	-317.4	-265.3
Profit subject to tax	(2) 614.9	558.3

Differences		
Social commitments	13.5	5.1
Risk capital deduction	-2.2	-11.0
Depreciation surplus	-4.2	-2.5
Other	10.6	9.4
Taxable profit	632.6	559.3

Average tax rate (in %)	(1) / (2)	30.4	34.2
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2.2.7.6 Notes on the profit distribution for the financial year (Note 36)

An estimate of the quantifiable risks forms the basis for determining the minimum amount of the reserves. For the calculation of the financial risks, the Bank applies the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons.

The estimate of the minimum level of risks at the end of 2018 resulted in a figure of around € 5.4 billion.

This amount comprises the financial risks on:

- the Bank's own securities portfolios in euros and in foreign currency;
- the monetary policy portfolios shown on the Bank's balance sheet on which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all NCBs in the Eurosystem, on which the risk is shared among the NCBs (see notes 5 and 7).

The profits for the year are allocated as follows in accordance with Article 32 of the Organic Law (in € million):

- | | |
|---|-------|
| 1. a first dividend of 6% of the capital is allocated to the shareholders | 0.6 |
| 2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve. For 2018, the Council of Regency decided to allocate 50% of the profit for distribution to the available reserve, namely | 372.8 |
| 3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50% of the net proceeds from the assets forming the counterpart to the reserve fund and the available reserve. | |

- Gross proceeds from statutory investments and similar.

	Income	Average volume	Yield (in %)
	(in € million)		
Bonds	133.8	5 444.8	2.5
Participating interests	14.2	332.2	4.3
Sale of real estate	9.7		
Total	157.7	5 777.0	

- Share of the income generated by the capital in the total proceeds from the statutory investments:
 $10 \times 157.7 / 5\,777.0 = 0.3$
 - Average tax rate: 30.4% (see note 35)
 - Calculation of the second dividend
 $[(157.7 - 0.3) \times (1 - 0.304) \times 0.5]$ 54.8
4. the balance is allocated to the State; it is exempt from corporate tax 317.4

Profit for the year	745.6
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2.2.7.7 Notes to the off-balance-sheet items

NOTE 37. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

	2018	2017
Forward claims		
EUR	4 289.5	3 398.7
USD	900.0	973.0
SDR	1.8	92.5
Forward liabilities		
EUR	1.8	93.4
USD	3 181.2	2 486.9
JPY	914.6	962.9
SDR	1 125.0	884.4

The currency swaps were concluded for the major part against euro. The forward claims and liabilities in foreign currencies were revalued in euro at the same exchange rates as those used for spot holdings in foreign currencies.

Forward transactions are intended to limit the net foreign currency position.

NOTE 38. FORWARD TRANSACTIONS ON INTEREST RATE AND FIXED-INCOME SECURITIES

At the end of the financial year, the Bank holds a net long position in futures on euro-denominated securities of €64.2 million and a net short position in futures on government securities in dollar of €1 209.9 million. In addition, the Bank holds a net short position on the American money market of €7 323.1 million.

These transactions relate to the active management of the portfolios.

NOTE 39. LIABILITIES WHICH COULD LEAD TO A CREDIT RISK

Liabilities towards international institutions include the commitment signed by the Bank to lend to the IMF SDR 1 050 million (€1 276.2 million) via the PRGT.

At the end of 2016, to ensure that the IMF has sufficient resources, the IMF Executive Board approved the renewal of the new borrowing agreements (multilateral loan) for the period November 2017-November 2022 for a total of SDR 182.4 billion. Belgium's share in that total is SDR 3 994.3 million (€4 854.7 million). In 2016 the IMF Executive Board also approved a new framework for bilateral loans. In that connection, 40 IMF member countries decided to provide bilateral finance amounting to around SDR 316 billion (to replace the loans concluded in 2013). The Belgian share in that total is €9 990 million in the form of a loan by the Bank to the IMF.

At the end of 2018 the available amount (PRGT, new borrowing agreements and bilateral loan) came to €14 858.3 million. These loans are guaranteed by the Belgian State.

Liabilities towards other bodies comprise the guarantees which the Bank gives in connection with clearing operations for credit institutions established in Belgium. In return, the Bank itself received guarantees from those same institutions.

At the end of 2018, the outstanding amount came to €815.1 million.

NOTE 40. VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION

The custody deposits comprise the nominal amount of securities (Treasury Certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury bills, certificates of deposit and certain classical loans) recorded under the securities settlement system and held on behalf of third parties.

The decline in custody deposits is due to the reduction in guarantees received for the account of other central banks.

NOTE 41. CAPITAL TO BE PAID UP ON PARTICIPATIONS

The BIS shares held by the Bank are paid up to the extent of 25%. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€228.3 million).

2.2.7.8 Auditor's remuneration

The remuneration paid to Mazars Réviseurs d'entreprises came to €89 250 for the audit assignment. That remuneration comprises a sum of €60 000 for certification of the annual accounts, the limited audit of the interim accounts and certification of the method of calculating prudential expenses. The remuneration also includes €29 250 for certification work on behalf of the ECB auditor. Moreover, the auditor did not receive any remuneration for other assignments for the Bank.

2.2.7.9 Legal proceedings

On 3 January 2014, a shareholder brought an action before the Brussels Commercial Court. That shareholder claims that the Bank's annual accounts do not

conform to the regulations applicable, and demands the correction of the annual accounts on three points. The Commercial Court handed down its ruling on 22 May 2015. It rejected all the requests and confirmed that the Bank had drawn up its accounts in line with the applicable rules. On 15 July 2015, the applicant shareholder lodged an appeal against this ruling. Since the Bank considers that its annual accounts were drawn up in accordance with the regulations and the action is unfounded, it has not formed any provision for these legal proceedings.

There are no other ongoing disputes which are so critical or material as to oblige the Bank to form a provision or to make more detailed comments under this heading.

2.2.7.10 Post balance sheet events

In accordance with Article 29.3 of the ESCB Statute, the key for subscription to the ECB's capital is adjusted every five years. It was last adjusted on 1 January 2014. In accordance with the Council Decision of 15 July 2003 on the statistical data to be used for the adjustment of the key for subscription to the capital of the ECB, the shares of the NCBs were adjusted as follows on 1 January 2019.

As at 1 January 2019, the share of the National Bank of Belgium in the subscribed capital of the ECB increased by 0.0502 % to 2.5280 %. Consequently, item 8.1 of the assets "Participating interest in ECB capital" increased by € 5.4 million to € 292.5 million owing to an increase in the share in the capital.

The adjustment of the key for subscription to the ECB's capital does not only imply a change in the euro area NCBs' share in the ECB's subscribed capital, but also the adjustment of the ECB's liabilities towards euro area NCBs due to the transfer by those NCBs of foreign currency reserves to the ECB. The National Bank of Belgium's claim on the ECB in respect of the transfer of foreign currency reserves (item 8.2 of the assets) thus increased by € 29.1 million to € 1 465.0 million on 1 January 2019.

In addition, the adjustment of the key changes the Bank's share in the allocation of euro banknotes and monetary income within the Eurosystem.

Key for subscription to the ECB's capital (in %)

National central banks of	end of	from begin
	2018	2019
Belgium	2.4778	2.5280
Germany	17.9973	18.3670
Estonia	0.1928	0.1968
Ireland	1.1607	1.1754
Greece	2.0332	1.7292
Spain	8.8409	8.3391
France	14.1792	14.2061
Italy	12.3108	11.8023
Cyprus	0.1513	0.1503
Latvia	0.2821	0.2731
Lithuania	0.4132	0.4059
Luxembourg	0.2030	0.2270
Malta	0.0648	0.0732
The Netherlands	4.0035	4.0677
Austria	1.9631	2.0325
Portugal	1.7434	1.6367
Slovenia	0.3455	0.3361
Slovakia	0.7725	0.8004
Finland	1.2564	1.2708
Sub-total euro area NCBs	70.3915	69.6176
Bulgaria	0.8590	0.8511
Czech Republic	1.6075	1.6172
Denmark	1.4873	1.4986
Croatia	0.6023	0.5673
Hungary	1.3798	1.3348
Poland	5.1230	5.2068
Romania	2.6024	2.4470
Sweden	2.2729	2.5222
United Kingdom	13.6743	14.3374
Sub-total non-euro area NCBs	29.6085	30.3824
Total	100.0000	100.0000

2.2.8 Comparison over five years

2.2.8.1 Balance sheet

Assets

(in € thousand)

	2018	2017	2016	2015	2014
1. Gold and gold receivables	8 195 519	7 909 800	8 027 984	7 115 399	7 222 523
2. Claims on non-euro area residents denominated in foreign currency	15 288 762	13 885 370	14 410 997	15 049 662	13 826 457
2.1 Receivables from the IMF	6 402 443	5 951 516	6 428 948	7 255 519	7 234 732
2.2 Balances with banks and security investments, external loans and other external assets	8 886 319	7 933 854	7 982 049	7 794 143	6 591 725
3. Claims on euro area residents denominated in foreign currency	405 191	328 489	395 750	348 782	455 438
4. Claims on non-euro area residents denominated in euro	1 666 137	848 633	804 648	419 254	562 552
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	22 690 200	24 383 650	14 322 090	7 738 400	11 675 601
5.1 Main refinancing operations	–	40 000	200 000	100 000	500 000
5.2 Longer-term refinancing operations	22 690 200	24 343 650	14 122 090	7 638 400	10 334 950
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	–	–	–	–	840 651
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	17 543	227 673	1 863 078	174 230	1 168
7. Securities of euro area residents denominated in euro	122 199 708	107 720 140	72 988 859	38 211 811	21 484 163
7.1 Securities held for monetary policy purposes	113 574 838	96 877 893	59 066 568	23 652 470	7 040 768
7.2 Other securities	8 624 870	10 842 247	13 922 291	14 559 341	14 443 395
8. Intra-Eurosystem claims	8 199 806	9 648 703	11 380 427	13 569 945	14 428 535
8.1 Participating interest in ECB capital	287 101	287 101	287 101	287 101	287 101
8.2 Claims equivalent to the transfer of foreign currency reserves	1 435 911	1 435 911	1 435 911	1 435 911	1 435 911
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	6 476 794	7 925 691	9 657 415	11 846 933	12 705 523
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	7 876 801	7 723 922	6 986 218	6 338 919	5 868 139
9.1 Coins of euro area	8 849	9 112	9 472	10 081	9 843
9.2 Tangible and intangible fixed assets	416 899	410 473	393 138	395 766	402 020
9.3 Other financial assets	6 041 445	5 846 341	5 450 528	5 177 950	4 861 766
9.4 Off-balance-sheet instruments revaluation differences	–	47 699	–	–	–
9.5 Accruals and prepaid expenditure	1 399 710	1 400 374	1 118 351	745 644	548 854
9.6 Sundry	9 898	9 923	14 729	9 478	45 656
Total assets	186 539 667	172 676 380	131 180 051	88 966 402	75 524 576

Liabilities

(in € thousand)

	2018	2017	2016	2015	2014
1. Banknotes in circulation	39 870 275	37 913 638	36 472 505	35 086 848	33 113 725
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	59 408 947	64 957 740	50 686 181	25 223 615	10 763 491
2.1 Current accounts (covering the minimum reserve system)	23 669 646	15 710 572	11 606 041	9 997 347	6 975 888
2.2 Deposit facility	35 739 301	49 247 168	39 080 140	15 226 268	3 787 603
2.3 Fixed-term deposits	–	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	543 628	838 406	138 657	173 264	–
4. Liabilities to other euro area residents denominated in euro	379 465	293 207	327 939	243 885	286 264
4.1 General government	11 355	25 605	35 223	37 992	49 107
4.2 Other liabilities	368 110	267 602	292 716	205 893	237 157
5. Liabilities to non-euro area residents denominated in euro	8 147 501	8 413 888	2 096 115	1 037 116	158 834
6. Liabilities to euro area residents denominated in foreign currency	710 480	236 388	–	–	–
7. Liabilities to non-euro area residents denominated in foreign currency	3 219 651	3 515 801	2 057 538	142 158	–
8. Counterpart of special drawing rights allocated by the IMF	5 254 592	5 134 403	5 510 534	5 502 747	5 155 155
9. Intra-Eurosystem liabilities	53 192 130	36 296 706	18 589 435	7 726 295	12 334 828
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–	–	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–	–	–
9.3 Other liabilities within the Eurosystem (net)	53 192 130	36 296 706	18 589 435	7 726 295	12 334 828
10. Other liabilities	706 583	727 179	808 010	622 576	739 492
10.1 Off-balance-sheet instruments revaluation differences	8 994	–	17 359	49 323	119 325
10.2 Accruals and income collected in advance	44 542	30 569	18 587	13 790	11 696
10.3 Sundry	653 047	696 610	772 064	559 463	608 471
11. Provisions	5 670	2 424	–	–	–
11.1 For future exchange losses	–	–	–	–	–
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	–	–	–	–
11.4 In respect of monetary policy operations	5 670	2 424	–	–	–
12. Revaluation accounts	8 231 503	7 898 906	8 369 524	7 441 017	7 408 511
13. Capital, reserve fund and available reserve	6 123 680	5 815 009	5 485 429	5 216 685	4 884 714
13.1 Capital	10 000	10 000	10 000	10 000	10 000
13.2 Reserve fund:					
Statutory reserve	1 168 694	1 168 694	1 168 694	1 168 694	1 168 694
Extraordinary reserve	1 153 600	1 152 963	1 152 963	1 152 963	1 152 963
Amortisation accounts in respect of tangible and intangible fixed assets	329 958	338 266	327 778	334 132	341 942
13.3 Available reserve	3 461 428	3 145 086	2 825 994	2 550 896	2 211 115
14. Profit for the year	745 562	632 685	638 184	550 196	679 562
Total liabilities	186 539 667	172 676 380	131 180 051	88 966 402	75 524 576

2.2.8.2 Profit and loss account

(in € thousand)

	2018	2017	2016	2015	2014
1. Net interest income	1 532 936	1 284 936	994 699	899 682	960 225
1.1 Interest income	1 783 670	1 476 176	1 066 323	939 671	1 037 082
1.2 Interest expense	-250 734	-191 240	-71 624	-39 989	-76 857
2. Net result of financial operations, write-downs and provisions	-25 090	4 674	36 515	30 208	87 499
2.1 Realised gains/losses arising from financial operations	20 331	53 408	62 820	41 873	89 051
2.2 Write-downs on financial assets and positions	-45 421	-48 734	-26 305	-11 665	-1 552
2.3 Transfer to/from provisions	-	-	-	-	-
3. Net income/expense from fees and commissions	-264	627	1 036	1 310	2 852
3.1 Fees and commissions income	6 859	7 452	7 025	6 719	8 041
3.2 Fees and commissions expense	-7 123	-6 825	-5 989	-5 409	-5 189
4. Income from equity shares and participating interests	66 271	61 190	57 078	48 001	44 058
5. Net result of pooling of monetary income	-367 648	-248 906	-40 482	-6 564	8 821
6. Other income	173 484	161 556	154 697	149 104	170 193
7. Staff costs	-326 889	-336 948	-313 548	-310 076	-304 575
8. Administrative expenses	-105 028	-90 469	-88 546	-93 170	-101 878
9. Depreciation of tangible and intangible fixed assets	-14 791	-13 015	-11 299	-10 233	-10 026
10. Banknote production services	n.	n.	n.	n.	n.
11. Other expenses	-637	-	-	-	-2 131
12. Corporate tax	-186 782	-190 960	-151 966	-158 066	-175 476
Profit for the year	745 562	632 685	638 184	550 196	679 562

2.2.8.3 Dividend per share

(in €)

	2018	2017	2016	2015	2014
Gross dividend	138.47	127.63	140.79	135.41	144.92
Withholding tax	41.54	38.29	42.24	36.56	36.23
Net dividend	96.93	89.34	98.55	98.85	108.69

2.3 Auditor's report to the Council of Regency



Company number: BE 0203.201.340

AUDITOR'S REPORT TO THE COUNCIL OF REGENCY OF THE NATIONAL BANK OF BELGIUM FOR THE YEAR ENDED 31 DECEMBER 2018

In accordance with Protocol No. 4 of the Statutes of the European System of Central Banks and of the European Central Bank, we were appointed by the General Meeting of Shareholders of 15 May 2017 – for an initial period of 3 years – as the auditor responsible for preparing a report to the Council of Regency on the audit of the financial statements of the National Bank of Belgium (the "Bank"). The scope of this mandate is defined in the relevant contractual documents.

This mandate was entrusted to us as the auditor on the proposal of the Bank's Audit Committee and confirmed by the Council of the European Union on the recommendation of the Governing Council of the European Central Bank.

In the context of that mandate, we have the honour to submit our report on the audit of the Bank's financial statements, drawn up in accordance with the sui generis accounting standards applicable to the Bank - including the presentation rules and principles and the explanations provided -, as defined by the Council of Regency, and on the other provisions contractually agreed with the Bank.

Unqualified opinion

We have conducted the contractual audit of the Bank's financial statements - which show a balance sheet total of € 186.5 billion and a profit for the year of € 745.5 million – and the annexes, as mentioned in the Corporate Report, Report 2018, Chapter 2 'Annual accounts and reports on the financial year' ("**financial statements**").

In our opinion, these financial statements give a true and fair view of the Bank's net equity and financial position as at 31 December 2018, and its results for the financial year ending on that date.

Basis of the unqualified opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are described in more detail in the section of this report on "Responsibilities of the auditor concerning the audit of the financial statements". We complied with all the ethical requirements applicable to the audit of financial statements in Belgium, including the independency requirements.

We obtained from the Board of Directors and the Bank's officials the explanations and information necessary for our assignment.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are the matters which, in our professional judgment, were the most significant in the audit of the financial statements for the current period. We dealt with those matters in the context of our audit of the financial statements and in forming our opinion on those statements. We do not express any separate opinion on these matters.

Mazars Réviseurs d'Entreprises - Bedrijfsrevisoren
Avenue Marcel Thiry/laan 77 B4, 1200 Bruxelles / Brussel

Société Civile sous forme de Société Coopérative à Responsabilité Limitée
Burgerlijke Vennootschap onder de vorm van een Cooperatieve Vennootschap met Beperkte Aansprakelijkheid

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Company number: BE 0203.201.340

The report below takes the duty of confidentiality, applicable to the Bank in regard to a number of subjects, in consideration. This implies that some key audit matters may not/not be completely reported.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 1 : CREDIT RISK</p> <p>Given its activities, the Bank incurs a credit risk. To determine the total risk exposure, related to fixed- income securities, both the portfolio managed by the Bank itself and the monetary policy portfolio registered on the Bank's balance sheet, as well as the Bank's share in the monetary policy portfolio of the Eurosystem are to be taken into account.</p> <p>However, communication concerning the monetary policy portfolios is the responsibility of the ECB.</p> <p>The Asset Purchase Programme implies increased risks which could have a negative influence on the Bank's results. To mitigate that risk, the Bank creates an available reserve in accordance with its profit-distribution policy.</p> <p>Upon the decision of the ECB Governing Council, the Bank forms a specific provision to cover losses related to the monetary policy operations.</p> <p>In view of the potentially significant impact on the profit and loss account, we consider the identification and assessment of the credit risk to be a key audit matter.</p> <p><u>References to the Corporate Report – Chapter 2.</u></p> <p>2.1.2.1.1. Management of the gold and foreign currency reserves, portfolios of securities in euro and monetary policy operations 2.1.1.3. Profit distribution 2.1.2.1. Financial risk management Note 20 : Provisions</p>	<ul style="list-style-type: none"> ▪ Obtaining of an understanding and assessment of the procedures and processes for the acceptance of counterparties (ratings of various rating agencies, implied ratings, financial ratios and any financial analyses, determination and treatment of limits). ▪ Regarding the portfolio for implementation of the Eurosystem's monetary policy, a check was conducted related to compliance with the eligibility criteria – the "Single List" of marketable and non-marketable assets (bank loans). ▪ Review of the defined control measures concerning the monitoring of the set limits in relation to the risk incurred and compliance with those limits, except for exposures to Belgian public authorities. ▪ Review and assessment of the work carried out by the Bank's Internal Audit, related to both procedures and the year-end closing. ▪ At reporting date, review of controls in place regarding risk identification and assessment of effectiveness of these procedures. ▪ Evaluation of the information reported in the financial statements in the light of the Bank's practices and the sui generis reference framework. ▪ Confirmation by the Directors concerning information obtained from the ECB

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Company number: BE 0203.201.340

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 2 : MARKET RISK</p> <p>In connection with the monetary policy and its own investment policy, the Bank invests funds to acquire securities which are recorded either at fair value or at what is termed the amortised acquisition cost.</p> <p>The Bank incurs a market risk on the portfolio measured at fair value. In a first instance, negative revaluation differences are deducted from the corresponding revaluation account, recorded as a liability. Any remaining balance is recorded in the profit & loss statement. Regarding the portfolios measured at amortised cost, the Bank incurs an indirect risk that is to be assessed in the light of the general market risk incurred by the Bank.</p> <p>In order to determine the total risk exposure of the fixed-income securities, the Bank's share in the monetary policy portfolios of the Eurosystem is taken into consideration. However, communication on that subject is the responsibility of the ECB.</p> <p>In view of the potentially significant impact on the profit and loss account and the importance for assessing the level of the available reserves, we consider the identification and assessment of the market risk as a key point of our assignment.</p> <p><u>References to the Corporate Report – Chapter 2.</u></p> <p>2.1.2.1.2. Interest rate risk and risks associated with the volume of interest-bearing assets 2.1.1.3. Profit distribution 2.1.2.1. Financial risk management Note 20 : Provisions</p>	<ul style="list-style-type: none"> ▪ Evaluation of the procedures and processes for assessing market risk. ▪ Assessment of the market data, assumptions and estimates used by the Bank. ▪ Discussion of the outcome of the analysis performed with department heads. ▪ Review of the consistency of the report to the Board of Directors. ▪ Taking note of the discussions in the Board of Directors. ▪ Assessment of the information contained in the financial statements in the light of the Bank's practices and the sui generis reference system. ▪ ECB confirmation of the monetary policy results.

Company number: BE 0203.201.340

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 3 : COMPLIANCE RISK</p> <p>Taking the Bank's hybrid sui generis regulatory framework into account, the following compliance risks were identified:</p> <ul style="list-style-type: none"> ▪ Procurement policy - regulations regarding public contracts ▪ Money laundering regulations ▪ ECB rules and related regulations ▪ GDPR <p>The above regulations may have a significant impact on the interaction with other institutions and/or the Bank's reputation.</p> <p><u>References to the Corporate Report – Chapter 2</u></p> <p>2.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ Taking note of the design of the processes and procedures for the Bank's procurements. ▪ Data- analytics exercise on the "procurement to pay"-proces. ▪ Review and assessment of the work done by the Bank's Internal Audit. ▪ Discussion of compliance risks with the Bank's Legal Compliance Officer. ▪ Discussion of different risks related to the management of data with the Data Protection Officer. ▪ Conduct of various tests on a sample basis related to certain fundamental aspects of the ECB rules and related regulations.
<p>KEY AUDIT MATTER 4 : GENERAL DATA SYSTEM CONTROLS</p> <p>The Bank is dependent to a significant extent on the reliability and protection of its IT platforms and applications, both for its operational activities and for its accounting activities.</p> <p>In view of the its very diverse activities - including the systems for monitoring and assessing the risks incurred - the proper operation of the IT platforms and applications is essential for the Bank.</p> <p>As a central point for data collection as well as responsible for the processing of certain data (central credit registry, central balance sheet office, central securities depository/securities settlement system, payments, monetary policy, statistics, prudential supervision etc.), the management of this risk is not negligible for the Bank.</p> <p>In view of our specific assignment, we only reviewed certain specific key points of the general IT system controls directly relevant to the Bank's financial statements.</p> <p><u>References to the Corporate Report – Chapter 2</u></p> <p>2.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ Establishing, with the aid of the Internal Audit service, of a cartography of the various IT systems and platforms important for the accounting registrations of the Bank. ▪ Taking note of the main incidents related to IT systems and platforms with attention to incidents which affected the accounting data and assessment of the measures taken. ▪ Evaluation of the design – for some of the most important applications - and, if relevant, the operational effectiveness of certain key controls. ▪ Evaluation of the checks and audits carried out by the Internal Audit service.

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Company number: BE 0203.201.340

Responsibilities of the Board of Directors in regard to the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the sui generis accounting reference framework, as identified in the introduction, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern and using the going concern basis of accounting.

Responsibilities of the auditor in regard to the audit of the financial statements

In accordance with the contractual provisions, we aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report to the Council of Regency that includes our opinion.

Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the ISA's will always detect material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be to influence the economic decisions which users may take on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of the accounting estimates made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, up to the date of Report to the Council of Regency;
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, taking into account the sui generis legal framework - including the measurement and reporting principles and the usual explanation provided - applicable to the Bank.

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Company number: BE 0203.201.340

We communicate, in accordance with ISA 260 and 265, with the Audit Committee regarding, amongst others, the planned scope and timing of the audit procedures, of any significant audit findings, including any significant deficiencies in internal control, and regarding the key audit matters.

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REPORT ABOUT SOME LEGAL AND REGULATORY OBLIGATIONS

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and content of the corporate report, and in particular Chapter 2 "Annual accounts and reports on the financial year", compliance with the legal and regulatory requirements regarding bookkeeping, and compliance with the Organic Law, the other laws and regulations, and the Bank's By-Laws.

Responsibilities of the auditor

In the context of our mandate for the Council of Regency as determined in the contract documents, it is our responsibility to report, in all material aspects, specifically adapted if necessary to the Bank's hybrid character and its sui generis legal framework, on compliance with certain provisions of Article 144 of the Company Code.

Other comments

In our opinion, and having performed specific procedures in relation to the reporting on the financial statements, this report is consistent with the annual accounts for the same financial year, and was prepared in accordance with Articles 95 and 96 of the Company Code. We do not express any form of assurance whatsoever on the report.

Without prejudice to formal aspects of minor importance, with due regard for the Bank's practices, the accounting records were maintained in accordance with the sui generis accounting reference framework - including the presentation rules and principles and the usual provided explanation provided - applicable to the Bank, as interpreted and laid down by the Council of Regency.

The appropriation of the results proposed to the Council of Regency complies with the legal and statutory requirements.

The social balance sheet deals with both the form and the content of the disclosures required by the Company Code and, to our knowledge, does not contain any significant inconsistencies in relation to the information available to us for the purposes of our contractual assignment.

We are not aware of any transactions undertaken or decisions taken in breach of the Organic Law, the By-Laws, or the applicable provisions of the Company Code (as considered applicable by the bank) which we were contracted to examine.

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Company number: BE 0203.201.340

No additional assignment was conducted which is incompatible with our contractual mandate. Our firm of auditors, and if appropriate our network, remained independent of the Bank during our mandate.

Brussels, 22 March 2019

MAZARS RÉVISEURS D'ENTREPRISES
Auditor
Represented by



Dirk STRAGIER
Auditor

2.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2018 at its meeting on 27 March 2019

and determined the final distribution of the profits for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the members of the Board of Directors.

3. Annexes

The legislative and regulatory texts relevant for the management and operation of the Bank in general are listed below.

The version of these annexes included in this Corporate Report gives the texts in the form applicable on 1 March 2019.

These and many other legislative and regulatory texts concerning the National Bank, its sphere of activity and its reference framework are available on the Bank's website.

The Bank does its best to ensure that the texts presented on its website are constantly updated to take account of recent changes.

Annex 1	Organic Law	127
Annex 2	Statutes	173
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Annex 1 Organic Law¹

Article 1. – This Law shall regulate a matter referred to in Article 78 of the Constitution.

Chapter I – Nature and objectives

Art. 2. – The National Bank of Belgium, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, the Statute of which has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by this Law, its own Statutes and, additionally, by the provisions relating to limited liability companies by shares [*sociétés anonymes – naamloze vennootschappen*]².

Art. 3. – The Bank’s registered office shall be in Brussels.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

Art. 4. – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred

thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered or dematerialised shares. The share capital shall be fully paid up.

Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

Chapter II – Tasks and transactions

Art. 5. – 1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:

- operate in the financial markets, by buying and selling outright (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;
- conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.

2. The Bank shall comply with the general principles defined by the ECB for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

Art. 6. – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

- 1° issue and redeem its own loan instruments;
- 2° accept deposits of securities and precious metals, undertake the redemption of securities and act on

¹ Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (Unofficial coordinated translation, January 2019).

² The provisions on limited liability companies by shares do not apply to the National Bank of Belgium except:
1° in regard to matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the above-mentioned Law of 22 February 1998 or the Statutes of the National Bank of Belgium; and
2° insofar as they are not in conflict with the provisions referred to in 1° (Article 141, § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

behalf of other parties in transactions in securities, other financial instruments and precious metals;

3° carry out transactions in interest-rate instruments;

4° carry out transactions in foreign currencies, gold or other precious metals;

5° carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;

6° obtain credit from foreign sources and provide guarantees for that purpose;

7° carry out transactions relating to European or international monetary cooperation.

Art. 7. – The Bank's claims arising from credit transactions shall entail a preferential claim on all securities which the debtor holds in an account with the Bank or in its securities clearing system as his own assets.

This preferential claim shall have the same rank as the preferential claim of the creditor secured with a pledge. It takes precedence over the rights set out in Article 8, paragraph 3, of the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, Articles 12, paragraph 4, and 13, paragraph 4, of Royal Decree N° 62 on the deposit of fungible financial instruments and the settlement of transactions involving such instruments, as coordinated by the Royal Decree of 27 January 2004, and 471, paragraph 4, of the Company Code.

In the event of default on payment of the Bank's claims referred to in the first paragraph, the Bank may, after notifying the debtor in writing that he is in default, take action automatically, without a prior court decision, to realise the securities on which it has a preferential claim, notwithstanding the possible bankruptcy of the debtor or any other situation in which there is concurrence as between his creditors. The Bank must endeavour to convert the securities into cash at the most advantageous price and as quickly as possible, account being taken of the volume of the transactions. The proceeds from this conversion into cash shall be allocated to the Bank's claim in respect of principal, interest and costs, any balance remaining after settlement reverting to the debtor.

When the Bank accepts claims as a pledge, as soon as the pledge agreement has been entered into, it is noted in a register kept at the National Bank of Belgium or with a third party appointed for this purpose.

By being recorded in this register, which is not subject to any specific formalities, the National Bank of Belgium's pledge is given a firm date and becomes opposable *erga omnes*, with the exception of the debtor of the pledged claim.

The register may only be consulted by third parties who are considering acceptance of an *in rem* (collateral) right over claims which may be taken as a pledge by the National Bank of Belgium. Consultation of the register is governed by terms to be stipulated by the National Bank of Belgium.

In the event of insolvency proceedings being instituted, as set out in Article 3, paragraph 5 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, to the account of a credit institution having pledged claims to the National Bank of Belgium, the following provisions will apply:

a) the registered lien of the National Bank of Belgium on claims takes precedence of all other *in rem* collateral subsequently arranged or granted to third parties over the same claims, irrespective of whether or not the debtor of the pledged claims has been notified of the above-mentioned liens and whether or not the above-mentioned liens have been recognised by the debtor of the pledged claims; in the event that the National Bank of Belgium brings the pledge to the attention of the debtor of the pledged claim, the latter may now only make payment in full discharge to the National Bank of Belgium.

b) third parties acquiring a lien concurrent with that of the National Bank of Belgium, as described in the preceding paragraph, are obliged, in any event, to transfer to the National Bank of Belgium, without delay, the amounts which they have received from the debtor of the pledged claim upon insolvency proceedings being instituted. The National Bank of Belgium is entitled to demand payment of these amounts, without prejudice to its right to damages and interest.

c) notwithstanding any provision to the contrary, any set-off that could extinguish all or part of the

claims pledged to the Bank or realised by it may not under any circumstances be invoked in relation to the Bank or third-party buyers in the event of realisation.

d) Article 8 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, shall apply by analogy to the taking of claims as a pledge by the National Bank of Belgium, the words “financial instruments” being replaced by “claims”.

e) the combined provisions of Articles 5 and 40 of the Law relating to mortgages (*Loi hypothécaire*) do not apply.

Art. 8. – § 1. The Bank shall ensure that the clearing, settlement and payment systems operate properly and shall make certain that they are efficient and sound, in accordance with this Law, specific laws and regulations and, where relevant, with the applicable European rules.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Union and with other countries.

§ 2. In respect of matters for which it has competence pursuant to this Article, the Bank may adopt regulations to supplement the applicable legislative or regulatory provisions on items of a technical nature.

Without prejudice to any consultation procedure provided for by other laws or regulations, the Bank, may, in accordance with the public consultation process, offer clarification, in the course of a consultation, as to the content of any regulation it intends to adopt and disclose such information on its website for comments by interested parties.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge / Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself if the Bank has not laid down those regulations.

§ 3. The Bank shall exercise the powers conferred on it by this Article exclusively in the general interest. Save in the event of fraud or gross negligence, the Bank, the members of its bodies and the members of its staff shall not be held civilly liable for their decisions, inactions, acts or conduct in the fulfilment of this mission.

Art. 9. – Without prejudice to the powers of the institutions and bodies of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party.

Art. 9bis. – Within the framework set by Article 105(2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this Chapter and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges relating thereto in its accounts in accordance with the rules referred to in Article 33.

Art. 10. – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

Art. 11. – The Bank shall act as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into

euros of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

Art. 12. – § 1. The Bank shall contribute to the stability of the financial system. In this respect and in accordance with the provisions of Chapter IV/3, it shall in particular have the power to detect, assess and monitor different factors and developments which may affect the stability of the financial system, it shall issue recommendations on measures to be implemented by the various relevant authorities in order to contribute to the stability of the financial system as a whole, particularly through strengthening the robustness of the financial system, preventing the occurrence of systemic risks and limiting the effect of potential disruptions, and it shall adopt measures falling within the ambit of its competences with a view to achieving the objectives described.

For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of independence as that determined by Article 130 of the Treaty on the Functioning of the European Union.

§ 2. The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 10.

Art. 12bis. – § 1. The Bank shall exercise supervision of financial institutions in accordance with this Law and specific laws governing the supervision of these institutions and with the European rules governing the Single Supervisory Mechanism

§ 2. Within the areas of supervision pertaining to its competence, the Bank may lay down regulations

supplementing the legal or regulatory provisions on items of a technical nature.

Without prejudice to any consultation provided for in other laws or regulations, the Bank may, in accordance with the procedure of open consultation, explain, in a consultative memorandum, the content of any regulation it is considering adopting, and publish this on its website with a view to obtaining any comments by those concerned.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge / Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself that He shall determine if the Bank has not laid down those regulations.

§ 3. The Bank shall carry out its supervisory tasks exclusively in the general interest. The Bank, the members of its bodies and the members of its staff shall not bear any civil liability for their decisions, non-intervention, acts or conduct in the exercise of the legal supervisory tasks of the Bank, save in the event of fraud or gross negligence.

§ 4. The Bank's operating costs relating to the supervision referred to in paragraph 1 are borne by the institutions subject to its supervision, according to the terms and conditions laid down by the King.

The Bank may make the Federal Public Service Finance's General Administration of Tax Collection and Recovery responsible for recovery of unpaid taxes.

Art. 12ter. – § 1. The Bank shall exercise the duties of resolution authority and shall, in that capacity, be authorised to implement the resolution tools and exercise the resolution powers in accordance with the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms.

§ 2. The operating costs relating to the task referred to in § 1 are borne by the institutions which are subject to the legislation referred to in § 1, according to the terms and conditions laid down by the King.

§ 3. The provisions of Article 12bis, § 3 apply to the tasks referred to in this Article. In particular, the existence of gross negligence shall be assessed taking account of the concrete circumstances of the case,

and in particular the urgency with which these persons were confronted, the practices on the financial markets, the complexity of the case, threats for the protection of savings and the risk of damage to the national economy.

Art. 12^{quater}. – § 1. In addition to the exceptions provided for in Articles 14(5), points (c) and (d), 17(3), point (b), 18(2), and 20(3) of Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, to safeguard the objectives of Article 23(1), points (d); (e) and (h), of the aforementioned Regulation, the exercise of the rights referred to in Articles 12 (transparent information, communication and modalities for the exercise of the rights of the data subject), 13 (information to be provided where personal data are collected from the data subject), 15 (right of access), 16 (right to rectification), 19 (notification obligation regarding rectification or erasure of personal data or restriction of processing), 21 (right to object) and 34 (communication of a personal data breach to the data subject) of this Regulation is completely restricted for the processing of personal data as referred to in Article 4(1) of the same Regulation by the Bank in its capacity as entity responsible for processing that is performing tasks carried out in the public interest, tasks relating to the prevention and detection of criminal offences, and a monitoring, inspection or regulatory function connected to the exercise of official authority:

1° with a view to carrying out its tasks listed in Article 12^{bis} of this Law or any other task relating to the prudential supervision of financial institutions assigned to the Bank by any other provision of national or European law, when such data have not been obtained from the person concerned;

2° in the context of the performance of its task as resolution authority referred to in Article 12^{ter} of this Law, or of any other resolution power assigned to the Bank by any other provision of national or European law, when such data have not been obtained from the person concerned;

3° in the context of the task assigned to the Bank by Article 8 of this Law to ensure that the clearing, settlement and payment systems operate properly and to make certain that they are efficient and sound, when

such data have not been obtained from the person concerned;

4° in the context of the procedures for the imposition of administrative fines used by the Bank pursuant to sections 2 and 3 of Chapter IV/1 of this Law, and in the context of the performance of the power granted to the Bank in this regard to impose periodic penalty payments pursuant to section 3^{bis} of the same Chapter, insofar as the personal data concerned are linked to the subject of the investigation or the supervision.

The derogations referred to in paragraph 1, 1°, 2° and 3° shall apply as long as the person concerned has not, where appropriate, gained legal access to the administrative file concerning him or her which is held by the Bank and contains the relevant personal data.

§ 2. Article 5 of the aforementioned Regulation 2016/679 shall not apply to the processing of personal data as referred to in § 1 insofar as the provisions of that Article correspond with the rights and obligations provided for in Articles 12 to 22 of that Regulation.

Art. 12^{quinquies}. – Insofar as the Bank has the status of administrative authority within the meaning of Article 22^{quinquies} of the Law of 11 December 1998 on security classification, security clearance, security certificates and security advisory notices, it is authorised to process personal data concerning criminal convictions or punishable acts where necessary for the performance of the tasks conferred upon it pursuant to the aforementioned Law of 11 December 1998. Articles 12 to 22 and Article 34 of Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, shall not apply to these types of processing or to other types of personal data processing by the Bank in this capacity when the processing is necessary for the performance of its tasks. Article 5 of this Regulation also shall not apply to these types of personal data processing insofar as the provisions of that Article correspond with the rights and obligations provided for in Articles 12 to 22 of that Regulation.

Art. 13. – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in this Law.

Art. 14. – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

Art. 15. – *Repealed.*

Art. 16. – The legal entities referred to in Article 14 and controlled exclusively by the Bank shall be subject to auditing by the Accounts Audit Court [*Cour des Comptes – Rekenhof*].

Chapter III – Bodies – Composition – Incompatibilities

Art. 17. – The bodies of the Bank shall be the Governor, the Board of Directors, the Council of Regency, the Board of Censors, the Sanctions Committee and the Resolution College.

Art. 18. – 1. The Governor shall direct the Bank and preside over the Board of Directors, the Council of Regency and the Resolution College.

2. If he is unable to attend, he shall be replaced by the Vice-Governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

Art. 19. – 1. In addition to the Governor, who shall preside over it, the Board of Directors shall be composed of a maximum of five directors, one of whom shall bear the title of Vice-Governor, conferred on him/her by the King. The Board of Directors shall include an equal number of French-speaking and Dutch-speaking members. In addition to the Governor, who presides, the Board of Directors shall be composed of at least five but not more than seven Directors, one of whom shall bear the title of Vice-Governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the Governor.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

3. It shall exercise regulatory power in the cases laid down by law. In circulars or recommendations, it shall lay down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another body by law, the Statutes or the Rules of Procedure.

6. It shall provide opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

7. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 20. – 1. The Council of Regency shall be composed of the Governor, the Directors and ten Regents. It shall include an equal number of French- and Dutch-speaking Regents.

2. The Council shall exchange views on general issues relating to the Bank, monetary policy and the economic situation of the country and the European Community, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. It shall take cognisance every month of the situation of the institution.

On a proposal from the Board of Directors it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's bodies and the organisation of its departments, services and outside offices.

3. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly.

4. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

Art. 21. – 1. The Board of Censors shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526*ter* of the Company Code.

2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the audit committee of the Bank and shall exercise in this capacity the tasks laid down by Article 21*bis*.

3. The Censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

Art. 21*bis*. – 1. Without prejudice to the responsibilities of the bodies of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the audit committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the

Board of Directors for the appointment of the statutory auditor shall be given on proposal of the audit committee. The Works Council shall be informed of this proposal. The audit committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the bodies of the Bank, he shall report to the audit committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:

- a) confirm annually in writing to the audit committee his independence from the Bank;
- b) disclose annually to the audit committee any additional services provided to the Bank;
- c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the rules of procedure of the audit committee.

Art. 21*ter*. – § 1. The Bank hereby establishes a Resolution College, which shall be responsible for performing the tasks referred to in Article 12*ter*.

§ 2. The Resolution College shall be composed of the following persons:

- 1° the Governor;
- 2° the Vice-Governor;
- 3° the Director of the department in charge of the prudential supervision of banks and stockbroking firms;
- 4° the Director of the department in charge of prudential policy and financial stability;
- 5° the Director designated by the Bank as the person responsible for resolution of credit institutions;
- 6° *Repealed*.

7° the President of the Management Committee of the Federal Public Service Finance;

8° the official in charge of the Resolution Fund;

9° four members designated by the King by Royal Decree deliberated in the Council of Ministers; and

10° a magistrate designated by the King.

§ 2/1. The Chairman of the Financial Services and Markets Authority shall attend meetings of the Resolution College in an advisory capacity.

§ 3. The persons referred to in § 2, paragraph 1, 9°, shall be appointed based on their particular experience in banking and in financial analysis.

The persons referred to in § 2, paragraph 1, 9° and 10° shall be appointed for a renewable term of four years. These persons can be relieved of their duties by the authorities which have appointed them only if they no longer fulfil the conditions necessary for their role or in the event of serious misconduct.

§ 4. The King shall determine, by Royal Decree deliberated in the Council of Ministers:

1° the organisation and operation of the Resolution College and of the departments tasked with preparing its work;

2° the conditions under which the Resolution College shares information with third parties, including other bodies and departments of the Bank; and

3° the measures to prevent any conflicts of interest on the part of members of the Resolution College or between the Resolution College and other bodies and departments of the Bank.

§ 5. In the event of infringements of the provisions of Book II, Titles IV and VIII, Book XI and Articles 581 and 588 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and of the measures taken to comply with these provisions, the Resolution College shall replace the Board of Directors for the purposes of applying section 3 of Chapter IV/1 of this Law.

Art. 22. – 1. Except as regards the tasks and transactions within the domain of the ESCB, the supervisory

tasks referred to in Article 12*bis* and the tasks referred to in Article 12 and Chapter IV/3, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.

2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. Except as regards the functions and transactions within the domain of the ESCB, the supervisory tasks referred to in Article 12*bis* and the tasks referred to in Article 12 and Chapter IV/3, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days on the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

Art. 23. – 1. The Governor shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.

2. The other members of the Board of Directors shall be appointed by the King, on the proposal of the Council of Regency, for a renewable term of six years. They may be relieved from office by the King only if they no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct.

3. The Regents shall be elected for a three-year term by the General Meeting. Their term may be renewed. Two Regents shall be chosen on the proposal of

the most representative labour organisations. Three Regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders. Five Regents shall be chosen on the proposal of the Minister of Finance. The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

4. The Censors shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

Art. 24. – The Regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

Art. 25. – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of Minister or Secretary of State or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of Governor, Vice-Governor, member of the Board of Directors, member of the Sanctions Committee, member of the Resolution College, Regent or Censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the above-mentioned offices or performs such functions.

Art. 26. – § 1. The Governor, the Vice-Governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in:

1. international financial institutions established under agreements to which Belgium is party;
2. the Public Securities Regulation Fund (*Fonds des Rentes – Rentenfonds*), the Deposits and Financial Instruments Protection Fund (*Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en*

financiële instrumenten), the Rediscount and Guarantee Institute (*Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut*) and the National Delcredere Office (*Office National du Ducreire – Nationale Delcredere dienst*);

3. the legal entities referred to in Article 14.

For duties and mandates in an institution subject to the Bank's supervision or in an institution incorporated under Belgian law or foreign law established in Belgium or in a subsidiary of these institutions and subject to the supervision of the European Central Bank, the prohibitions referred to in the first paragraph shall continue to apply for one year after the Governor, Vice-Governor and other members of the Board of Directors have relinquished their office.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

§ 2. The Regents and the majority of Censors may not be a member of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank or in an institution incorporated under Belgian law or foreign law established in Belgium or in a subsidiary of these institutions and subject to the supervision of the European Central Bank, nor may they perform management duties in such an institution.

§ 3. On a proposal from the Board of Directors, the Council of Regency shall lay down the code of conduct which must be respected by the members of the Board of Directors and the staff, as well as the monitoring measures concerning respect for this code. Persons responsible for supervising compliance with that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

Art. 27. – The terms of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The

terms of the members of the Board of Directors may afterwards still be extended by one year, which term may be renewed. In the case of the Governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to above remain in office beyond the age of seventy years.

Art. 28. – The Governor shall send to the Chairman of the Chamber of Representatives the annual report referred to in Article 284(3) of the Treaty on the functioning of the European Union, as well as a yearly report on the tasks of the Bank in the field of prudential supervision of financial institutions and on its tasks relating to its contribution to the stability of the financial system as referred to in Chapter IV/3. The Governor may be heard by the competent committees of the Chamber of Representatives at the request of these committees or on his own initiative.

Communications made under this Article may not, because of their contents or the circumstances, jeopardise the stability of the financial system.

Chapter IV – Financial provisions and revision of the statutes

Art. 29. – *Repealed.*

Art. 30. – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9(2) of this Law.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the Belgian Gazette (*Moniteur belge / Belgisch Staatsblad*).

Art. 31. – The reserve fund is intended for:

1. compensating for losses in capital stock;
2. supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiration of the Bank's right of issue¹, the State shall have a priority claim to one fifth of the reserve fund. The remaining four fifths shall be distributed among all the shareholders.

Art. 32. – The annual profits shall be distributed as follows:

1° a first dividend of 6% of the capital shall be allocated to the shareholders;

2° from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves;

3° from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50% of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders;

4° the balance shall be allocated to the State; it shall be exempt from company tax.

Art. 33. – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1. in accordance with this Law and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

¹ The right of issue shall include the right which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community (*Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services*).

2. and otherwise in accordance with the rules laid down by the Council of Regency.

Articles 2 to 4, 6 to 9 and 16 of the Law of 17 July 1975 on business accounting and their implementing Decrees shall apply to the Bank with the exception of the Decrees implementing Articles 4(6) and 9, § 2.¹

Art. 34. – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

Art. 35. – § 1. Except when called upon to give evidence in court in a criminal case, the Bank and members and former members of its bodies and its staff shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties.

The Bank, members of its organs and its staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure.

Contraventions of this Article shall incur the penalties laid down by Article 458 of the Penal Code. The provisions of Book 1 of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this Article.

This Article does not prevent the observance, by the Bank, the members of its bodies and its staff, of specific legal provisions as to professional secrecy, whether more restrictive or not, notably when the Bank is charged with collecting statistical data or information on prudential supervision.

§ 2. Notwithstanding paragraph 1, the Bank may communicate confidential information:

1° where the communication of such information is stipulated or authorised by or pursuant to this Law and the laws regulating the tasks entrusted to the Bank;

¹ Pursuant to Articles 11 and 12 of the Law of 17 July 2013 inserting a Book III entitled “Freedom of establishment, to provide services and general obligations of undertakings” in the Code of Economic Law and inserting specific definitions under Book III and specific implementing legislation under Book III, in Books I and XV of the Code of Economic Law, this provision should be interpreted as: “Articles III.82 to III.84, III.86 to III.89 and XV.75 of the Code of Economic Law and their implementing Decrees shall apply to the Bank, with the exception of the Decrees implementing Articles III.84, paragraph 7, and III.89, § 2.”.

2° to expose criminal offences to the judicial authorities;

3° within the framework of administrative or judicial appeal proceedings against acts or decisions of the Bank and in any other proceedings to which the Bank is a party;

4° in abridged or summary form, in order that individual natural or legal persons cannot be identified.

The Bank may publish the decision to expose criminal offences to the judicial authorities.

§ 3. Within the limits of European Union law and any restrictions expressly laid down by or pursuant to a law, the Bank may use any confidential information that it holds in the context of its legal tasks, in order to carry out its tasks referred to in Articles 12, § 1, 12^{ter}, 36/2, 36/3 and its tasks within the ESCB.

Art. 35/1. – § 1. By derogation from Article 35 and within the limits of European Union law, the Bank may communicate confidential information:

1° received in carrying out its tasks referred to in Article 85, § 1, 3° of the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash,

a) to the authorities of the European Union and of other Member States of the European Economic Area as well as the authorities of third countries that exercise a competence comparable to that referred to in Article 85 of the aforementioned Law of 18 September 2017;

b) to the competent authorities of the European Union and of other Member States of the European Economic Area and the competent authorities of third countries that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3, including the European Central Bank as regards the tasks conferred on it by Regulation (EU) No. 1024/2013 of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;

2° in performing its tasks referred to in Article 12^{ter}, § 1, for the purposes of carrying out these tasks,

a) to the resolution authorities of the European Union and of other Member States of the European Economic Area as well as the authorities of third countries entrusted with equivalent tasks to those referred to in Article 12ter, § 1;

b) to persons or authorities referred to in Article 36/14, § 1, 1°, 2°, 3°, 4°, 5°, 8°, 11°, 18° and 19°;

c) to the Minister of Finance;

d) to any person, whether governed by Belgian or by foreign law, whenever deemed necessary for the planning or execution of a resolution measure, and notably,

- to the special administrators appointed pursuant to Article 281, § 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions;
- to the body in charge of resolution financing arrangements;
- to auditors, accountants, legal and professional counsellors, assessors and other experts hired directly or indirectly by the Bank, a resolution authority, a competent Ministry or a potential buyer;
- to a bridge institution referred to in Article 260 of the Law of 25 April 2014 on the legal status and supervision of credit institutions or to an asset management vehicle referred to in Article 265 of the same Law;
- to persons or authorities referred to in Article 36/14, § 1, 6°, 7°, 9°, 10°, 12°, 15° and 20°;
- to potential buyers of securities or assets respectively issued or held by the institution subject to the resolution procedure.

e) without prejudice to points a) to d), to any person or authority that has a function or task pursuant to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, when the communication of confidential information concerning a person referred to in Article 1, paragraph 1, point a), b), c) or d) of the said Directive has received the prior approval of this person or the authority carrying out

identical tasks to those referred to in Articles 12, § 1 and 12ter as regards this person, when the information comes from this person or authority.

§ 2. The Bank may communicate confidential information in accordance with § 1 only on condition that the recipient authorities, institutions or persons use that information to carry out their tasks and that, as regards that information, they are subject to an obligation of professional secrecy equivalent to that referred to in Article 35. Furthermore, information communicated by an authority of another Member State may be divulged to a third-country authority only with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent. Likewise, information coming from a third-country authority may only be divulged with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent.

The Bank may only communicate confidential information pursuant to § 1 to the authorities of the third-country State with which it has concluded a cooperation agreement providing for an exchange of information.

§ 3. Without prejudice to the more stringent provisions of the specific laws governing them, Belgian persons, authorities and bodies shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank pursuant to § 1.

Art. 35/2. – By derogation from Article 35 and within the limits of European Union law, the Bank may grant the Belgian Data Protection Authority (*Gegevensbeschermingsautoriteit / Autorité de protection des données*) access to confidential information insofar as this information is necessary for the performance of this Authority's tasks.

Art. 36. – The Council of Regency shall amend the Statutes in order to bring them into conformity with this Law and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

Amendments to the Statutes shall require the approval of the King.

Chapter IV/1 – Provisions concerning the supervision of financial institutions

Section 1 – General provisions

Art. 36/1. – Definitions: For the purpose of this Chapter and Chapter IV/2, the following definitions shall apply:

1° “the Law of 2 August 2002”: the Law of 2 August 2002 on the supervision of the financial sector and on financial services;

2° “financial instrument”: an instrument as defined in Article 2, 1° of the Law of 2 August 2002;

3° “credit institution”: any institution referred to in Book II and in Titles I and II of Book III of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms;

4° “electronic money institution”: any institution referred to in Article 2, 74° of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems;

5° “investment firm with the status of stockbroking firm”: any investment undertaking referred to in Book XII of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms that is recognised as a stockbroking firm or authorised to provide investment services which would require authorisation to operate as a stockbroking firm to be obtained if they were being provided by a Belgian investment firm;

6° “insurance or reinsurance company”: any undertaking referred to in Article 5, paragraph 1, 1°, or 2° of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

7° *Repealed.*

8° “mutual insurance association”: any undertaking referred to in Article 57 of the Programme Law of 10 February 1998 on the promotion of the independent company;

9° “payment institution”: any undertaking referred to in Article 2, 8°, of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems;

10° “regulated market”: any Belgian or foreign regulated market;

11° “Belgian regulated market”: a multilateral system, run and/or managed by a market operator, which ensures or facilitates the matching – even within the system itself and according to its non-discretionary rules – of manifold interest expressed by third parties in buying and selling financial instruments, in a way that leads to making contracts in financial instruments admitted to trading under its rules and/or its systems, and that is recognised and operates regularly in accordance with the provisions of Chapter II of the Law of 2 August 2002;

12° “foreign regulated market”: any market for financial instruments that is organised by a market operator whose home State is a Member State of the European Economic Area other than Belgium and that has been recognised in this Member State as a regulated market pursuant to Title III of Directive 2014/65/EU;

13° “central counterparty”: a central counterparty as defined in Article 2(1) of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

14° “settlement institution”: any institution that undertakes the settlement of orders to transfer financial instruments, or rights in respect of those financial instruments or of forward exchange transactions, whether or not settlement is in cash;

15° “FSMA”: the Financial Services and Markets Authority (“*Autorité des services et marchés financiers*” / “*Autoriteit voor Financiële Diensten en Markten*”, in German “*Autorität Finanzielle Dienste und Märkte*”);

16° “competent authority”: the Bank, the FSMA or the authority indicated by each Member State pursuant to Article 67 of Directive 2014/65/EU, Article 22 of Regulation 648/2012 or Article 11 of

Regulation 909/2014, unless otherwise specified in the said Directive or Regulations;

17° “Directive 2014/65/EU”: Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

18° “CSRSFI”: the Committee for Systemic Risks and System-Relevant Financial Institutions;

19° *Repealed.*

20° “European Banking Authority”: the European Banking Authority set up by Regulation No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC;

21° “European Insurance and Occupational Pensions Authority”: the European Insurance and Occupational Pensions Authority set up by Regulation No. 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/79/EC;

21°/1 “European Securities and Markets Authority”: the European Securities and Markets Authority set up by Regulation No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC;

22° “Regulation 648/2012”: Regulation (EU) No. 648/2012 of the European Parliament and of the European Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

23° “financial counterparty”: a counterparty as defined in Article 2(8) of Regulation 648/2012 or in Article 3(3) of Regulation 2015/2365;

24° “non-financial counterparty”: a counterparty as defined in Article 2(9) of Regulation 648/2012 or in Article 3(4) of Regulation 2015/2365;

25° “central securities depository”: a central securities depository as defined in Article 2(1)(1) of Regulation 909/2014;

26° “Regulation 909/2014”: Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012;

27° “Regulation 2015/2365”: of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012.

Art. 36/2. – § 1. In accordance with Article 12*bis*, with the provisions of this Chapter and the specific laws governing the supervision of financial institutions, the Bank’s mission shall be to undertake prudential supervision of credit institutions, investment firms with the status of stockbroking firm, insurance companies, reinsurance companies, mutual insurance associations, central counterparties, settlement institutions, institutions equivalent to settlement institutions, payment institutions, electronic money institutions, central securities depositories, institutions providing support to central securities depositories and custodian banks.

As regards supervision of insurance companies, the Bank shall appoint within the Board of Directors or among member of staff a representative who shall sit in an advisory capacity on the management committee for occupational accidents and certain technical committees of Fedris.

By derogation from paragraph 1, supervision of mutual insurance companies referred to in Articles 43*bis*, § 5, and 70, §§ 6, 7 and 8 of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies, as well as their operations, falls within the competence of the Control Office of mutual health funds and national unions of mutual health funds.

In carrying out its tasks, the Bank shall take account, in its capacity as competent prudential authority, of the convergence, in terms of supervision instruments and practices, of the implementation of the legislative, regulatory and administrative obligations imposed under the applicable European Directives.

To this end, it is required to :

a) take part in the work of the European Banking Authority, the European Insurance and Occupational Pensions Authority and, if necessary, the European Securities and Markets Authority;

b) comply with the guidelines, recommendations, standards and other measures agreed by the European Banking Authority, by the European Insurance and Occupational Pensions Authority and, if necessary, the European Securities and Markets Authority and, if it fails to do so, shall explain the reasons.

In its capacity as competent prudential authority, when carrying out its general interest duties, the Bank shall take due account of the potential impact of its decisions on the stability of the financial system in all the other Member States concerned and, particularly, in emergency situations, on the strength of information available at the time.

§ 2. In accordance with Article 12*bis* and the provisions of this Chapter, and to the extent laid down by the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash, the Bank's mission shall also be to monitor respect by the financial institutions referred to in paragraph 1, first indent, for the legal and regulatory provisions or provisions of European law designed to prevent the use of the financial system for purposes of money laundering and terrorist financing, as well as financing of proliferation of weapons of mass destruction.

Art. 36/3. – § 1. Without prejudice to Article 36/2, and in accordance with Articles 12 and 12*bis* and the specific laws that govern the supervision of financial institutions, the Bank's mission shall also be,

1° to intervene in the detection of any threats to the stability of the financial system, in particular by following up and assessing strategic developments in and the risk profile of systemic financial institutions;

2° to submit recommendations to the federal government and federal parliament on measures that are necessary or useful for the stability, the smooth running and the efficiency of the country's financial system;

3° to coordinate financial crisis management;

4° to contribute to the missions of the European and international institutions, organisations and bodies in the areas described in 1° to 3° and to collaborate in particular with the European Systemic Risk Board.

§ 2. The Bank shall determine, among the financial institutions referred to in Article 36/2, with the exception of credit institutions, stockbroking firms, payment institutions and electronic money institutions and insurance and reinsurance companies, those that must be considered as system-relevant and shall inform each one of these institutions. From this moment onwards, these institutions are required to send the Bank their proposals for strategic decisions. Within two months of receipt of a complete file supporting the strategic decision, the Bank may oppose these decisions if it feels that they go against sound and prudent management of the system-relevant financial institution or are liable to have a significant effect on the stability of the financial system. It may use all the powers conferred on it by this Law and the specific laws governing the supervision of the financial institutions concerned.

Strategic decisions shall be understood to mean decisions, once they assume a certain degree of importance, that concern any investment, disinvestment, participation or strategic cooperation relationship on the part of the system-relevant financial institution, notably decisions to acquire or establish another institution, to set up a joint venture established in another State, to conclude cooperation agreements or agreements on capital investment or acquisition of a branch of activity, merger or demerger.

The Bank shall specify the decisions that are to be considered as strategic and of a certain importance for the application of this Article. It shall publish these stipulations.

§ 3. When the Bank considers that a system financial institution has an inadequate risk profile or that its policy is liable to have a negative impact on the stability of the financial system, it may impose specific measures on the institution in question, notably particular requirements in respect of solvency, liquidity, risk concentration and risk positions.

§ 4. To enable the Bank to exercise the competences laid down by the preceding paragraphs, each system-relevant financial institution shall send it a report on developments in its business activities, its risk position and its financial situation.

The Bank shall determine the content of the information that must be sent to it as well as the frequency and the arrangements for this reporting.

§ 5. Failure to respect the provisions of this Article may give rise to the imposition of administrative fines, penalties and penal sanctions provided for by this Law and the specific laws applicable to the financial institutions in question.

§ 6. The FSMA shall provide the Bank with the information it possesses and which the latter has requested for the purposes of carrying out the tasks referred to in this Article.

Art. 36/4. – In carrying out its tasks referred to in Article 12*bis*, the Bank shall have no competence in respect of fiscal matters. However, it shall notify the judicial authorities of any special mechanisms set up by an institution falling within the scope of its prudential supervision, the aim or result of which mechanisms is to promote fraud by third parties, where it is aware of the fact that those special mechanisms constitute a fiscal offence under the Penal Code, punishable by penal sanctions for the institutions themselves as author, co-author or accessory.

Art. 36/5. – **§ 1.** In the instances stipulated by the law regulating the task in question, the Bank may give prior written consent on an operation. The Bank make its consent dependent on the conditions that it deems appropriate.

§ 2. The consent referred to in § 1 shall be binding on the Bank, save:

1° where it appears that the operations to which it refers are incompletely or incorrectly described in the request for consent;

2° where those operations are not performed in the manner proposed to the Bank;

3° where the effects of those operations are modified by one or more subsequent operations, with the result that the operations to which the consent refers no longer conform to the definition given of them in the request for consent;

4° where the conditions upon which the consent is dependent are not or no longer fulfilled.

§ 3. Upon the recommendation of the Bank, the King determines the terms and conditions for application of the present Article.

Art. 36/6. – **§ 1.** The Bank shall organise a website and keep it up to date. This website shall contain all regulations, proceedings and resolutions that are required to be published in the context of its legal tasks pursuant to Article 12*bis*, as well as any other information that the Bank deems appropriate to disseminate in the interest of these same tasks.

Without prejudice to the means of publication prescribed by the appropriate legal or regulatory provisions, the Bank shall specify other possible means of publishing the regulations, resolutions, opinions, reports and other proceedings it makes public.

§ 2. The Bank shall also provide the following information on its website:

1° besides the legislation on the legal status and supervision of credit institutions and stockbroking firms and the legislation on the legal status and supervision of insurance and reinsurance companies, along with any Decrees, Regulations and Circulars issued under or pursuant to this legislation or Regulations of European Union law relating to these matters, a table setting out the provisions of European Directives on the prudential supervision of credit institutions and stockbroking firms and on the legal status and supervision of insurance and reinsurance companies, stating the chosen options;

2° the supervisory objectives that it exercises pursuant to the legislation referred to in 1°, and in particular the functions and activities carried out as such, the verification criteria and the methods it uses to carry out the assessment referred to in Article 142 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and Articles 318 to 321 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance;

3° aggregate statistical data on the main aspects relating to the application of the legislation referred to in 1°;

4° any other information laid down by the Decrees and Regulations issued under this Law.

The information referred to in paragraph 1 shall be published according to the guidelines established,

as the case may be, by the European Commission, the European Banking Authority or the European Insurance and Occupational Pensions Authority. The Bank shall ensure that the information provided on its website is updated regularly.

The Bank shall also publish any other information required under acts of European Union law applicable in the area of supervision of credit institutions and stockbroking firms and in the area of supervision of insurance and reinsurance companies.

The Bank may publish, under arrangements that it shall determine and in compliance with European Union law, the results of the stress tests carried out in accordance with European Union law.

Art. 36/7. – All notifications that the Bank or the Minister are required to make by registered letter or recorded delivery in accordance with the laws and regulations whose application is supervised by the Bank may be made by writ of execution or by any other method determined by the King.

Art. 36/7/1. – The member of the staff of a financial institution referred to in Article 36/2 who has informed the Bank, in good faith, of an alleged or know infringement of the laws and regulations governing the legal status and supervision of the said financial institutions, may not be subjected to any civil, penal or disciplinary proceedings nor have any professional sanctions imposed on him or her that might be lodged or imposed because he/she supplied the said information.

Any unfavourable or discriminatory treatment of this person, as well as any severance of the employment relationship because of this person raising the alert, shall be prohibited.

In the event of any breach of paragraphs 1 and 2, the Bank may impose an administrative sanction pursuant to the provisions on administrative penalties contained in the legislation governing the legal status and supervision of the institutions referred to in Article 36/2.

Section 2 – Sanctions Committee

Art. 36/8. – § 1. The Sanctions Committee shall pronounce on the imposition of administrative fines laid down by the laws referred to in Articles 8, 12*bis* and

12*ter* and in Article 161 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems.

§ 2. The Sanctions Committee shall comprise six members appointed by the King:

1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State

2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;

3° two magistrates who are neither councillors at the Court of Cassation, nor at the Brussels Court of Appeal;

4° two other members.

§ 3. The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in § 2, 1°, 2° and 3.

§ 4. For the three years preceding their appointment, the members of the Sanctions Committee may not have been either member of the Board of Directors of the Bank, or of the Resolution College of the Bank, or of the Bank's staff, or of the CSRSFI.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

§ 5. The mandate of the members of the Sanctions Committee is six years and renewable. In the event of non-renewal, the members shall remain in office until the first meeting of the Sanctions Commission in its new composition. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

Should a member of the Sanctions Committee's seat fall vacant, whatever the reason, a replacement for that member shall be found for the remaining term of office.

§ 6. The Sanctions Committee may take valid decisions when two of its members and its chairman are present and in a position to deliberate. If its chairman is unable to attend, it may take valid decisions when three of its members are present and in a position to deliberate.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

§ 7. The King shall determine, in consultation with the management of the Bank, the amount of compensation allocated to the chairman and to the members of the Sanctions Committee in accordance with the cases on which they have deliberated.

§ 8. The Sanctions Committee shall lay down its rules of procedure and its rules of conduct.

Section 3 – Rules of procedure for the imposition of administrative fines

Art. 36/9. – § 1. Where, in carrying out its legal tasks pursuant to Articles 8, 12*bis* or 12*ter*, the Bank determines that there are serious indications of the existence of a practice liable to give rise to the imposition of an administrative fine or where, following a complaint, it is made aware of such a practice, the Board of Directors shall decide to open an investigation and entrust the investigations officer with it. The investigations officer shall investigate the charges and the defence.

The investigations officer is designated by the Council of Regency from among the members of staff of the Bank. He shall enjoy total independence in the performance of his duties as investigations officer.

In order to carry out his task, the investigations officer may exercise all the powers of investigation vested in the Bank by the legal and regulatory provisions governing the matter concerned. He shall be assisted in the conduct of each inquiry by one or more members of the Bank's staff that he chooses from among the members of staff designated to this end by the Board of Directors.

§ 1/1. Notwithstanding § 1, paragraph 3, the investigations officer has the power to summon and interview any person, according to the rules set out below.

The summons to a hearing shall be delivered either by simple notification, by registered post, or by writ by a court officer.

Any person summoned under paragraph 1 must appear.

When interviewing persons in any capacity whatsoever, the investigations officer shall at least observe the following rules:

1° at the beginning of the hearing, the respondent shall be informed that

a) he may ask that all the questions asked to him and all the answers given by him be recorded exactly as stated;

b) he may ask that a specific taking of evidence or interview be carried out;

c) his statements may be used as evidence in court;

2° the respondent may use the documents in his possession, provided that this does not involve the hearing being delayed. He may, at the time of the hearing or thereafter, ask that these documents be attached to the minutes of the hearing;

3° at the end of the hearing, the report shall be given to the respondent to read, unless he asks for it to be read out to him. He shall be asked whether his statements need to be corrected or completed;

4° if the respondent wishes to express himself in a language other than the language of the proceedings, his statements shall be noted in his language, or he shall be asked to write his statement himself;

5° the respondent shall be informed that he may obtain a copy of his hearing free of charge; where applicable, this copy will be given or sent to him immediately or within a month.

§ 2. At the end of the investigation, once the persons concerned have been heard or at least duly summoned, the investigations officer shall draw up a report and send it to the Board of Directors.

Art. 36/10. – § 1. On the basis of the investigations officer's report, the Board of Directors shall decide to close the case, propose a compromise settlement or refer it to the Sanctions Committee.

§ 2. If the Board of Directors decides to close a case, it shall the persons concerned of this decision. It may make the decision public.

§ 3. If the Board of Directors puts forward a proposal for a compromise settlement, and its proposal is accepted, the compromise settlement shall be published on the Bank's website without specifying any names, except in cases where the compromise settlement is proposed for infringements of Articles 4, 5 and 7 to 11 of Regulation 648/2012 and where such publication would seriously jeopardise the financial markets or cause disproportionate damage to the relevant central counterparties or their members.

The amount of the compromise settlements shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. If the Board of Directors decides to refer the case to the Sanctions Committee, it shall send a notification of grievance together with the investigation report to the persons concerned and the chairman of the Sanctions Committee.

§ 5. In the event that one of the grievances is liable to constitute a criminal offence, the Board of Directors shall inform the Crown prosecutor. The Board of Directors can decide to make its decision public.

When the Crown prosecutor decides to set criminal proceedings in motion for the charges to which the notification of grievances refers, he shall immediately inform the Bank. The Crown prosecutor can give the Bank, automatically or upon request from the latter, a copy of any material from the procedure relating to the charges that are the subject of the transmission.

Decisions taken by the Board of Directors pursuant to this Article are not open to appeal.

Art. 36/11. – § 1. Persons to whom a notification of grievances has been addressed have two months in which to submit their written observations on the charges to the chairman of the Sanctions Committee.

In exceptional circumstances, the chairman of the Sanctions Committee may extend this period.

§ 2. Persons implicated may obtain copies of case documents from the Sanctions Committee and may be assisted or represented by a lawyer of their choice.

They may request an objection to a member of the Sanctions Committee if they have any doubts about the independence or impartiality of this member. The Sanctions Committee shall pronounce on this request by a reasoned decision.

§ 3. Following an adversary procedure and after the investigations officer has been heard, the Sanctions Committee may impose an administrative fine on the persons in question. The Sanctions Committee shall pronounce by a reasoned decision. No sanctions may be decided without the person or his/her representative first having been heard or at least duly summoned. At the hearing, the Board of Directors shall be represented by the person of its choice and may have its observations heard.

§ 4. Except where additional or different criteria are set out in specific laws, the amount of the fine shall be set in accordance with the seriousness of the breaches committed and in relation to any benefits or profits that may have been drawn from these breaches.

§ 5. The Sanctions Committee's decision shall be sent by registered letter to the persons concerned. The letter of notification shall indicate the legal remedies, the competent authorities in order for cognisance to be taken of them, as well as the form and terms that are required to be respected, failing which the period of limitation for bringing an appeal shall not come into effect.

§ 6. The Sanctions Committee shall publish its decisions on the Bank's website, specifying the names of the persons concerned, for a period of at least five years, unless such publication is liable to jeopardise the stability of the financial system or an ongoing criminal investigation or proceedings, or to be disproportionately detrimental to the interests of those concerned or the institutions to which they belong, in which case the decision shall be published on the Bank's website without specifying any names. In the event of an appeal against the sanction decision, this decision shall be published without specifying any names pending the outcome of the legal proceedings.

Sanctions concerning infringements of Articles 4, 5 and 7 to 11 of Regulation 648/2012 shall not be disclosed where such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the relevant central counterparties or their members.

The Board of Directors shall be notified of the Sanctions Committee's decisions before they are published.

Art. 36/12. – The administrative fines imposed by the Sanctions Committee and that have become definitive, as well as the compromise settlements made before the criminal judge has made a definite pronouncement on the same facts, shall be imputed to the amount of any penal fine that is imposed for those facts in respect of the same person.

Art. 36/12/1. – § 1. Without prejudice to other measures laid down by this Law, the Bank may, where it ascertains an infringement of Article 36/9, § 1/1, paragraph 3 of this Law, impose on the offender an administrative fine which shall not be less than € 2 500 nor, for the same fact or the same set of facts, more than € 2 500 000.

§ 2. Any fines imposed pursuant to § 1 shall be recovered and payable to the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Section 3bis. – Periodic penalty payments imposed by the Bank

Art. 36/12/2. – § 1. The Bank may order any person to comply with Article 36/9, § 1/1, paragraph 3 of this Law, within the time limit specified by the Bank.

If the person to whom it has addressed an order pursuant to paragraph 1 fails to comply at the end of the period specified, and provided that this person has been heard, the Bank may impose the payment of a periodic penalty which shall not be more than € 50 000 per calendar day, nor exceed the total sum of € 2 500 000.

§ 2. Any periodic penalty payments imposed pursuant to § 1 shall be recovered and payable to the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Art. 36/12/3. – Where a periodic penalty payment is imposed by the Bank pursuant to this Law or other

legal or regulatory provisions, and as long as the person on whom it is imposed has not complied with the obligation underlying the imposition of this penalty, the Bank may publish its decision to impose the penalty on its website, specifying the names of the persons concerned.

Section 4 – Professional secrecy, exchange of information and cooperation with other authorities

Art. 36/13. – *Repealed.*

Art. 36/14. – § 1. By derogation from Article 35, the Bank may also communicate confidential information:

1° to the European Central Bank and the other central banks and institutions with a similar mission in their capacity as monetary authorities when such information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing and settlement systems, as well as preserving the stability of the financial system, and also to other public authorities in charge of overseeing payment systems.

Whenever an emergency situation arises, including unfavourable developments on the financial markets, that is likely to threaten market liquidity and the stability of the financial system in one of the Member States in which entities of a group comprising credit institutions or investment firms have been authorised or in which branches of significant importance are established within the meaning of Article 3, 65° of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, the Bank may pass on information to the central banks in the European System of Central Banks when this information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing and settlement systems, as well as preserving the stability of the financial system.

In the event of an emergency situation as referred to above, the Bank may disclose, in all the Member States concerned, any information that may be of interest for central government departments responsible for legislation governing the supervision of credit institutions, financial institutions, investment services and insurance companies;

2° within the limits of European Directives, to the competent authorities of the European Union and of other Member States of the European Economic Area that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3, including the European Central Bank as regards the tasks conferred on it by Regulation (EU) No. 1024/2013 of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;

3° in compliance with European Directives, to the competent authorities of third countries that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3 and with which the Bank has concluded a cooperation agreement providing for the exchange of information;

4° to the FSMA;

5° to Belgian institutions or to institutions of other Member States of the European Economic Area that manage a system for the protection of deposits, investors or life insurance and to the body in charge of financing facilities for resolution;

6° to central counterparties, to institutions for the settlement of financial instruments or to central securities depositories that are authorised to provide services for transactions in financial instruments conducted on a Belgian organised market, where the Bank deems that communication of the information concerned is necessary for the orderly operation of those central counterparties, settlement institutions and central securities depositories to be protected against the shortcomings – potential, even – of participants on the market in question;

7° within the limits of European Directives, to market operators for the orderly operation, control and supervision of the markets that they organise;

8° during civil or commercial proceedings, to the authorities and legal representatives involved in bankruptcy or composition proceedings or analogous collective proceedings concerning companies subject to the Bank's supervision, with the exception of confidential information in respect of the participation of third parties in rescue attempts prior to such proceedings;

9° to statutory auditors, to company auditors and to other persons charged with the legal examination of

the accounts of companies subject to the supervision of the Bank, of the accounts of other Belgian financial institutions or of the accounts of similar foreign companies;

10° to sequestrators for the exercise of their task as envisaged in the laws regulating the tasks entrusted to the Bank;

11° to the Audit Oversight College (*College van toezicht op de bedrijfsrevisoren / Collège de supervision des réviseurs d'entreprises*) and the authorities of Member States or third parties supervising the persons charged with the legal examination of the annual accounts of companies subject to the supervision of the Bank;

12° within the limits of European Union law, to the Belgian Competition Authority;

13° within the limits of European Directives, to the stockbroker approval board as referred to in Article 21 of the Law of 2 August 2002;

14° within the limits of European Directives, to the General Treasury Administration, in accordance with the legal and regulatory provisions laid down for the implementation of measures in respect of financial embargos;

15° within the limits of European Directives, to actuaries independent of enterprises who, by virtue of the law, carry out an assignment whereby they supervise those enterprises, and to the bodies in charge of supervising these actuaries;

16° to Fedris;

17° to agents commissioned by the Minister, who have authority, within the context of the task assigned to them under Article XV.2 of the Code of Economic Law, to investigate and report infringements on the provisions of Articles XV.89, 1° to 18°, 20°, 21°, 22° and 23° of the Code of Economic Law;

18° to the authorities subject to the law of Member States of the European Union which have competence in macroprudential oversight, and to the European Systemic Risk Board established by Regulation (EU) No. 1092/2010 of the European Parliament and of the Council of 24 November 2010;

19° within the limits of the European Regulations and Directives, to the European Securities and Markets Authority, to the European Insurance and Occupational Pensions Authority and to the European Banking Authority;

20° within the limits of European Union law, to the Government Coordination and Crisis Centre of the Federal Public Service Home Affairs, to the Coordination Unit for Threat Analysis established by the Law of 10 July 2006 on threat analysis, and to the police services referred to in the Law of 7 December 1998 organising a two-level structured integrated police service, should the application of Article 19 of the Law of 1 July 2011 on security and protection of critical infrastructures require so;

21° the Control Office of mutual health funds and national unions of mutual health funds, for carrying out its legal tasks referred to in Article 303, § 3 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, as regards mutual insurance companies referred to in Articles 43*bis*, § 5, and 70, §§ 6, 7 and 8 of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies and their operations;

22° within the limits of European Union law, to the resolution authorities referred to in Article 3 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, to the authorities the authorities of third countries entrusted with equivalent tasks to those referred to in Article 12*ter*, § 1, with which the Bank has concluded a cooperation agreement providing for an exchange of information, as well as to the competent Ministries of the Member States of the European Economic Area whenever deemed necessary for the planning or execution of a resolution measure.

23° to any person performing a function specified by or pursuant to the law who takes part in or contributes to the performance of the Bank's supervision tasks, if that person was designated by the Bank or with the Bank's approval for the purposes of that function, such as:

a) the cover pool monitor referred to in Article 16 of Annex III to the Law of 25 April 2014 on the legal

status and supervision of credit institutions and stock-broking firms;

b) the cover pool administrator referred to in Article 8 of Annex III to the Law of 25 April 2014 on the legal status and supervision of credit institutions and stock-broking firms; and

c) the special commissioner referred to in Article 236, § 1, 1° of the said law, Article 517, § 1, 1° of the Law of 13 March 2016 on the legal status and supervision of insurance or reinsurance companies, Article 35, § 1 second indent, 1° of the Law of 21 December 2009 on the legal status of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing of electronic money, and on access to payment systems, Article 87, § 1, second indent, 1° of the said law, Article 48, first indent, 1° of the Royal Decree of 30 April 1999 regulating the legal status and supervision of mutual guarantee societies, and Article 36/30, § 1, second indent, 3° of this law.

§ 2. The Bank may communicate confidential information in accordance with § 1 only on condition that the recipient authorities or institutions use that information to carry out their tasks and that, as regards that information, they are subject to an obligation of professional secrecy equivalent to that referred to in Article 35. Furthermore, information communicated by an authority of another Member State of the European Economic Area may be divulged in the instances as referred to in 7°, 9°, 10°, 12° and 16° of § 1 and to the authorities or bodies of third countries as referred to in 4°, 6°, 10° of § 1 only with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent.

§ 3. Without prejudice to the more stringent provisions of the specific laws governing them, the Belgian persons, authorities and bodies referred to in § 1 shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank pursuant to § 1.

§ 4. This Article shall apply without prejudice to the more restrictive provisions relating to professional secrecy of European Union law.

Art. 36/15. – Article 35 shall apply to statutory auditors, to company auditors and to experts as regards

the information of which they have become cognisant by virtue of the tasks of the Bank or by virtue of the verifications, expert appraisals or reports that the Bank, within the framework of its tasks as referred to in Articles 36/2 and 36/3, has charged them with carrying out or producing.

Paragraph 1 and Article 86, § 1, first indent of the Law of 7 December 2016 on the organisation of the profession and the public supervision of auditors, shall not apply to the communication of information to the Bank that is stipulated or authorised by the legal or regulatory provisions governing the tasks of the Bank.

Art. 36/16. – § 1. Without prejudice to Articles 35 and 36/13 to 36/15 and to the provisions of specific laws, the Bank shall, in matters pertaining to its competence, cooperate with foreign competent authorities that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3.

Likewise, in accordance with European Union law, the Bank cooperates with the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority, as well as the European Central Bank as regards the tasks conferred on it by Regulation (EU) No. 1024/2013 of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

§ 2. Without prejudice to the obligations arising for Belgium from the law of the European Union, the Bank may, on the basis of reciprocity, conclude agreements with competent authorities, as referred to in § 1, first indent, with a view to establishing the terms and conditions of that cooperation, including the method of any distribution of supervisory tasks, the designation of a competent authority as supervision coordinator and the method of supervision through on-the-spot inspections or otherwise, what cooperation procedures shall apply, as well as the terms and conditions governing the collection and exchange of information.

§ 3. *Repealed.*

Art. 36/17. – § 1. Without prejudice to the relevant provisions of Article 36/19, the following provisions shall apply in the context of the competences referred to in Articles 36/2 and 36/3 with regard to

mutual cooperation between the Bank and the other competent authorities referred to in Article 4(1) (26) of Directive 2014/65/EU and Article 3(1)(36) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, for the purposes of meeting the obligations arising from the said Directive 2014/65/EU :

1° The Bank shall collaborate with the other competent authorities whenever that is necessary in order to fulfil their duties, by making use of the powers conferred upon it by Belgian laws. To this end, the Bank shall notably have the powers that are attributed to it by this Law. The Bank shall offer its assistance to the competent authorities of the other Member States. In particular, it shall exchange information and cooperate with the other competent authorities in enquiries or supervisory activities including on-the-spot checks, even if the practices that are subject to an investigation or verification do not constitute a violation of any rules in Belgium. The Bank may also cooperate with the other competent authorities in order to facilitate the collection of fines.

2° The Bank shall immediately notify any information required for the purposes referred to in 1°. To this end, apart from the appropriate organisational measures for facilitating the correct execution of the cooperation referred to in 1°, the Bank shall immediately take the necessary measures to collect the information requested. As regards the competences referred to in this paragraph, when the Bank receives a request for an on-the-spot verification or for an enquiry, it shall follow this up within the limits of its powers :

- by inspecting or investigating itself ;
- by permitting the authority submitting the request or auditors or experts to carry out the inspection or investigation directly.

3° The information exchanged in the context of the cooperation is covered by the professional secrecy obligation referred to in Article 35. When it passes on information in the framework of such cooperation, the Bank may specify that this information cannot be disclosed without its express consent or can only be disclosed for purposes for which it has given its

agreement. Likewise, when it receives information, the Bank must, by derogation from Article 36/14, respect any restrictions that may be set out to it by the foreign authority as to the possibility of passing on the information thus received.

4° Where the Bank has serious grounds to suspect that acts infringing the provisions of Directive 2014/65/EU or Regulation 600/2014 are being or have been committed on the territory of another Member State, it shall inform the competent authority of that other Member State, the European Securities and Markets Authority and also the FSMA, about those acts in as detailed a manner as possible. If the Bank has been informed by an authority of another Member State that such acts have been committed in Belgium, it shall inform the FSMA accordingly, take appropriate measures and communicate the results of its intervention to the authority that informed it, the European Securities and Markets Authority and the FSMA, in so far as possible stating the significant points emerging in the meantime.

§ 2. In the execution of § 1, the Bank may refuse to follow up a request for information, investigation, on-the-spot verification or monitoring if:

- following up such a request is liable to threaten Belgium's sovereignty, security or public order, or
- legal proceedings have already been initiated for the same charges against the same persons in Belgium, or
- these persons have already been tried irrevocably for the same charges in Belgium.

In these cases, it shall inform the competent applicant authority and the European Securities and Markets Authority of the situation, by providing them, if necessary, with as much detailed information as possible about the procedure or the judgment in question.

§ 3. As regards the competences referred to in § 1, without prejudice to the obligations that rest on it in legal proceedings of a penal nature, the Bank may only use the information that it has received from a competent authority or from the FSMA for the purposes of monitoring respect for the conditions of access to the business of the institutions subject to its supervision pursuant to Article 36/2 and in order to facilitate supervision, on an individual or consolidated

basis, of the conditions for carrying out this business, impose sanctions, in the context of an administrative appeal or legal action taken against a decision by the Bank, in the framework of the extrajudicial mechanism for settling investors' complaints. However, if the competent authority transmitting the information agrees to this, the Bank may use this information for other purposes or pass it on to the competent authorities of other States.

§ 4. Paragraphs 1 and 2 shall also apply, according to the conditions determined in the cooperation agreements, in the context of cooperation with the authorities of third States.

§ 5. The FSMA is the authority that acts as the single point of contact in charge of receiving requests for exchange of information or cooperation in execution of § 1.

The Minister shall notify the European Commission, the European Securities and Markets Authority and the other Member States of the European Economic Area accordingly.

Art. 36/18. – Without prejudice to Articles 35 and 36/13 to 36/15, and to the provisions of specific laws, the Bank and the FSMA shall conclude cooperation agreements with the Control Office of mutual health funds and national unions of mutual health funds on the subject of supplementary health insurance practised by the mutual insurance companies referred to in Articles 43*bis*, § 5, and 70, §§ 6, 7 and 8, of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies. The cooperation agreements shall govern, *inter alia*, exchange of information and the uniform application of the legislation concerned.

Section 5 – Powers of investigation, penal provisions and means of appeal

Art. 36/19. – Without prejudice to the powers of investigation conferred upon it by the legal and regulatory provisions governing its tasks, the Bank may, in order to verify whether an operation or an activity is envisaged by the laws and regulations whose application it is responsible for supervising, demand all necessary information from those carrying out the operation or activity in question and from all third parties permitting that operation or activity to take place.

The Bank shall have the same power of investigation in order to verify whether, within the framework of a cooperation agreement concluded with a foreign authority and in respect of the substantive points indicated in the written request from that authority, an operation or activity carried out in Belgium is envisaged by the laws and regulations whose application that foreign authority is responsible for supervising.

The person or institution concerned shall communicate that information within the deadline and in the form specified by the Bank.

The Bank may verify or have verified in the books and documents of interested parties the accuracy of the information communicated to it.

If the person or institution in question has not sent the information requested upon expiry of the deadline set by the Bank, once the person or institution concerned have been heard, and without prejudice to the other measures provided for by law, the Bank may impose the payment of a fine which may not be less than € 250 nor higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total.

The penalties and fines imposed pursuant to this Article shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Art. 36/20. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between € 250 and € 2 500 000 or by one of these penalties alone:

- those who hamper the Bank's investigations pursuant to the present Chapter or who knowingly provide it with inaccurate or incomplete information;
- those who knowingly, through declarations or otherwise, intimate or allow it to be believed that the operation or operations that they carry out or intend to carry out are conducted under the conditions stipulated by the laws and regulations whose application is supervised by the Bank, whereas those laws and regulations either do not apply to them or have not been respected by them.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Art. 36/21. – § 1. An appeal with the Market Court may be lodged against any decision by the Bank imposing an administrative fine.

§ 2. Without prejudice to the special provisions laid down by or pursuant to the law, the term for appeal shall, on pain of extinction, be 30 days.

The term for appeal shall commence from notification of the decision in dispute.

§ 3. On pain of inadmissibility, pronounced officially, the appeal as referred to in § 1 shall be lodged by signed petition delivered to the Registry of the Brussels Court of Appeal in as many copies as there are parties.

On pain of inadmissibility, the petition shall contain:

- 1° mention of the date, month and year;
- 2° where the petitioner is a natural person, his or her name, first names and address; where the petitioner is a legal entity, its name, legal form, registered office and the body that is representing it;
- 3° mention of the decision that is the subject of the appeal;
- 4° statement of the arguments;
- 5° indication of the place, day and hour of the court appearance fixed by the Registry of the Court of Appeal;
- 6° inventory of the supporting documents lodged together with the petition with the Registry.

Notification of the petition shall be given by the Registry of the Brussels Court of Appeal to all parties summoned in the suit by the petitioner.

The Market Court may at any time officially summon to appear in the suit all other persons whose situation threatens to be affected by the ruling on the appeal.

The Market Court shall determine the term within which the parties are required to exchange their written comments and to lodge a copy of those comments with the Registry. It shall likewise determine the date of the hearing.

Each of the parties may lodge his/her/its written comments with the Registry of the Brussels Court of Appeal and consult the dossier there on the spot.

The Market Court shall determine the term within which the comments are required to be produced. The Registry shall notify the parties of them.

§ 4. Within five days after registration of the petition, the Registry of the Brussels Court of Appeal shall request the Bank to forward the procedure dossier. The dossier shall be forwarded within five days after receipt of the request.

§ 5. The appeal as referred to in § 1 shall serve to suspend the decision of the Bank.

Art. 36/22. – According to an accelerated procedure determined by the King, an appeal may be lodged with the Council of State:

1° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 12 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms. Such an appeal may also be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 12; in the latter case, the appeal shall be handled as if the request had been rejected;

2° by the credit institution and by the stockbroking firm, against decisions taken by the Bank pursuant to, respectively, Articles 86, paragraph 4, 88/1, 544 and 546 of the aforementioned Law of 25 April 2014, insofar as these three articles render the said Article 86, paragraph 4, applicable;

3° by the credit institution and by the stockbroking firm, against decisions taken by the Bank pursuant to, respectively, Articles 234, § 2, 1° to 12°, 236, § 1, 1° to 6, and Articles 583 and 585, insofar as these articles render the above-mentioned Articles 234, § 2, 1° to 12° and 236, § 1, 1° to 6, applicable to stockbroking firms, and against similar decisions taken pursuant to, respectively, Articles 328, 329 and 340, and Articles 599 and 607 of the aforementioned Law of 25 April 2014, insofar as these latter articles render the said Articles 328, 329 and 340 applicable to stockbroking firms. The appeal shall serve to suspend the decision and its publication save where the Bank, for reasons of serious threat to savers or to investors,

has declared its decision executory notwithstanding any appeal;

3°*bis* by the credit institution and by the stockbroking firm, against decisions taken by the Resolution College pursuant to, respectively, Article 232 and 581 of the aforementioned Law of 25 April 2014, insofar as this last article renders the said Articles 232 applicable to stockbroking firms;

4° by the applicant, against decisions taken by the Bank regarding authorisation pursuant to Article 495 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms. A like appeal may be lodged by the applicant where the Bank has made no ruling within the periods laid down in Article 495, first indent, paragraph 1 of the aforementioned Law of 25 April 2014. In the latter case, the appeal shall be handled as if the request had been rejected;

5° *Repealed.*

6° *Repealed.*

7° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Articles 28 and 584 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

8° *Repealed.*

9° by the insurance or reinsurance undertaking, against decisions to raise tariffs taken by the Bank pursuant to Article 504 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

10° by the insurance or reinsurance undertaking, against decisions taken by the Bank pursuant to Articles 508, § 2, 1° to 10°, and 517, § 1, 1°, 2°, 4°, 6° and 7°, of the aforementioned Law of 13 March 2016;

11° by the insurance or reinsurance undertaking, against decisions to withdraw authorisation taken by the Bank pursuant to Article 517, § 1, 8°, 541 and 598, § 2, of the aforementioned Law of 13 March 2016;

12° by the insurance or reinsurance undertaking, against decisions to protest taken by the Bank

pursuant to Articles 108, § 3 and 115, § 2, of the aforementioned Law of 13 March 2016, or where the Bank has not ruled within the period laid down in Articles 108, § 3, paragraph 2, and 115, § 2, paragraph 2, of the same Law;

12°*bis* by the insurance undertaking, against decisions taken by the Bank pursuant to Article 569 of the aforementioned Law of 13 March 2016;

13° by the applicant for authorisation and by the authorised institution, against the decision by the Bank to refuse, suspend or revoke the authorisation pursuant to Articles 3, 12 and 13 of the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, and its implementing Decrees. The appeal shall serve to suspend the decision unless the Bank, for serious reasons, has declared its decision executory notwithstanding any appeal;

14° *Repealed.*

15° by the reinsurance undertaking, against decisions to protest taken by the Bank pursuant to Articles 114 and 121 of the aforementioned Law as they refer respectively to Articles 108, § 3 and 115, § 2, of the same Law or where the Bank has not ruled within the period laid down in Articles 108, § 3, paragraph 2, and 121, 2°, of the same Law;

16° *Repealed.*

17° *Repealed.*

18° by the reinsurance undertaking, against decisions taken by the Bank pursuant to Articles 600 and 601 as they refer respectively to Articles 580 and 598 of the aforementioned Law;

19° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 12 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 12. In the latter case, the appeal shall be handled as if the request had been rejected;

19°*bis* by the applicant for the registrations referred to in Articles 82, § 2, and 91 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank in this respect. A like appeal may be lodged by the registration applicant where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 82, § 2 and paragraph 1 of the aforementioned Article 91, respectively. In the latter case, the appeal shall be handled as if the request had been rejected;

20° by the authorised and registered payment institution referred to, respectively, in Articles 12 and 91 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank pursuant to Article 61 of the aforementioned Law;

21° by the payment institution, against decisions taken by the Bank pursuant to Articles 116, § 2, and 117, §§ 1 and 2 and against similar decisions taken pursuant to Article 142, § 1, of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to users of payment services, the Bank has declared its decision executory notwithstanding any appeal;

22° by the institution concerned, against decisions taken by the Bank pursuant to Article 517, § 6, of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies and Article 585 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, insofar as it renders Article 236, § 6 of the said Law applicable to stockbroking firms;

23° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/25, § 3;

24° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 4 of the Royal Decree of 26 September 2005 on the legal status of settlement institutions and assimilated institutions. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 4. In the latter case, the appeal shall be handled as if the request had been rejected;

25° by the settlement institution or assimilated institution, against decisions taken by the Bank pursuant to Article 17 of the aforementioned Royal Decree of 26 September 2005;

26° by the settlement institution or assimilated institution, against decisions taken by the Bank pursuant to Article 33, § 1, paragraph 2, 1°, 1°bis, 2° and 3°, of the aforementioned Royal Decree of 26 September 2005 and against similar decisions taken by the Bank pursuant to Article 36 of the aforementioned Royal Decree of 26 September 2005. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal;

26°/1 by the applicant for an authorisation, against decisions taken by the Bank pursuant to Articles 17 and 55 of Regulation 909/2014. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in 17(8). In the latter case, the appeal shall be handled as if the request had been rejected;

26°/2 by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. A like appeal may be lodged where the Bank has made no ruling within the periods laid down pursuant to the aforementioned Article. In the latter case, the appeal shall be handled as if the request had been rejected;

26°/3 by the central securities depository, against decisions taken by the Bank pursuant to Article 23 (4) of Regulation 909/2014, and by the institution providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6;

26°/4 by the central securities depository, against decisions taken by the Bank pursuant to Articles 20

and 57 of Regulation 909/2014, and by the institution providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal;

26°/5 by the central securities depository, against decisions taken by the Bank pursuant to Article 36/30/1, § 2, 3° to 6°, and by the institution providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal.

27° *Repealed.*

28° *Repealed.*

29° *Repealed.*

30° *Repealed.*

31° *Repealed.*

32° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 169 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 169. In the latter case, the appeal shall be handled as if the request had been rejected;

32°bis by the applicant for the registration referred to in Article 200, § 2 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank in this respect. A like appeal may be lodged by the registration applicant where the Bank has made no ruling

within the periods laid down in paragraph 1 of the aforementioned Article 200, § 2. In the latter case, the appeal shall be handled as if the request had been rejected;

33° by the payment institution, against decisions taken by the Bank pursuant to Article 186 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, insofar as it renders Article 61 of the same Law applicable;

34° by the electronic money institution, against decisions taken by the Bank pursuant to Article 214, insofar as it renders Article 116, § 2, applicable, and Article 215, § 1, and against similar decisions taken pursuant to Article 227 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, insofar as it renders Article 142, § 1, applicable. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to holders of electronic money, the Bank has declared its decision executory notwithstanding any appeal;

34°*bis* by any regulated entity referred to in Article 5, § 1, 4° to 10°, of the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash, against decisions taken by the Bank pursuant to Articles 94 and 95 of the said Law;

34°*ter* by the payment scheme operator, against the prohibition imposed by the Bank pursuant to Article 19, § 1, of the Law of 24 March 2017 on the oversight of payment transaction processors;

35° by any person to whom a penalty has been imposed by the Bank pursuant to Articles 36/3, § 5, 36/19, paragraph 5, 36/30, § 1, paragraph 2, 2°, and 36/30/1, § 2, 2°, of this Law, Article 93, § 2, 2° of the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash, Article 603, § 2, paragraph 3 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, Articles 147, § 2, paragraph 3, 161, § 1, 2° and 229,

§ 2, paragraph 3 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, Article 16, § 2 of the Law of 24 March 2017 on the oversight of payment transaction processors, Article 346, § 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and Article 608 of the aforementioned Law of 25 April 2014, insofar as it renders the said Article 346, § 2 applicable to stockbroking firms;

Art. 36/23. – With a view to requesting enforcement of the criminal law, the Bank is authorised to intervene, at any stage of the proceedings, before the criminal court to which an infraction punishable by this Law or by a law charging the Bank with supervision of its provisions has been referred, without the Bank thereby being required to demonstrate the existence of any prejudice. The intervention shall be according to the rules applying to the plaintiff.

Section 6 – Anti-crisis measures

Art. 36/24. – § 1. Upon the recommendation of the Bank, the King may, in the event of a sudden crisis on the financial markets or in the event of a serious threat of a systemic crisis, with a view to limiting the extent or the consequences of this crisis:

1° determine regulations supplementing or derogating from the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, the Law of 25 October 2016 on the regulation of investment services and on the legal status and supervision of companies for portfolio management and investment advice, the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Book VIII, Title III, chapter II, section III, of the Company Code, and Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these instruments, coordinated by Royal Decree of 27 January 2004;

2° put in place a system for granting a State guarantee for commitments entered into by institutions

supervised pursuant to the aforementioned laws that He shall determine, or for granting the State guarantee to certain claims held by these institutions;

3° put in place, if necessary by means of regulations laid down in accordance with 1°, a system for granting a State guarantee for the reimbursement of associates who are natural persons of their share of the capital of cooperative societies, authorised in accordance with the Royal Decree of 8 January 1962 on the licence requirements for the national groups of cooperative societies and for cooperative societies, which are institutions supervised pursuant to the aforementioned laws or at least half of whose capital is invested in such institutions;

4° put in place a system for granting State cover for losses incurred on certain assets or financial instruments by institutions supervised pursuant to the aforementioned laws;

5° put in place a system for granting a State guarantee for commitments entered into by entities whose activity consists of acquiring and managing certain assets held by institutions supervised pursuant to the aforementioned laws;

The Royal Decrees taken under the terms of paragraph 1, 1°, shall cease to have effect if they have not been confirmed by law within twelve months from their date of entry into force. The confirmation shall be retroactive to the date of entry into force of the Royal Decrees. The Royal Decrees taken pursuant to paragraph 1, 2° to 6°, shall be deliberated in the Council of Ministers.

§ 2. As regards the application of paragraph 1, first indent, 2° to 5°, institutions supervised pursuant to the laws referred to in paragraph 1, first indent, 1° are financial companies included on the list referred to in Article 14, paragraph 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, mixed financial companies, credit institutions, investment firms and insurance undertakings, as well as their direct or indirect subsidiaries.

§ 3. The total principal amount of the guarantees referred to in § 1, paragraphs 1, 2° and 5°, and of the cover commitments referred to in § 1, paragraph 1, 4°, shall not exceed €25 billion per supervised institution, or group of supervised institutions

affiliated within the meaning of Article 11 of the Company Code.

In determining the groups referred to in paragraph 1, any links between institutions that is the result of State control over such institutions shall not be taken into consideration.

Any crossing of the limit determined in paragraph 1 as a result of changes in exchange rates shall not affect the validity of the guarantees or cover commitments granted.

Chapter IV/2 – Provisions concerning the authorisation, supervision and oversight of central counterparties and financial and non-financial counterparties and provisions concerning the authorisation and supervision of settlement institutions, institutions equivalent to settlement institutions, central securities depositories, institutions providing support to central securities depositories and custodian banks

Art. 36/25. – § 1. Institutions authorised as central counterparties in their Member State of origin or recognised as such in accordance with Regulation 648/2012, may provide services as central counterparties in Belgium and from Belgium.

§ 2. Pursuant to Article 22 of Regulation 648/2012, the Bank is the designated competent authority responsible for carrying out the duties resulting from Regulation 648/2012 as regards the authorisation, supervision and oversight of central counterparties, without prejudice to the powers conferred on the FSMA by Article 22 of the Law of 2 August 2002.

§ 3. In accordance with the provisions of Regulation 648/2012, the Bank shall grant authorisation to institutions established in Belgium which intend to offer services as central counterparties. The Bank shall decide on the request for authorisation based upon a recommendation from the FSMA in accordance with Article 22 of the Law of 2 August 2002.

The Bank shall monitor compliance with the conditions for authorisation by a central counterparty and

shall review and evaluate central counterparties in accordance with Article 21 of Regulation 648/2012.

§ 3bis. The Bank shall decide on interoperability agreements as governed by Title V of Regulation 648/2012. Furthermore the Bank shall monitor compliance by central counterparties of the rules relating to interoperability agreements.

§ 4. The Bank is responsible for the prudential supervision of central counterparties.

The Bank monitors compliance by central counterparties of the provisions of Chapters 1 and 3 of Title IV of Regulation 648/2012, with the exception of Article 33 of Regulation 648/2012, which falls within the competence of the FSMA.

Pursuant to Chapter 2 of Title IV of Regulation 648/2012, the Bank shall control the admission criteria and their application pursuant to Article 37 of Regulation 648/2012 in order to ensure that they are sufficient to control the risk to which those central counterparties are exposed, without prejudice to the powers conferred on the FSMA by Article 22, § 5 of the Law of 2 August 2002.

§ 5. The Bank shall provide the FSMA with all relevant and useful information on the operational requirements defined in Chapter 1 of Title IV of Regulation 648/2012 in order to allow the FSMA to exercise the powers conferred on it by Articles 31(1) and 31(2) of Regulation 648/2012.

The Bank shall consult with the FSMA when assessing the professional integrity of natural persons who will be members of the statutory administrative body of the central counterparty, the board of directors, or, if there is no board of directors, of the natural persons who will be responsible for the effective running of the credit institution, if these persons are being proposed for the first time for positions of this kind in a financial company which is subject to the Bank's supervision pursuant to Article 36/2.

Any natural or legal person who has taken the decision either to acquire, directly or indirectly, a qualifying holding in a central counterparty, or to increase, directly or indirectly, his qualifying holding in a central counterparty, must give the Bank advance notice in accordance with Regulation 648/2012. The Bank shall assess this notification in accordance with the

provisions of Regulation 648/2012 and after consultation with the FSMA where the potential purchaser is a regulated company subject to supervision by the FSMA.

The Bank shall publish the list referred to in Article 32(4) of Regulation 648/2012.

§ 6. The provisions of this Article and of its implementing Decrees shall be without prejudice to the powers of the Bank as laid down in Article 8 of this Law.

§ 7. Pursuant to the second subparagraph of Article 22(1) of Regulation 648/2012, the Bank shall coordinate cooperation and the exchange of information with the Commission, the European Securities and Markets Authority (ESMA), other Member States' competent authorities, the European Banking Authority (EBA) and the relevant members of the European System of Central Banks (ESCB), in accordance with Articles 23, 24, 83 and 84 of Regulation 648/2012.

Art. 36/25bis. – § 1. The Bank shall have the power to ensure compliance with Regulation 648/2012 by financial and non-financial counterparties which are subject to its supervision pursuant to Article 36/2 of this Law.

The Bank is in particular responsible for monitoring compliance by the counterparties referred to in paragraph 1, with Title II of Regulation 648/2012 concerning the clearing obligation, reporting obligation and risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty and with Article 37(3) of Regulation 648/2012 in respect of the financial resources and the operational capacity required to perform the activity of clearing member in accordance with Regulation 648/2012.

§ 2. The Bank shall have the power to ensure compliance with Articles 4 and 15 of Regulation 2015/2365 by financial and non-financial counterparties which are subject to its supervision pursuant to Article 36/2.

Art. 36/25ter. – To fulfil the tasks referred to in Article 36/25bis, the Bank shall exercise the powers conferred upon it by the provisions of Chapters IV/1 and IV/2. Non-compliance with the provisions of Regulation 648/2012 or of Regulation 2015/2365 or with the provisions adopted on their basis or in implementation thereof may give rise to the application of

measures by the Bank and the imposition of the administrative fines and penalties laid down in this Law and in the specific laws applicable to the institutions which are subject to the Bank's supervision.

Art. 36/26. – § 1. As settlement institutions, the following may provide clearing services in respect of transactions on a Belgian regulated market or, on Belgian territory, provide such services in respect of transactions on a foreign regulated market:

1° institutions with registered office in Belgium that are authorised as credit institutions;

2° the branches established in Belgium of foreign credit institutions

3° institutions recognised as central depositories pursuant to Royal Decree 62 of 10 November 1967 on promotion of the circulation of securities;

4° institutions designated by the King to provide settlement services for transactions in dematerialised securities pursuant to Article 468 of the Company Code;

5° institutions not established in Belgium that, in their home country, are subject to a legal status and supervision deemed equivalent by the FSMA and the Bank.

§ 2. The Bank is charged with the prudential supervision of the settlement institution designated in Article 4 of the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, and its implementing Decrees, of settlement institutions that are recognised as central depositories pursuant to the aforementioned Royal Decree 62 of 10 November 1967 as well as of those designated by the King to provide settlement services in respect of transactions in dematerialised securities pursuant to Article 468 of the Company Code. Upon recommendation of the Bank, the King may determine:

1° the rules, as well as the corrective measures, regarding prudential supervision by the Bank of institutions as referred to in § 1 that are not credit institutions established in Belgium;

2° the minimum requirements in respect of organisation, operation, financial position, internal control and

risk management applicable to institutions as referred to in § 1 that are not credit institutions established in Belgium.

§ 3. The provisions of the present Article and of the Decrees issued implementing them shall not impair the competence of the Bank as laid down in Article 8. Upon recommendation of the Bank, the King may determine:

1° the standards regarding the supervision of settlement systems;

2° the obligation on the settlement institution to disclose information requested by the Bank;

3° coercive measures where the settlement institution no longer satisfies the standards laid down or where the obligation to disclose has not been observed.

§ 4. With the agreement of the Minister, the Bank may conclude agreements with competent foreign supervisory authorities, on the basis of reciprocity, on more detailed rules for cooperation in respect of supervision and the mutual exchange of information.

§ 5. The King may extend the application of the present Article to the settlement of transactions on other organised markets.

§ 6. Before any decision is taken on the opening of bankruptcy proceedings or on a provisional removal of a case within the meaning of Article 8 of the Law of 8 August 1997 on bankruptcies with respect to a settlement institution as referred to in § 1, 3° or 4°, the president of the Commercial Court shall submit to the Bank a request for an opinion. The clerk of the court shall transmit this request immediately. He shall inform the Crown prosecutor.

The Bank shall submit the case to the court in writing. This request shall include the items necessary for information.

The Bank shall hand down its opinion with fifteen days from the date of receipt of the request for an opinion. In the event of a procedure relating to a settlement institution that it deems liable to have major systemic implications or which requires prior coordination with foreign authorities, the Bank may hand down its opinion within a longer timeframe, on condition however that the total period does

not exceed thirty days. When it considers that it must make use of this exceptional period, the Bank shall inform the court called upon to decide. The period that the Bank has in which to hand down its opinion shall serve to suspend the period in which the court must rule. If the Bank has not responded within the period specified, the court may decide on the request.

The opinion of the Bank shall be in writing. It shall be transmitted by any means to the clerk, who shall hand it over to the president of the Commercial Court and the Crown prosecutor. The opinion shall be annexed to the dossier.

§ 7. As regards the application of paragraphs 2 to 6, the following shall be deemed equivalent to settlement institutions:

1° institutions established in Belgium whose business consists in providing full or partial operational management of services provided by settlement institutions as referred to in § 1, including when the latter are credit institutions established in Belgium;

2° credit institutions established in Belgium whose business consists exclusively in providing custody, account maintenance and financial instrument settlement services, as well as associated non-banking services, apart from the business activities referred to in Article 1, § 3, 1° of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms when these activities are ancillary or related to the above-mentioned services.

The institutions referred to in paragraph 1 are required to obtain an authorisation from the Bank. Upon the recommendation of the Bank and the FSMA, the King shall notably regulate, both on a consolidated and non-consolidated basis, the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of these institutions by the Bank, including the conditions that persons who are in charge of the actual management and persons who hold a major stake must meet. The Bank may authorise an institution equivalent to a settlement institution to provide other services than the services referred to in paragraph 1, 2°, and it shall determine the conditions for such authorisation.

Upon the recommendation of the Bank, the King may, in compliance with Belgium's international

obligations, apply totally or partially the rules referred to in paragraphs 1 and 2 to institutions established abroad whose business consists in providing full or partial operational management of services provided by settlement institutions as referred to in § 1 which are established in Belgium, including when the latter are credit institutions established in Belgium.

§ 8. The present Article shall not apply to the Eurosystem central banks, nor to the settlement institutions or to institutions equivalent to settlement institutions that they manage.

Art. 36/26/1. – § 1. Pursuant to Article 11 of Regulation 909/2014, the Bank shall be designated as the competent authority responsible for carrying out duties with regard to the authorisation and supervision of central securities depositories established in Belgium, without prejudice to the specific powers conferred by the said Regulation on the authorities responsible for monitoring trading venues.

In its capacity as designated competent authority, the Bank shall have the power to monitor compliance with the provisions of Regulation 909/2014, including those of Title II of this Regulation, unless the said Regulation provides otherwise and without prejudice to the powers conferred on the FSMA by Article 23*bis* of the Law of 2 August 2002.

Without prejudice to the powers of the Bank, the FSMA shall exercise supervision of central securities depositories established in Belgium, in terms of their compliance with the rules referred to in Article 45, § 1, 1° of the Law of 2 August 2002, and with the rules for ensuring honest, fair and professional treatment of participants and their customers. In this respect, the FSMA shall monitor compliance by central securities depositories with Articles 26(3), 29, 32 to 35, 38, 49 and 53 of Regulation 909/2014.

In applying Regulation 909/2014, the Bank shall consult the FSMA for matters falling within the ambit of its competences, in accordance with Article 23*bis* of the Law of 2 August 2002. If the Bank does not take account of the opinion of the FSMA, it shall mention this and state the reasons thereof in the explanation accompanying its decision. The opinion of the FSMA shall be attached to the notification of the Bank's decision, unless it relates to matters as referred to in Article 23*bis*, § 3, paragraph 4 of the Law of 2 August 2002.

The FSMA and the Bank may conclude a protocol setting out the terms of their cooperation, in particular as regards the cooperation arrangements established by the Bank in accordance with Article 24 of Regulation 909/2014.

§ 2. In accordance with Regulation 909/2014, the Bank may provide services as a central securities depository.

§ 3. The Bank shall be responsible for exercising supervision of the authorised central securities depositories pursuant to § 1. Without prejudice to the provisions of Regulation 909/2014, the King may, upon the recommendation of the Bank, determine:

1° the rules, as well as the corrective measures, regarding prudential supervision of central securities depositories as referred to in § 1 that are not credit institutions established in Belgium;

2° both on a consolidated basis and on an individual basis, the minimum requirements in respect of organisation, operation, financial position, internal control and risk management applicable to central securities depositories as referred to in § 1 that are not credit institutions established in Belgium.

§ 4. Central securities depositories may, in accordance with Article 30 of Regulation 909/2014, entrust an institution providing support with the provision of support services or the performance of important operational functions to ensure the performance of its services and activities, including the operational management of ancillary banking services.

§ 5. Institutions providing support as referred to in § 4 are required to obtain an authorisation from the Bank upon the recommendation of the FSMA. The Bank shall be responsible for exercising supervision of such institutions. On the recommendation of the Bank and the FSMA, the King shall lay down in particular:

1° both on a consolidated basis and on an individual basis, the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of such institutions by the Bank, including the scope of the FSMA's opinion and the conditions that persons who are in charge of the actual management and persons who hold a major stake must meet;

2° the rules, as well as the corrective measures, regarding the prudential supervision exercised by the Bank on institutions as referred to in § 4 that are not credit institutions established in Belgium;

3° the minimum requirements in terms of organisation, operation, financial position, internal control and risk management applicable to institutions as referred to in § 4 that are not credit institutions established in Belgium.

The Bank may authorise an institution providing support to provide other services than those referred to in § 4 and shall determine the conditions for such authorisation.

Upon the recommendation of the Bank and the FSMA, the King may, in compliance with Belgium's international obligations, apply fully or partially the rules referred to in §§ 4 and 5 to institutions established abroad whose business consists in securing, in whole or in part, the provision of support services or the performance of important operational functions to ensure the performance of the services and activities of central securities depositories established in Belgium.

Paragraphs 4 and 5 shall not apply to the provision of support services or the performance of important operational functions to ensure the performance of the services and activities of central securities depositories, where these services or functions are provided or performed by one or more Eurosystem central banks.

§ 6. For the purposes of this § 6, custodian banks shall be understood to mean credit institutions established in Belgium whose business consists exclusively in providing custody, account maintenance and financial instrument settlement services, as well as associated non-banking services, apart from the business activities referred to in Article 1, § 3, first paragraph of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, when these activities are ancillary or related to the above-mentioned services.

The custodian banks referred to in the first paragraph are required to obtain an authorisation from the Bank, upon the recommendation of the FSMA. The Bank is responsible for exercising prudential supervision of these institutions. Upon the recommendation of the Bank and the FSMA, the King shall notably regulate, both on a consolidated and non-consolidated basis,

the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of such institutions by the Bank, including the scope of the FSMA's opinion and the conditions that persons who are in charge of the actual management and persons who hold a major stake must meet.

The Bank may authorise custodian banks to provide other services than those referred to in paragraph 1 and shall determine the conditions of such authorisation.

§ 7. The provisions of this Article shall be without prejudice to the powers of the Bank as laid down in Article 8. Upon recommendation of the Bank, the King may determine :

1° the standards regarding the supervision of securities settlement systems ;

2° the obligation on the operator of a securities settlement system or the institution providing support to disclose information requested by the Bank ;

3° coercive measures where the operator of a securities settlement system or the institution providing support no longer satisfies the standards laid down or where the obligation to disclose has not been observed.

§ 8. The Bank shall coordinate cooperation and the exchange of information with other Member States' competent authorities, the relevant authorities, the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA).

§ 9. Without prejudice to Articles 273 and 378 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, before any decision is taken on the opening of bankruptcy proceedings or on a provisional removal of a case within the meaning of Article 8 of the Law of 8 August 1997 on bankruptcies with respect to a central securities depository or of an institution providing support, the president of the Commercial Court shall submit to the Bank a request for an opinion. The clerk of the court shall transmit this request immediately. He shall inform the Crown prosecutor.

The Bank shall submit the case to the court in writing. This request shall include the items necessary for information.

The Bank shall hand down its opinion within fifteen days from the date of receipt of the request for an opinion. In the event of a procedure relating to a central securities depository or an institution providing support that it deems liable to have major systemic implications or which requires prior coordination with foreign authorities, the Bank may hand down its opinion within a longer timeframe, on condition, however, that the total period does not exceed thirty days. When it considers that it must make use of this exceptional period, the Bank shall inform the court called upon to decide. The period available to the Bank to hand down its opinion shall serve to suspend the period within which the court must rule. If the Bank has not responded within the period specified, the court may decide on the request.

The opinion of the Bank shall be in writing. It shall be transmitted by any means to the clerk, who shall hand it over to the president of the Commercial Court and the Crown prosecutor. The opinion shall be annexed to the dossier.

Art. 36/27. – § 1. When a settlement institution or an equivalent institution as referred to in Article 36/26, or a central securities depository or an institution providing support as referred to in Article 36/26/1 is not operating in accordance with the provisions of this Law and of the decrees issued implementing them, when its management or financial position are of a nature to call into question the performance of its obligations or do not offer sufficient guarantees for its solvency, liquidity or profitability, or when its management structures, its administrative or accounting organisation or its internal audit reveal serious shortcomings such that the stability of the Belgian or international financial system is likely to be affected, the King may, by Decree deliberated in the Council of Ministers, either upon the Bank's request, or on own initiative, after receiving the Bank's opinion, lay down any act of disposal, in favour of the State or any other person, Belgian or foreign, a public or private legal entity, notably any act of disposal, sale or capital investment with regard to :

1° assets, liabilities or one or more branches of activity and, more generally, all or part of the rights and obligations of the institution concerned, including proceeding to transfer client assets consisting of financial instruments governed by coordinated Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these

instruments, as well as underlying securities held with depositories in the name of the institution concerned, just as proceeding with the transfer of resources, notably information technology resources, necessary for processing transactions concerning these assets and the rights and obligations relating to such processing;

2° securities or shares, representative or not of the capital, with or without voting rights, issued by the institution concerned.

§ 2. The Royal Decree taken pursuant to paragraph 1 shall fix the compensation to be paid to the owners of the property or to the right-holders subject to the transfer specified by the Decree. If the transferee designated by the Royal Decree is a person other than the State, the price payable by the transferee under the terms of the contract concluded with the State shall pass to the said owners or right-holders as compensation, according to the distribution formula defined by the same Decree.

Part of the compensation may be variable as long as this part is determinable.

§ 3. The institution concerned shall be notified of the Royal Decree taken pursuant to paragraph 1. Furthermore, the measures provided for in this Decree shall be announced by publication of a notice in the *Moniteur belge / Belgisch Staatsblad*.

As soon as it has received the notification referred to in paragraph 1, the organisation shall lose the right to dispose of the assets referred to in the acts of disposal provided for by the Royal Decree.

§ 4. The acts referred to in paragraph 1 may not be subject to non-invocability pursuant to Articles 17, 18 or 20 of the Law of 8 August 1997 on bankruptcies.

Notwithstanding any conventional provision to the contrary, the measures determined by the King pursuant to the first paragraph may not have the effect of modifying the terms of a contract concluded between the institution and one or more third parties, or of terminating such a contract, nor of giving any of the parties concerned the right to terminate it unilaterally.

As regards the measures decreed by the King pursuant to paragraph 1, any statutory or contractual authorisation clause or pre-emption clause, any option to buy from a third party, as well as any

statutory or contractual clause preventing a change in the supervision of the institution concerned, shall be ineffective.

The King has the power to make any other rules that are necessary for the proper execution of the measures taken pursuant to paragraph 1.

§ 5. The civil liability of persons, acting in the name of the State or upon its request, intervening in the framework of the measures referred to in this Article, incurred as a result of or in relation to their decisions, acts or conduct in the context of these measures is limited to cases of fraud or gross negligence concerning them. The existence of gross negligence must be assessed taking account of the concrete circumstances of the case, and in particular the urgency with which these persons were confronted, the practices on the financial markets, the complexity of the case, threats for the protection of savings and the risk of damage to the national economy due to the failure of the institution concerned.

§ 6. All disputes that might arise as a result of the measures referred to in this Article, as well as the liability referred to in paragraph 5, are subject to the exclusive jurisdiction of the Belgian courts, which only apply Belgian law.

§ 7. For the purposes of applying collective labour agreement 32bis concluded on 7 June 1985 within the National Labour Council, concerning the safeguarding of employees' rights in the event of a change of employer as a result of a conventional company transfer and governing the rights of employees taken on in the event of a takeover of assets following bankruptcy, acts committed pursuant to paragraph 1, 1°, are considered as acts committed by the settlement institution or equivalent institution itself or by the central securities depository or the institution providing support.

§ 8. Without prejudice to the general principles of law that it could invoke, the board of directors of the institution concerned may derogate from the statutory restrictions to its management powers when one of the specific circumstances laid down in paragraph 1 is liable to affect the stability of the Belgian or international financial system. The board of directors shall draw up a special report justifying the use of this provision and setting out the decisions taken; this report shall be sent to the general meeting within two months.

Art. 36/28. – § 1. For the purposes of this Article, the following definitions shall apply:

1° Royal Decree: the Royal Decree deliberated in the Council of Ministers that shall apply to the extent of Article 36/27, § 1;

2° transfer act: the transfer or other ownership transfer act provided for in the Royal Decree;

3° the court: the Brussels Court of First Instance;

4° the owners: the natural persons or legal entities that, on the date of the Royal Decree, are the owners, or the right-holders, of the assets or shares subject to the transfer act;

5° the third-party transferee: the natural person or legal entity other than the Belgian State that, according to the Royal Decree, is called on to acquire the assets or shares, or rights, subject to the transfer act;

6° the compensation: the indemnification that the Royal Decree fixes in favour of the owners in compensation for the ownership transfer act.

§ 2. The Royal Decree shall enter into force on the day of publication in the *Moniteur belge / Belgisch Staatsblad* of the judgment referred to in paragraph 8.

§ 3. The Belgian State shall lodge with the office of the clerk of the court a petition with the purpose of stating that the ownership transfer act is in conformity with the law and that the compensation is deemed to be fair, taking account notably of the criteria referred to in paragraph 7, 4th indent.

On pain of extinction, the petition shall contain:

1° the identity of the settlement institution or equivalent institution concerned, the identity of the central securities depository or of the institution providing support concerned;

2° if necessary, the identity of the third-party transferee;

3° justification for the transfer from the point of view of the criteria laid down in Article 36/27, § 1;

4° the compensation, the bases on which this has been determined, notably as regards the variable

part from which it is composed and, if necessary, the key for distribution of the capital between the owners;

5° if necessary, the authorisations required from the public authorities and all the other suspensive conditions to which the transfer act is subject;

6° if necessary, the price agreed with the third-party transferee for the assets or shares subject to the transfer act and the mechanisms for revising or adjusting this price;

7° indication of the day, month and year;

8° the signature of the person representing the Belgian State or the State's lawyer.

A copy of the Royal Decree shall be attached to the petition.

The provisions of Part IV, Book II, Title *Vbis* of the Legal Code, including Articles 1034*bis* to 1034*sexies* are not applicable to the petition.

§ 4. The proceedings introduced by the petition referred to in paragraph 3 excludes all other simultaneous or future appeals or actions against the Royal Decree or against the transfer, with the exception of the request referred to in paragraph 11. By virtue of the filing of the petition, there shall be no grounds for any other proceedings, directed against the Royal Decree or the act of disposal, that may have been previously introduced and still pending before another legal or administrative jurisdiction.

§ 5. Within seventy-two hours of the filing of the petition referred to in paragraph 3, the president of the court shall fix, by court order, the day and time for the hearing referred to in paragraph 7, which must take place within seven days following the filing of the petition. This order shall reproduce the entire wording specified in paragraph 3, second indent.

The order shall be notified by the clerk's office by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be. It shall be published simultaneously in the *Moniteur belge / Belgisch Staatsblad*. This publication shall qualify as notification to any possible owners other than the institution concerned.

Within twenty-four hours of the notification, the institution concerned shall also publish the order on its website.

§ 6. Until the pronouncement of the judgment referred to in paragraph 8, the persons referred to in paragraph 5, second indent, may consult the petition referred to in paragraph 3 as well as its appendices, free of charge, at the clerk's office.

§ 7. During the hearing set by the president of the court and at any later hearings that the court may deem useful to arrange, the court shall hear the Belgian State, the institution concerned, as the case may be, the third-party transferee as well as the owners who intervene voluntarily in the proceedings.

By derogation from the provisions of Chapter II of Title III of Book II of the fourth Part of the Legal Code, no person other than those referred to in the previous paragraph may intervene in the proceedings.

After having heard the observations of the parties, the court shall verify whether the ownership transfer act is in conformity with the law and whether the compensation is deemed to be fair.

The court shall take account of the actual situation of the institution concerned at the time of the ownership transfer act, and notably of its financial situation such as it was or would have been had the public aid from which it benefited, either directly or indirectly, not been granted. For the purposes of application of this paragraph, advances of emergency liquidity and guarantees granted by a statutory corporate body shall be deemed similar to public aid.

The court shall pronounce by one and the same judgment that shall be handed down within twenty days following the hearing fixed by the president of the court.

§ 8. The judgment with which the court rules that the act of disposal is in conformity with the law and that the compensation is deemed to be fair, shall convey ownership of the assets or shares that are subject to the transfer act, albeit subject to the suspensive conditions referred to in paragraph 3, second indent, 5°.

§ 9. The judgment referred to in paragraph 8 is neither susceptible of appeal nor opposition nor third-party opposition.

It shall be notified by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be, and shall be published simultaneously by extract in the *Moniteur belge / Belgisch Staatsblad*.

This publication shall qualify as notification to any possible owners other than the institution concerned, and makes the act of disposal valid with regard to third parties, without further formalities.

Within twenty-four hours of the notification, the institution concerned shall also publish the judgment on its website.

§ 10. Following notification of the judgment referred to in paragraph 8, the Belgian State or, as the case may be, the third-party transferee shall deposit the compensation at the *Caisse des dépôts et consignations / Deposito- en Consignatiekas* (Deposit and Consignment Office), without any formalities being required in this respect.

The Belgian State shall take steps to have a notice confirming the fulfilment of the suspensive conditions referred to in paragraph 3, second indent, 5°, published in the *Moniteur belge / Belgisch Staatsblad*.

As soon as the notice referred to in paragraph 2 has been published, the Deposit and Consignment Office is required to hand over to the owners, according to the terms and conditions laid down by the King, the amount of compensation consigned, without prejudice to any possible distraints or oppositions regularly made on the sum consigned.

§ 11. On pain of extinction, the owners may lodge with the court a request for review of the compensation, within a period of two months from the publication in the *Moniteur belge / Belgisch Staatsblad* of the judgment referred to in paragraph 8. This request shall have no effect on the transfer of ownership of the assets or shares that are subject to the transfer act.

For the rest, the request for review is provided for by the Legal Code. Paragraph 7, fourth indent, shall apply.

Art. 36/29. – With regard to central counterparties, settlement institutions, central securities depositories, institutions providing support and custodian banks,

including their subsidiaries established on the territory of the European Union, the Bank shall have the following powers of investigation for the execution of its task of supervision, as referred to in Articles 36/25, 36/26 and 36/26/1 or their implementing Decrees, or for responding to requests for cooperation from competent authorities within the meaning of Article 36/14, § 1, 2° and 3°:

- a) it may have forwarded to it all information and documents, in any form whatsoever;
- b) it may undertake on-the-spot investigations and expert appraisals, take cognisance of and copy, on the spot, any document, file, and recording, and have access to any IT system;
- c) it may demand the statutory auditors or persons in charge of supervising the financial statements of these entities, to send it special reports, at these entities' expense, on subjects that it shall determine;
- d) when these entities are established in Belgium, it may require them to forward to it all useful information and documentation regarding the companies that form part of the same group and are established abroad.

Art. 36/30. – § 1. The Bank may order any central counterparty, as well as any settlement institution, institution providing support to a central securities depository or any custodian bank to comply with the provisions of Articles 36/25, 36/26 and 36/26/1 or with their implementing Decrees, within a period specified by the Bank.

Without prejudice to the other measures provided for by law, if the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank to which it has addressed an order pursuant to paragraph 1 fails to comply by the expiry of the period specified, and provided that the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank has been heard, the Bank may:

- 1° make public the infringement or shortcoming concerned;
- 2° impose the payment of a fine which may not be higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total;

3° appoint a special auditor to a central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank with registered office established in Belgium whose authorisation shall be required for the acts and decisions that the Bank determines.

In urgent cases, the Bank may take the measures as referred to in paragraph 2, 1° and 3°, without prior order pursuant to paragraph 1, provided that the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank has been heard.

§ 2. Without prejudice to other measures laid down by law, the Bank may, where, pursuant to Articles 36/9 to 36/11, it establishes an infringement of the provisions of Articles 36/25, 36/26 and 36/26/1, impose an administrative fine on the offender that, for the same offence or same totality of offences, shall not be less than € 2 500 and not more than € 2 500 000. Where the infringement has resulted in the offender obtaining a capital gain, that maximum shall be raised to twice the capital gain and, in the event of a repeat offence, to three times the capital gain.

§ 3. The penalties and fines imposed pursuant to §§ 1 or 2, shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. The amount of the fine shall notably be set in accordance with

- a) the seriousness and the duration of the infringements committed;
- b) the degree of responsibility of the person concerned;
- c) the capital base of the person concerned, as apparent from the total turnover of the legal person in question or the annual income of the natural person concerned;
- d) any benefits or profit that may have been gained from these infringements;
- e) any harm suffered by third parties as a result of the infringements, insofar as it can be ascertained;
- f) the degree of cooperation with the competent authorities demonstrated by the natural or legal person in question;

g) any previous infringements committed by the person concerned;

h) any potential negative impact of the breaches on the stability of the financial system.

Art. 36/30/1. – § 1. When the Bank sees one of the infringements referred to in Article 63 of Regulation 909/2014, it may impose the sanctions and other administrative measures defined in Article 63 of Regulation 909/2014 on the offender. The sanctions and other administrative measures will be applied in accordance with Article 64 of Regulation 909/2014. In particular, the Bank may impose administrative fines as referred to in Article 63, paragraph 2, e), f) and g) of Regulation 909/2014 in accordance with Articles 36/9 to 36/11. The decisions imposing a sanction or any other administrative measure will be published in keeping with Article 62 of Regulation 909/2014.

§ 2. If the central securities depository to whom the Bank has addressed an order to comply with the provisions of Regulation 909/2014 fails to do so at the end of the period specified, and provided that the central securities depository has been heard, the Bank may:

1° make public its opinion with regard to the infringement or shortcoming concerned;

2° impose the payment of a fine which may not be higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total;

3° appoint a special auditor to a central securities depository with registered office established in Belgium whose authorisation shall be required for the acts and decisions that the Bank determines.

4° suspend for the duration that it shall specify the exercise, either directly or indirectly, of all or part of the central securities depository's activities or prohibit such activities.

Members of the administrative and management bodies and the persons in charge of management who engage in conduct or take decisions that violates the suspension or prohibition shall be jointly and severally liable for any resultant damage for the establishment or third parties.

If the Bank has published the suspension or prohibition in the *Moniteur belge / Belgisch Staatsblad*, any

actions and decisions taken in contravention of it shall be null and void;

5° impose stricter requirements for solvency, liquidity, concentration of risk and other limitations;

6° order the replacement of the whole or part of the central securities depository's legal administrative body within a time limit that it shall determine, and, failing such replacement within this time limit, substitute all the administrative or management bodies of the central securities depository with one or several interim directors or managers who, alone or collectively, according to the individual case, have the powers of those replaced. The Bank shall publish its decision in the *Moniteur belge / Belgisch Staatsblad*.

The remuneration of the interim director(s) or manager(s) shall be set by the Bank and borne by the central securities depository.

The Bank may at any time replace the interim director(s) or manager(s), either automatically, or at the request of a majority of shareholders or members, when there is justification that the management of interested parties no longer provides the necessary guarantees.

In urgent cases, the Bank may take measures referred to in paragraphs 2, 1°, 3° and 4° to 6° without prior order pursuant to the 1st indent, provided the central securities depository has been heard.

§ 3. The fines and periodic penalty payments imposed pursuant to this Article shall be recovered for the benefit of the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. In accordance with Article 65 of Regulation 909/2014 and without prejudice to Article 36/7/1, the rules and procedures applicable to the reporting of infringements shall be set by the Bank through a Regulation pursuant to Article 12bis.

Art. 36/31. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between € 50 and € 10 000 or by one of these penalties alone:

1° those that, in Belgium, carry out clearing or settlement activities in respect of financial instruments, without being authorised to do so pursuant

to Articles 36/25, 36/26 and 36/26/1 or where that authorisation has been withdrawn;

2° those that contravene the provisions laid down pursuant to Articles 36/25, 36/26 and 36/26/1, and indicated by the King in the relevant Decrees;

3° those that hamper the investigations and expert appraisals of the FSMA pursuant to the present chapter, or knowingly provide it with incorrect or incomplete information.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Chapter IV/3 – Tasks of the Bank in the context of its contribution to the stability of the financial system

Section 1 – General provisions

Art. 36/32. – § 1. This Chapter defines certain tasks of the Bank and the legal instruments available to it in the context of its task to contribute to the stability of the financial system as referred to in Article 12, § 1.

§ 2. For the purposes of this Chapter, the following definitions shall apply:

1° “stability of the financial system”: situation where the probability of discontinuity or disruption in the financial system is low or, if such disruptions should occur, where the consequences for the economy would be limited;

2° “national authorities”: the Belgian authorities, regardless of whether they fall under the federal State or the Regions, which, by virtue of their respective powers, may implement the recommendations issued by the Bank pursuant to this Chapter;

3° “SSM Regulation”: Regulation (EU) No. 1024/2013 of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;

4° “European supervisory authorities”: the European Banking Authority established by Regulation (EU)

No. 1093/2010, the European Insurance and Occupational Pensions Supervisors established by Regulation (EU) No. 1094/2010 and the European Financial Markets Authority established by Regulation (EU) No. 1095/2010.

Section 2 – Detection and monitoring of factors which may affect the stability of the financial system

Art. 36/33. – § 1. The Bank shall be responsible for detecting, evaluating and monitoring various factors and developments which may affect the stability of the financial system, particularly in terms of affecting the resilience of the financial system or an accumulation of systemic risks. In this context, the Bank has access to any information which would be relevant for the exercise of this task.

§ 2. In particular, for the purposes referred to in § 1, the Bank shall be authorised to:

1° use the information available to it under its other statutory tasks, as resulting from or specified by or under other legislations, including those governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions;

2° use the prerogatives regarding access to information available to it under its other statutory tasks, as resulting from or specified by or under other legislations, including those governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions;

3° request the information which is relevant for the exercise of this task from any private sector entity which is not subject to its supervision, or, where appropriate, through the authorities responsible for these entities.

§ 3. Notwithstanding the obligation of professional secrecy to which they may be subject, the public sector entities, regardless of their level of autonomy, shall cooperate with the Bank in order to provide it with any information which would be relevant for the exercise of its task as referred to in this Article. To this end, this information shall be made available to the Bank on the entity's own initiative or at the request of the Bank.

§ 4. For the purposes of this Article, the Bank may also conclude cooperation agreements with the Regions, the European Central Bank, the European Systemic Risk Board (ESRB), the European Supervisory Authorities and the relevant foreign authorities in the field of macroprudential oversight and disclose confidential information to these institutions.

Section 3 – Adoption of legal instruments in order to contribute to the stability of the financial system

Art. 36/34. – § 1. Without prejudice to the European Directives and Regulations, in particular with regard to the prerogatives of the European Central Bank in the field of banking supervision, including in the macroprudential area, the Bank may, for macroprudential policy purposes, in order to contribute to the stability of the financial system, exercise any prerogatives, including regulatory prerogatives, provided for by or under this Law or the legislation governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions.

In addition to the prerogatives referred to in paragraph 1, the Bank may, in order to contribute to the stability of the financial system and without prejudice to the powers assigned to the European Central Bank, use the following instruments towards the financial institutions subject to its supervision:

1° imposing capital or liquidity requirements which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

2° as part of capital requirements, imposing specific requirements according to the nature of exposures or the value of collateral received, or according to the industry or the geographical area of the debtor, which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

3° the power to impose quantitative limits on exposures to a single counterparty or a group of related counterparties, or on an industry or geographical area, which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

4° imposing limits on the total level of business of companies subject to its supervision as compared to their capital (leverage ratio), that complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

5° imposing conditions for the assessment of collateral taken for loans granted for verification of compliance with solvency requirements provided by or under prudential legislation;

6° imposing a total or partial retention of distributable profits;

7° imposing rules for valuing assets which differ from those provided for under accounting regulations, with a view to monitoring compliance with the requirements provided by or under prudential legislation;

8° the power to impose disclosure of information, and to set the terms thereof, which complement the terms provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

9° the power to communicate about the measures adopted pursuant to this Article and about the objectives of such measures, according to the procedures established by the Bank.

10° the power to enforce compliance, either on an individual basis or per category or for all credit institutions and stockbroking firms established under Belgian law, with a minimum funding requirement, which consists of:

a) core Tier 1 capital or additional Tier 1 or Tier 2 capital within the meaning of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms;

b) subordinate debt;

c) debt referred to in Article 389/1, 2° of the Law of 25 April 2014;

d) if appropriate, other eligible debts within the meaning of Article 242/10° of the Law of 25 April 2014, for which the Bank shall stipulate the conditions;

The power referred to in paragraph 2, 10° also implies the power to determine:

- the method for calculating this minimum funding requirement, if appropriate as a percentage of total liabilities;
- the respective proportion of the sources of funding referred to in paragraph 2, 10°, a) to d) within this minimum funding requirement.

This power shall also apply, on an individual or consolidated basis, to financial holding companies, mixed financial holding companies and mixed-activity holding companies established under Belgian law as referred to in Article 3, 38°, 39° and 40° of the Law of 25 April 2014.

§ 2. Where the measures adopted pursuant to § 1, paragraph 2, are general and therefore regulatory, their adoption shall require compliance with the royal approval procedure laid down by Article 12*bis*, § 2, paragraph 3.

§ 3. For the purposes of this Article, the Bank shall take into account the recommendations adopted by the European Systemic Risk Board (ESRB) and, if necessary, render them applicable by means of Regulations adopted pursuant to Article 12*bis*, § 2, according to the procedures established by the Bank. The Bank shall also take account of the positions or decisions of the European Commission and the European Central Bank, in particular when the latter requires credit institutions to comply with additional capital requirements or other measures to reduce systemic risk

Before implementing the measures referred to in § 1, the Bank shall inform the European Systemic Risk Board (ESRB), the European Central Bank and, where relevant, the European Supervisory Authorities and the European Commission of the concrete measures it intends to take. Except in duly substantiated cases of urgency and unless Community law provides for specific deadlines for the implementation of legal instruments, the Bank shall wait, for a period not exceeding one month, for the aforementioned institutions to respond, before effectively implementing the measures planned.

The Bank shall also take into account the objections raised by the European Central Bank or, where applicable, by other European authorities, where they

require credit institutions or the groups to which they belong to comply with additional capital requirements or to take other measures in order to reduce systemic risk.

Section 4 – Recommendations issued in order to contribute to the stability of the financial system

Art. 36/35. – The Bank shall determine, by way of recommendations, the measures to be adopted and implemented by the relevant national authorities, the European Central Bank or other European authorities, each for its own account, in order to contribute to the stability of the financial system as a whole, in particular by strengthening the resilience of the financial system, by preventing systemic risks and by limiting the impact of any disruptions.

The Bank shall follow up its recommendations by verifying their actual implementation, in particular by the relevant national authorities, and by assessing the impact of the measures taken to that effect

Moreover, the Bank shall ensure consistency between its task and the tasks relating to the prudential oversight of credit institutions, including in the macroprudential area, which, pursuant to Community law, have been assigned, *inter alia*, to the European Central Bank.

Art. 36/36. – The sole purpose of the recommendations of the Bank shall be to contribute to the stability of the financial system. They shall take into account the recommendations adopted by the European Systemic Risk Board (ESRB) and the positions or decisions of the European institutions, including the European Commission and the European Central Bank. The recommendations shall be duly substantiated and shall be forwarded on a confidential basis to the national authorities charged with their implementation, as well as to the European Systemic Risk Board (ESRB) and to the European Central Bank.

If it deems it necessary, the Bank may also make proposals to the European Central Bank or other European authorities where the instruments to be implemented fall within their competence.

The Bank shall respond within the period laid down by Community law to notifications made by the European Central Bank pursuant to Article 5(4) of

the SSM Regulation, informing it of its intention to increase the capital requirements for credit institutions or to adopt other measures to reduce systemic risk. Any objections against such a measure shall be duly supported by reasons vis-à-vis the European Central Bank.

Art. 36/37. – Notwithstanding Articles 35 and 36/36 and without prejudice to paragraph 2, the Bank shall publish its recommendations. It decides on the terms of this publication.

Communications made pursuant to this Article may not, because of their contents or the circumstances, present a risk to the stability of the financial system.

Art. 36/38. – § 1. In order to implement the recommendations of the Bank that fall within their competence, national authorities may use any instruments, decision-making powers, regulatory powers and prerogatives provided by or under the legislation and/or Decrees governing their legal status and tasks.

§ 2. In particular, the King, by Royal Decree deliberated in the Council of Ministers and on the advice of the Bank, may require credit providers to comply with coefficients:

1° regarding coverage, which determine up to which percentage of the value of collateral a loan may be granted (loan to value ratio);

2° regarding the maximum total debt in relation to the income available to the borrower.

The opinion of the Bank is not required where the measure adopted by the King pursuant to this paragraph is, in all respects, consistent with a recommendation issued by the Bank pursuant to Article 36/35.

Art. 36/39. – Without prejudice to specific procedures provided for by Community law, the national authorities which fall under the federal State shall inform the Bank of the concrete measures they intend to take in order to comply with its recommendations. The Bank shall inform without delay the European Systemic Risk Board (ESRB), the European Central Bank and, where relevant, the European Supervisory Authorities and the European Commission. Except in duly substantiated cases of urgency and unless Community law provides for

specific deadlines for the implementation of legal instruments, the relevant authorities shall wait, for a period not exceeding one month from the date of notifying the Bank, for the aforementioned institutions to respond, before effectively implementing the measures planned.

Art. 36/40. – Where the relevant authorities which fall under the federal State fail to comply with the recommendations of the Bank, they shall provide to the Bank, by reasoned opinion, the reasons for departing from its recommendations. This reasoned opinion shall accompany the notification referred to in Article 36/39.

Art. 36/41. – Where the national authorities which fall under the federal State fail to adopt measures in order to implement the recommendations issued by the Bank pursuant to this Chapter within the time limit which may be specified or, in the absence of a time limit, within two months of the notification of the said recommendations, or are affected by any of the circumstances referred to in Article 36/40, the King shall be empowered by Royal Decree deliberated in the Council of Ministers, to take the measures referred to in Article 36/38, § 1. In this event, the procedure provided for in Article 36/39 shall apply.

Section 5 – Objectives, special provisions and sanctions

Art. 36/42. – In adopting acts and measures pursuant to this Chapter, the Bank and the national authorities shall contribute to the stability of the financial system as a whole, in particular by strengthening the resilience of the financial system and by preventing the occurrence of systemic risks.

Art. 36/43. – The Law of 11 April 1994 on open government shall not apply to the Bank in the context of its task as referred to in this Chapter, nor to the national authorities, in the context of the implementation of the recommendations of the Bank in accordance with this Chapter.

Art. 36/44. – The Bank and the national authorities as well as the members of their respective bodies and staff shall not be liable for their acts or conduct in connection with measures and acts adopted pursuant to this Chapter, except in cases of fraud or gross negligence.

Art. 36/45. – § 1. No petition for suspension or appeal for annulment may be submitted to the Council of State against the recommendations issued by the Bank pursuant to this Chapter.

§ 2. To the exclusion of any other possibility of recourse, an appeal for annulment may be submitted to the Council of State against acts of a regulatory or individual nature adopted by the Bank pursuant to Article 36/34 or by the national authorities pursuant to Articles 36/38 and 36/41, according to an accelerated procedure determined by the King. This appeal is not suspensive

Art. 36/46. – Shall be punishable by a fine of € 50 to € 10 000, any person :

1° who is required to provide information which is available or which is easily accessible, pursuant to this Chapter or to its implementing measures, but does not comply with this requirement ;

2° who opposes the inquiries conducted by the Bank, and its findings, pursuant to Article 36/33 ;

3° who fails to comply with the measures imposed by this Chapter.

The provisions of Book I of the Penal Code, without the exception of Chapter VII and Article 85, shall apply to the infringements which are punishable pursuant to this Chapter.

Chapter V – Transitional and repealing provisions – entry into force

Art. 37. – The capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75 % of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20bis(2) of the Law of 24 August 1939 on the National Bank of Belgium.

Art. 38. – *p.m.*

Annex 2 Statutes¹

Chapter I – Constitution

Section 1 – Name, rules applicable and establishments.

Article 1. – The National Bank of Belgium, hereinafter referred to as the Bank, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, whose Statute has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, by these Statutes and, additionally, by the provisions relating to public limited liability companies [*sociétés anonymes – naamloze vennootschappen*].

Pursuant to Article 141 § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words “and, additionally, by the provisions relating to public limited liability companies” are to be interpreted as meaning that the provisions on public limited liability companies do apply to the National Bank of Belgium only:

1° as regards matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the above-mentioned Law of 22 February 1998 or the present Statutes; and

2° in so far as they are not in conflict with the provisions referred to in 1°.

Notwithstanding the first and second paragraphs, the Bank is a public limited liability company which arranges or has arranged issues for general subscription.

Art. 2. – The Bank’s registered office shall be in Brussels, boulevard de Berlaimont, number 14.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

Section 2 – Share capital and rights relating to shares.

Art. 3. – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered or dematerialised shares. The share capital shall be fully paid up.

The shares shall have no nominal value.

Art. 4. – Each share shall confer the right to a proportional and equal part in the ownership of the Bank’s assets and in the sharing out of the profits.

Art. 5. – The rights and obligations attached to a share shall follow the title of ownership, into whatever hands it may pass.

The share shall be indivisible vis-à-vis the Bank; the Bank shall recognise only one owner for each share.

Owners in joint ownership, usufructuaries and naked owners, and all other persons who are jointly entitled under a same share, should be represented by one

¹ Statutes of the National Bank of Belgium, adopted by the General Council on 23 December 1998 and amended for the last time by the Council of Regency on 14 January 2015.

and the same person. So long as this requirement is not met, the Bank may suspend the exercise of the rights pertaining to these shares. This right of suspension shall be exercised by the chairman of the General Meeting.

Art. 6. – Possession of a share shall signify acceptance of the Bank’s statutes and of the decisions regularly taken by the General Meeting.

Art. 7. – The shareholders, their heirs or creditors may neither cause the Bank’s assets and valuables to be put under seal nor request apportionment or sale by auction or interfere in the Bank’s administration.

They must rely, for the exercise of their rights, on the inventory of the Bank’s assets and on the resolutions of the General Meeting.

Art. 8. – Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

Art. 9. – Ownership of a registered share shall be established by entry in the Bank’s registers.

The registered owner shall receive a certificate which does not constitute a transferable title.

The register of nominative shareholders can be kept in electronic form.

Art. 10. – Shareholders shall be liable for losses only to the extent of their interest in the Bank.

Section 3 – Dissolution.

Art. 11. – The dissolution may not take place other than by means of a law.

Chapter II – Objectives, tasks and operations

Section 1 – Objectives and prohibition of monetary financing.

Art. 12. – The Bank shall participate in achieving the objectives of the ESCB, which shall be:

- primarily, to maintain price stability;

- without prejudice to the objective of price stability to support the general economic policies in the European Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of the Treaty establishing the European Community.

In order to achieve these objectives, the Bank shall act in accordance with the principles laid down in Article 3A of the Treaty establishing the European Community.

Art. 13. – The Bank shall be prohibited from granting overdrafts or any other type of credit facility to European Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law or public undertakings of Member States of the European Community, and also from purchasing their debt instruments directly from them.

The first paragraph shall not apply to publicly owned credit institutions which, in the context of the provision of liquidity by the Bank, receive from it the same treatment as private credit institutions.

Section 2 – Tasks and transactions.

Art. 14. – The Bank shall participate in the basic tasks to be carried out through the ESCB, which shall be:

- to define and implement the monetary policy of the European Community;
- to conduct foreign exchange operations consistent with Article 109 of the Treaty establishing the European Community;
- to hold and manage the official foreign exchange reserves of the Member States;
- to promote the smooth operation of the payment systems.

Art. 15. – When carrying out the tasks and duties referred to in this section, neither the Bank nor any members of its decision-making bodies shall seek or take instructions from institutions or bodies of the European Community, from any government of a Member State of the Community or from any other body.

Art. 16. – 1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:

- operate in the financial markets, outright by buying and selling (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;
- conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.

2. The Bank shall comply with the general principles defined by the European Central Bank, hereinafter referred to as the ECB, for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

Art. 17. – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

- 1° issue and redeem its own loan instruments;
- 2° accept deposits of securities and precious metals, undertake the redemption of securities and act on behalf of other parties in transactions in securities, other financial instruments and precious metals;
- 3° carry out transactions in interest-rate instruments;
- 4° carry out transactions in foreign currencies, gold or other precious metals;
- 5° carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;
- 6° obtain credit from foreign sources and provide guarantees for that purpose;
- 7° carry out transactions relating to European or international monetary cooperation.

Art. 18. – On being authorised to do so by the ECB, the Bank shall issue banknotes in euros intended to circulate as means of payment constituting legal tender in the territory of the States participating in Stage Three of Monetary Union.

The Bank shall comply, with regard to the issuance and design of the banknotes, with the rules laid down by the ECB.

Art. 19. – The Bank shall ensure that the clearing and payment systems operate properly and shall make certain that they are efficient and sound.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Community and with other countries.

Art. 20. – Without prejudice to the powers of the institutions and organs of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party. The State shall also guarantee the Bank the repayment of any credit granted in the context of its contribution to the stability of the financial system and guarantee the Bank against any loss incurred as a result of any transaction necessary in this regard.

Art. 20bis. – Within the framework set by Article 105 (2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this section and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges

relating thereto in its accounts in accordance with the rules referred to in Article 52.

Art. 21. – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

Art. 22. – The Bank shall act as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into euros of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

Art. 23. – § 1. The Bank shall contribute to the stability of the financial system. For that purpose, and in accordance with the provisions of Chapter IV/3 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, it shall in particular ensure the detection, assessment and monitoring of the different factors and developments which may affect the stability of the financial system, it shall issue recommendations on measures to be implemented by the various relevant authorities in order to contribute to the stability of the financial system as a whole, particularly through strengthening the robustness of the financial system, preventing the occurrence of systemic risks, and limiting the effect of potential disruptions, and it shall adopt measures falling within the ambit of its competences with a view to achieving the objectives described.

For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of

independence as that determined by Article 130 of the Treaty on the Functioning of the European Union.

§ 2. The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 21.

Art. 23bis. – § 1. The Bank shall exercise supervision of financial institutions in accordance with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and specific laws governing the supervision of these establishments, and with the European rules governing the single supervisory mechanism.

§ 2. Within the areas of supervision pertaining to its competence, the Bank may lay down regulations supplementing the legal or regulatory provisions on points of a technical nature.

Without prejudice to any consultation provided for in other laws or regulations, the Bank may, in accordance with the procedure of open consultation, explain, in a consultative memorandum, the content of any regulation it is considering adopting, and publish this on its website with a view to obtaining any comments by those concerned.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge / Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself that He shall determine if the Bank has not laid down those regulations.

§ 3. The Bank shall carry out its supervisory tasks exclusively in the general interest. The Bank, the members of its bodies and the members of its staff shall not bear any civil liability for their decisions, non-intervention, acts or conduct in the exercise of the legal supervisory tasks of the Bank, save in the event of fraud or gross negligence.

§ 4. The Bank's operating costs relating to the supervision referred to in paragraph 1 are borne by the institutions subject to its supervision, according to the terms and conditions laid down by the King.

The Bank may make the administration of the Land Registry, Public Records and Crown Lands Office responsible for recovery of unpaid taxes.

Art. 23ter. – § 1. The Bank shall exercise the duties of resolution authority and shall be authorised to implement the resolution tools and exercise the resolution powers in accordance with the Law of 25 April 2014 on the legal status and supervision of credit institutions.

§ 2. The operating costs relating to the task referred to in § 1 shall be borne by the institutions which are subject to the legislation referred to in § 1, according to the terms and conditions laid down by the King.

§ 3. The provisions of Article 23bis, § 3 shall apply to the tasks referred to in this Article. In particular, the existence of gross negligence shall be assessed taking account of the actual circumstances of the case, and in particular the urgency confronting the persons concerned, the practices on the financial markets, the complexity of the case, threats to the protection of savings and the risk of damage to the national economy.

Art. 24. – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

Art. 25. – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

Art. 26. – The legal entities referred to in Article 25 and controlled exclusively by the Bank shall be subject to auditing by the Court of Audit [*Cour des Comptes – Rekenhof*].

Chapter III – Organs

Section 1 – Composition and powers.

Art. 27. – The organs of the Bank shall be the Governor, the Board of Directors, the Council of

Regency, the Board of Censors, the Sanctions Committee and the Resolution College, without prejudice to Chapter VIII.

Art. 28. – 1. The Governor shall direct the Bank; he shall preside over the Board of Directors, the Council of Regency and the Resolution College. He shall have their decisions implemented.

2. If he is unable to attend, he shall be replaced by the Vice-Governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

3. He shall present to the General Meeting the annual accounts and the Annual Report which have been approved by the Council of Regency.

4. He shall represent the Bank in legal proceedings.

5. The Governor shall send to the Chairman of the Chamber of Representatives the annual report referred to in Article 284 (3) of the Treaty on the Functioning of the European Union, as well as a yearly report on the tasks of the Bank in the field of prudential supervision of financial institutions and on its tasks relating to its contribution to the stability of the financial system as referred to in Chapter IV/3 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium. The Governor may be heard by the competent committees of the Chamber of Representatives at the request of these committees or on his own initiative.

However, communications made under this article may not, because of their content or the circumstances, jeopardise the stability of the financial system.

6. The Governor may not, during his term of office, receive any pension payable by the State.

Art. 29. – 1. In addition to the Governor, who presides, the Board of Directors shall be composed of at least five but not more than seven Directors, one of whom shall bear the title of Vice-Governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the Governor.

The members of the Board of Directors must be Belgian.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

It shall appoint and dismiss members of staff and fix their salaries.

It shall have the right to make settlements and compromises.

3. It shall exercise regulatory power in the cases laid down by law. In Circulars or Recommendations, it shall lay down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another organ by law, the Statutes or the Rules of Procedure.

6. It shall provide opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

7. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 30. – 1. The Council of Regency shall be composed of the Governor, the Directors and ten Regents. It shall include an equal number of French- and Dutch speaking Regents.

The members of the Council must be Belgian.

2. The Council shall exchange views on general questions concerning the Bank, monetary policy and the economic situation of the country and the European Community, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence

to intervene at operational level or take note of individual dossiers. It shall take cognisance every month of the situation of the institution.

3. On a proposal from the Board of Directors, it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices.

4. *Repealed.*

5. It shall approve the Annual Report to be presented by the Governor to the General Meeting.

6. *Repealed.*

7. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits, and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly. The Bank shall, however, meet the Governor's housing and furniture expenses.

8. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

9. The Regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

Art. 31. – 1. The Council of Regency shall meet at least twenty times per year.

The Council may not deliberate unless the majority of its members is present.

Decisions shall be adopted by a majority of votes.

In the event of a tie, the chairman shall have the casting vote.

2. Minutes shall be kept of the deliberations of the Council of Regency.

They shall mention the nature of the deliberations, their object and, briefly, the grounds for the decisions.

The minutes shall be signed by all the members present and by the Secretary.

3. In urgent cases, determined by the Governor, the Council of Regency may decide by written procedure or via a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 32. – 1. The Board of Censors shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526ter of the Company Code.

The members of the Board of Censors must be Belgian.

The Board shall choose its chairman and its secretary from among its members.

2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the Audit Committee of the Bank and shall exercise in this capacity the tasks laid down by Article 32bis.

The Censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

Art. 32bis. – 1. Without prejudice to the responsibilities of the organs of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the Audit Committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with

respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the Audit Committee. The Works Council shall be informed of this proposal. The Audit Committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the organs of the Bank, he shall report to the Audit Committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:

- a) confirm annually in writing to the Audit Committee his independence from the Bank;
- b) disclose annually to the Audit Committee any additional services provided to the Bank;
- c) discuss with the Audit Committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the rules of procedure of the Audit Committee.

Art. 33. – The Board of Censors shall meet at least eight times per year.

It may not take decisions unless the majority of its members is present.

Decisions shall be adopted by a majority of the votes cast.

Art. 33bis. – § 1. The Bank hereby establishes a Resolution College, which shall be responsible for performing the tasks referred to in Article 23ter.

§ 2. The Resolution College shall be composed of the following persons:

- 1° the Governor;
- 2° the Vice-Governor;
- 3° the Director of the Service in charge of the prudential supervision of banks and stockbroking firms;

4° the Director of the Service in charge of prudential policy and financial stability;

5° the Director designated by the Bank as the person responsible for resolution of credit institutions;

6° the Chairman of the Financial Services and Markets Authority;

7° the President of the Management Committee of the Federal Public Service Finance;

8° the official in charge of the Resolution Fund;

9° four members designated by the King by Royal Decree deliberated in the Council of Ministers; and

10° a magistrate designated by the King.

§ 3. The persons referred to in § 2, paragraph 1, 9°, shall be appointed on the basis of their particular experience in banking and in financial analysis.

The persons referred to in § 2, paragraph 1, 9° and 10° shall be appointed for a renewable term of four years. These persons can be relieved of their duties by the authorities which have appointed them only if they no longer fulfil the conditions necessary for their role or in the event of serious misconduct.

§ 4. The King shall determine, by Royal Decree deliberated in the Council of Ministers:

1° the organisation and operation of the Resolution College and of the departments tasked with preparing its work;

2° the conditions under which the Resolution College shares information with third parties, including other bodies and departments of the Bank; and

3° the measures to prevent any conflicts of interest between the Resolution College and other bodies and departments of the Bank.

§ 5. In the event of infringements of the provisions of Book II, Titles IV and VIII of the Law of 25 April 2014 on the legal status and supervision of credit institutions and of the measures taken to comply with these provisions, the Resolution College shall replace the Board of Directors for the purposes of applying section 3 of Chapter IV/1 of the Law of 22 February 1998

establishing the Organic Statute of the National Bank of Belgium.

Section 2 – Method of designation of the members of the organs.

Art. 34. – 1. The Governor shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.

2. The other members of the Board of Directors shall be appointed by the King, on the proposal of the Council of Regency, for a renewable term of six years. They may be relieved from office by the King only if they no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct.

Art. 35. – 1. The Regents shall be elected for a three-year term by the General Meeting. Their term may be renewed.

Two Regents shall be chosen on the proposal of the most representative labour organisations.

Three Regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders.

Five Regents shall be chosen on the proposal of the Minister of Finance.

The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

2. The terms of office of the Regents shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The Regent elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

3. If a Regent's mandate becomes vacant, then, without prejudice to Article 62, second paragraph, 2°, this shall remain vacant until the next General Meeting.

Art. 36. – 1. The Censors shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

2. The terms of office of the Censors shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The Censor elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

3. If a Censor's mandate becomes vacant, then, without prejudice to Article 62, second paragraph, 2°, this shall remain vacant until the next General Meeting.

Section 3 – Incompatibilities.

Art. 37. – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of minister or secretary of state or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of Governor, Vice-Governor, member of the Board of Directors, member of the Sanctions Committee, member of the Resolution College, Regent or Censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the above-mentioned offices or performs such functions.

Art. 38. – 1. The Governor, the Vice-Governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in:

1° international financial institutions established under agreements to which Belgium is party;

2° the Securities Regulation Fund (*Fonds des Rentes – Rentenfonds*), the Deposit and Financial Instruments Protection Fund (*Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten*), the Rediscount and Guarantee Institute (*Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut*) and the National Delcredere Office (*Office National du Ducroire – Nationale DelcredereDienst*);

3° the legal entities referred to in Article 25.

For duties and mandates in an institution subject to the Bank's supervision pursuant to Articles 19, 23 or 23bis, the prohibitions referred to in the first paragraph shall continue to apply for one year after the Governor, Vice-Governor and other members of the Board of Directors have relinquished their office.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

2. The Regents, the members of the Resolution College and the majority of Censors may not be a member of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank pursuant to Articles 19, or 23bis, nor may they perform management duties in such an institution.

3. On a proposal from the Board of Directors, the Council of Regency shall lay down the code of conduct which must be respected by the members of the Board of Directors and the staff, as well as the monitoring measures concerning respect for this code. Persons responsible for supervising compliance with that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

Section 4 – Responsibility of the members of the organs.

Art. 39. – The Governor, the Directors, the Regents and the Censors shall not contract any personal

obligation by reason of the Bank's liabilities; they shall be responsible only for the performance of the duties of their office.

Section 5 – Expiry of terms of office.

Art. 40. – The terms of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may later still be extended by one year, which term may be renewed. In the case of the Governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to in this Article remain in office beyond the age of seventy years.

Chapter IV – Supervision by the Minister of Finance

Art. 41. – 1. Except as regards the tasks and transactions within the domain of the ESCB, the supervisory tasks referred to in Article 23*bis* and the tasks referred to in Chapter IV/3 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.

2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. He shall attend in an advisory capacity. Except as regards the tasks and transactions within the domain of the ESCB, the supervisory tasks referred to in Article 23*bis* and the tasks referred to in Chapter IV/3 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days of the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

Art. 42. – Except as regards the transactions within the domain of the ESCB, the representative of the Minister of Finance shall have the right to take cognisance at any time of the state of business and to check the accounts and the cash holdings.

The Bank's administration shall be required to provide him, whenever he so requests, with a certified true copy of the Bank's financial statement.

He shall attend the General Meetings when he deems fit.

Chapter V – Statutory functions

Art. 43. – The Secretary and the Treasurer shall be appointed by the Council of Regency, which may dismiss them.

The Rules of Procedure shall define the duties inherent in their functions.

Their functions may be performed by one of the Directors.

Chapter VI – Financial provisions

Section 1 – Annual accounts, reserve funds and distribution.

Art. 44. – The annual accounts shall be drawn up as of 31 December each year. They shall be prepared by the Board of Directors and submitted to the Council of Regency for approval.

The approval of the annual accounts by the Council of Regency gives discharge to the members of the Board of Directors.

Art. 45. – *Repealed.*

Art. 46. – The reserve fund is intended for:

- 1° compensating for losses in capital stock;
- 2° supplementing any shortfall in the annual profit up to a dividend of 6 % of the capital.

Upon expiration of the Bank's right of issue, the State shall have a priority claim to one fifth of the reserve fund. The remaining four-fifths shall be distributed among all the shareholders.

In accordance with Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words "the Bank's right of issue" shall be construed as meaning that the right of issue in question includes the right of issue which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community.

Art. 47. – *Repealed.*

Art. 48. – *Repealed.*

Art. 49. – The annual profit shall be distributed as follows:

1. a first dividend of 6 % of the capital shall be allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves;
3. from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders;
4. the balance shall be allocated to the State; it shall be exempt from corporate tax.

Art. 50. – The profit established for allocation to the shareholders for the financial year ended 31 December of each year shall be distributed in a one month within the month following the General Meeting, on a date fixed by the latter.

If the profit for distribution among the shareholders is less than 6 % per annum, it shall be supplemented by drawing on the reserve fund.

This drawing shall be refunded to the reserve if, the next year, this refund can be made without reducing the profit for distribution to below 6 %.

Art. 51. – *Repealed.*

Art. 52. – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1° in accordance with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

2° and otherwise in accordance with the rules laid down by the Council of Regency.

Articles 2 to 4, 6 to 9 and 16 of the Law of 17 July 1975 on business accounting and their implementing decrees shall apply to the Bank with the exception of the decrees implementing Articles 4 (6) and 9, § 2.

Section 2 – Allocations to the State.

Art. 53. – *Repealed.*

Art. 54. – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9 (2) of the Law of 22 February 1998

establishing the Organic Statute of the National Bank of Belgium.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the *Moniteur belge / Belgisch Staatsblad*.

Art. 55. – Notwithstanding Article 54, the capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75 % of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20bis (2) of the Law of 24 August 1939 on the National Bank of Belgium.

Chapter VII – Professional secrecy and exchange of information

Art. 56. – Except when called upon to give evidence in court in a criminal case, the Bank and members and former members of its organs and its staff shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties.

Paragraph 1 shall not preclude the communication of confidential information to third parties in cases laid down by or by virtue of the law.

The Bank, members of its organs and its staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure.

Contraventions of this Article shall incur the penalties laid down by Article 458 of the Penal Code. The provisions of Book 1 of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this article.

This Article does not prevent the observance, by the Bank, the members of its organs and its staff, of specific legal provisions as to professional secrecy, whether more restrictive or not, notably when the Bank is charged with collecting statistical data or information on prudential supervision.

Chapter VIII – General Meeting

Art. 57. – The General Meeting shall represent the totality of the shareholders. It shall be presided over by the Governor.

Its decisions, taken in a regular manner, shall be binding, even on those absent or dissenting.

Art. 58. – The right to take part in the General Meeting is granted to shareholders who have fulfilled the legal formalities to be admitted to the General Meeting of a listed company.

Art. 59. – Before the session is opened, the shareholders shall sign the attendance list.

Art. 60. – Each share shall confer the right to one vote.

Art. 61. – The Ordinary General Meeting shall be held in Brussels on the third Monday of the month of May and, if that day falls on a public holiday, on the first following bank working day, at 2 p.m.

It shall hear the Annual Report on the past year's operations.

It shall elect the Regents and Censors whose terms of office expire and shall take steps to fill the vacancies which have arisen owing to death, resignation or for other reasons.

Art. 62. – An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit.

It must be convened :

1° if the meeting is requested by either the Board of Censors or by shareholders representing one-tenth of the capital stock ;

2° if the number of Regents or of Censors falls below the absolute majority.

Art. 63. – *Repealed.*

Art. 64. – The function of scrutineers shall be performed by the two shareholders present who own the largest number of shares, who do not form part of the administration and who accept this duty.

They shall sign the minutes with the chairman and the other members of the bureau.

The copies and extracts to be supplied to third parties shall be signed by the Secretary.

Art. 65. – The General Meeting shall deliberate:

1° concerning the matters mentioned in the convening notices and concerning those submitted to it either by the Council of Regency or by the Board of Censors;

2° concerning proposals, signed by one or more shareholders who together own at least 3% of the company's capital, which have been brought to the attention of the Council of Regency at least twenty-two days before the meeting for inclusion in the agenda.

If the meeting acknowledges the urgency of other proposals made by the Council of Regency, these shall be included in the deliberations.

Art. 66. – All resolutions shall be adopted by an absolute majority of the votes.

In the event of a tie, the proposal shall be rejected.

Art. 67. – Voting will take place either electronically, by roll call, by show of hands, or by ballot.

Elections or dismissals shall take place by secret ballot.

Art. 68. – *Repealed.*

Art. 69. – Regents or Censors may be dismissed only by a majority of three-quarters of the votes of the shareholders present owning at least three-fifths of the shares.

Chapter IX – Amending the Statutes

Art. 70. – The Council of Regency shall amend the Statutes in order to bring them into conformity with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a

majority of three-quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

The General Meeting of Shareholders referred to in the second paragraph shall be specially convened and its proceedings shall only be valid if the purpose of the proposed amendments was specially stated in the convening notice and if those attending the meeting represent at least half of the capital stock.

If a first meeting does not represent the proportion of the capital stipulated above, a new meeting shall be convened, whose proceedings shall be valid irrespective of the proportion of the capital present or represented.

Amendments to the Statutes shall require the approval of the King.

Chapter X – Signing of acts

Art. 71. – All acts that are binding on the Bank may be signed:

- a) either by the Governor;
- b) or by a majority of members of the Board of Directors;
- c) or by a Director together with the Secretary;

without being required to furnish proof of any power whatsoever vis-à-vis third parties.

They may also be signed by one or two representatives authorised either by the Governor, or by a majority of members of the Board of Directors or by a director together with the Secretary.

Furthermore, acts of day-to-day management may be signed:

- a) either by the Vice-Governor or a Director;
- b) or by the Secretary or the Treasurer;
- c) or by one or two members of staff authorised to act as proxy by the Board of Directors for this purpose.

Chapter XI – General and transitional provisions

Section 1 – Use of languages.

Art. 72. – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

Art. 73. – *Repealed.*

Art. 74. – *Repealed.*

Art. 75. – *Repealed.*

Art. 76. – *Repealed.*

Annex 3 Corporate Governance Charter¹

1. Introduction

The National Bank of Belgium, established by the Law of 5 May 1850 to take on tasks in the public interest, has always had a special governance structure, deviating from ordinary law. Designed from the start to enable the Bank to perform its tasks in the public interest, this special system of governance has evolved in line with the role and objectives assigned to the Bank as the country's central bank.

Today, as the central bank of the Kingdom of Belgium, the Bank – together with the European Central Bank (ECB) and the central banks of the other European Union Member States – is one of the components of the European System of Central Banks (ESCB), set up by the Treaty on the Functioning of the European Union (the Treaty).

By that token, it is governed first of all by the relevant provisions of the Treaty (Title VIII of Part Three) and by the Protocol on the Statute of the ESCB and of the ECB which is annexed to the Treaty, and then by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (Organic Law), and its own Statutes, approved by Royal Decree.

The provisions relating to public limited liability companies are applicable only additionally, i.e. in respect of subjects not governed by the Treaty, the Protocol annexed to it, the Organic Law and the Bank's Statutes, and provided the provisions on public limited liability companies do not clash with those higher level rules.

As a central bank, it shares the main objective which the Treaty assigns to the ESCB, namely maintaining price stability. It contributes towards the performance of the basic tasks of the ESCB which consist in defining and implementing the monetary policy of the

European Union, conducting foreign exchange operations in accordance with Article 219 of the Treaty, holding and managing the official foreign exchange reserves of the Member States, and promoting the smooth operation of payment systems.

In addition, it is entrusted with microprudential supervision (governing credit institutions and investment firms with the status of stockbroking firm, insurance and reinsurance companies, central counterparties, settlement institutions, institutions equivalent to settlement institutions, payment institutions, electronic money institutions, central securities depositories, institutions providing support to central securities depositories, custodian banks and surety companies) as well as macroprudential policy in Belgium. The Bank has also been designated as national resolution authority. All these tasks are carried out under a European framework, in particular, the single supervisory mechanism (SSM) as regards prudential supervision of banks and the single resolution mechanism (SRM) for responsibilities in the field of resolution. Subject to compatibility with the tasks which come under the ESCB, the Bank is furthermore entrusted with carrying out other tasks in the public interest, on conditions laid down by law. The pre-eminence of its tasks in the public interest, present from the start and now anchored in the Treaty on the Functioning of the European Union, is reflected in a system of governance whose very objectives are different from those of the governance of a company incorporated under ordinary law.

First, in accordance with the Treaty, it has to ensure that the rules which govern it are compatible with

¹ Latest amendments: 29 January 2019.

those of the Treaty itself, and with the Statute of the ESCB, including the requirement concerning the independence of the Bank and of the members of its decision-making bodies in the exercise of their powers and the performance of their tasks, assigned to them by the Treaty and the Statute of the ESCB, in respect of the institutions and bodies of the European Union, governments and all other bodies.

Next, in its governance, the Bank has to reserve a dominant position for the expression of the interests of Belgian society as a whole. That explains, in particular, the arrangements for appointing members of its organs, the specific composition and role of the Council of Regency, the limited powers of the General Meeting of Shareholders, the special arrangements for the exercise of supervision, including the powers of the representative of the Finance Minister and those of the Board of Censors, and the way in which the Bank reports on the performance of its tasks. That also explains the provisions governing the financial aspects of its activities, intended to give it a sound financial basis and to allocate to the State, as a sovereign State, any surplus seigniorage revenue, after covering costs, including the constitution of required reserves and return on capital.

The Bank's special tasks and its specific, unique role in Belgium caused the legislator to give this institution its own particular legal framework and a special form of governance.

This explains that a number of provisions in the Belgian corporate governance code, which is based on the management model of a common-law partnership with a monistic board of directors, accountable to the general meeting of shareholders and whose members may be dismissed *ad nutum*, obviously do not apply to the Bank.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and Statutes, and partly by EU rules, is just as exacting as the recommendations of the Belgian corporate governance code, or even more so in various respects, such as oversight.

It believes that, even though the Belgian corporate governance code is inappropriate to the Bank, it is its duty, in view of its dual status as a central bank and a listed company, to accept an obligation to provide extensive information and report on its activities to the public in general. That is the spirit in which it has drawn up this corporate governance charter.

2. Organisation, governance and supervision of the Bank

2.1 Comparison of the allocation of powers at the Bank and in limited liability companies governed by ordinary law

The table below shows the atypical character of the Bank's organisation.

2.2 Presentation of the Bank's organs and other institutions

The Bank's organs are the Governor, the Board of Directors, the Council of Regency, the Board of Censors, the Sanctions Committee and the Resolution College (cf. Article 17 of the Organic Law).

Other institutions of the Bank are the General Meeting, the representative of the Minister of Finance, the auditor and the Works Council.

The Bank's organs and their respective powers are fundamentally different from those of conventional public limited liability companies (see table).

2.3 Organs of the Bank

2.3.1 Governor

Powers

The Governor exercises the powers conferred on him by the Statute of the ESCB, the Organic Law, and the Bank's Statutes and Rules of Procedure.

He directs the Bank and its staff with the assistance of the Directors. He presides over the Board of Directors and the Council of Regency, arranging the implementation of their decisions, and over the Resolution College, and chairs the General Meeting. He exercises direct authority over the members of staff, whatever their grade and their function.

At the General Meeting, he presents the annual accounts and the Annual Report which have been approved by the Council of Regency. He submits to the Chairmen of the Chamber of Representatives and the Senate the Annual Report referred to in Article 284.3 of the Treaty on the Functioning of the European Union, as well as a yearly report on

Allocation of powers at the Bank and in public limited liability companies governed by ordinary law

The Bank		Public limited liability companies governed by ordinary law	
King	Appointment of the Governor Appointment of the Directors (on the proposal of the Council of Regency)	Appointment of the directors	General Meeting
General Meeting	Election of the Regents (from a dual list of candidates) Election of the Censors Appointment of the auditor (on the proposal of the Works Council and with the approval of the EU Council of Ministers, on the recommendation of the ECB Governing Council) Hearing of the Annual Report Amendment of the Statutes except for Council of Regency prerogatives	Appointment of the auditors Hearing of the annual report, auditors' report and discharge of the auditors Amendment of the articles of association	
Council of Regency	Amendment of the Statutes to bring them into line with the Organic Law and international obligations which are binding on Belgium Discussion and approval of the annual accounts Approval of the Annual Report Appropriation of the profits Discharge of the Board of Directors Setting the remuneration of the members of the Board of Directors	Discussion and approval of the annual accounts Appropriation of the profits Discharge of the directors Setting the remuneration of the Board of Directors	
	Approval of the budget	Approval of the budget	Board of Directors
Board of Directors	Definition of company policy <ul style="list-style-type: none"> ■ as central bank ■ as microprudential authority ■ as macroprudential authority Administration and management Drawing up of the annual accounts Preparation of the Annual Report	Definition of company policy Administration and management Drawing up of the annual accounts Drawing up of the annual report	
	Management and routine operation	Optional delegation of the management (management board) or the routine operation (chief executive)	Management board or chief executive
Board of Censors	Supervision of the preparation and implementation of the budget Audit Committee		
Sanctions Committee	Pronounces on the imposition by the Bank of the administrative fines laid down by the laws applicable to the institutions that it supervises		
Resolution College	Resolution authority authorised to apply the resolution instruments and to exercise the resolution powers		
Representative of the Minister of Finance	Monitoring of the Bank's operations (right to oppose any measure which is contrary to the law, the Statutes or the interests of the State), except for those which come under the ESCB		

the activities of the Bank in the field of prudential supervision. He may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

He represents the Bank in legal proceedings.

He submits proposals to the Board of Directors on the allocation of the Departments and Services among the Board's members, and on the representation of the Bank in national and international organisations and institutions.

He also has a seat on the ECB Governing Council, which decides *inter alia* on the monetary policy for the euro area.

Appointment

The Governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice against such a decision, on the initiative of the Governor or of the ECB Governing Council.

Thus, the EU and Belgian legislation ensures the personal independence of the Governor, both by the length of his term of office and by the restrictions on his removal from office.

2.3.2 Board of Directors

Powers

The Governor and the Directors jointly exercise their powers as members of the Board of Directors.

The Board of Directors is a collegiate body, responsible for the administration and management of the Bank in accordance with the Organic Law, the Statutes and the Rules of Procedure, and is in charge of the direction of its policy.

The Governor and the Directors each have authority over one or more of the Bank's departments and services. They ensure that the latter implement, within the framework of their respective duties, the decisions taken by the organs.

The Board of Directors appoints and dismisses the members of staff and determines their salaries.

It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law.

In Circulars or Recommendations, it lays down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises. It provides opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

It pronounces on all matters which are not expressly reserved for another organ by law, the Bank's Statutes or Rules of Procedure.

It draws up the budget and prepares the Annual Report and the annual accounts, which it submits to the Council of Regency for approval.

It decides on the investment of the capital, the reserves and the amortisation accounts after consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB.

It proposes the Bank's Rules of Procedure for the approval of the Council of Regency.

The Bank's Board of Directors therefore exercises the powers of administration, management and strategic direction of the enterprise which are delegated to the administrative board in public limited liability companies governed by ordinary law, as well as the actual management powers.

It is not accountable for its activities to the General Meeting, which has no power to give it a discharge; instead, it is accountable to the Council of Regency to which it submits the Annual Report and the annual accounts. The approval of the annual accounts by the Council of Regency constitutes a discharge for the members of the Board of Directors.

Composition

The Board of Directors is composed of the Governor and a maximum of five Directors. It includes an equal number of French and Dutch speakers. The members of the Board of Directors must be Belgians.

The Directors are appointed by the King, on the proposal of the Council of Regency. The method of nominating the Directors was specifically designed by law in 1948 to emphasise the character of the Bank's activities as tasks performed in the public interest.

The Directors are appointed for a renewable term of six years.

The King confers the title of Vice-Governor on one of the Directors. The Vice-Governor replaces the Governor if the latter is unable to perform his duties, without prejudice to Article 10.2. of the Statute of the ESCB.

In order to avoid any conflict of interests, the Organic Law stipulates that, except in a limited number of specified instances, the members of the Board of Directors may not perform duties in commercial companies or companies which are commercial in form, or in public institutions engaged in industrial, commercial or financial activities. They are also prohibited from taking on certain political posts (as members of a parliament, government or ministerial cabinet).

The members of the Board of Directors may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Thus, the Organic Law ensures the personal independence of the members of the Board of Directors, both by the length of their term of office and by the restrictions on their removal from office.

Functioning

The functioning of the Board of Directors is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Board of Directors meets whenever circumstances dictate, and at least once a week. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within

the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and the reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the Annual Report for the year in question.

The Director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

2.3.3 Council of Regency

Powers

The Council of Regency exchanges views on general issues relating to the Bank, monetary policy and the economic situation of the country and the European Union, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. Every month it takes note of the institution's situation.

It has power to lay down the accounting rules for all aspects of the annual accounts which are not covered by the provisions of the Bank's Organic Law and are not mandatory for the compilation of the consolidated balance sheet of the Eurosystem. It approves the expenditure budget and the annual accounts. It has the power, as an independent body, to set the Bank's reserve and dividend policy. It determines the final distribution of the profits proposed by the Board of Directors and ensures that the financial interests of the Bank, its shareholders and the State, as a sovereign State, are taken into account in a balanced manner.

It approves the Annual Report.

It amends the Statutes of the Bank in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium.

On a proposal from the Board of Directors, it lays down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices, and the code of conduct which must be respected by the members of the Board of Directors and the staff.

It appoints and dismisses the Secretary and the Treasurer.

The Council of Regency has the power to set remuneration policy and fix the salaries of the members of the Board of Directors, including the Governor, of the Council of Regency and the Board of Censors. More detailed information about the remuneration policy and salaries is provided on an annual basis in the remuneration report which forms part of the Governance Statement included in the Annual Report.

The Council of Regency therefore exercises certain powers which, in companies governed by ordinary law, are reserved for the Board of Directors, and others reserved for the General Meeting of Shareholders. This is a very special organ which introduces an element of duality into the Bank's governance structure. Composed predominantly of non-executive members, the Council of Regency plays a key role in the appointment of Directors, remuneration and supervision, and does so on a more continuous basis than the special committees of ordinary companies, in view of the frequency of its meetings.

In regard to the budget, including the patronage funds, the Council of Regency is assisted by the Budget Committee and the Special Fund Committee.

The Budget Committee has power to examine the Bank's budget before it is approved by the Council of Regency. It is chaired by a member of the Board of Censors and otherwise comprises three Regents, two other Censors, the representative of the Minister of Finance, and, in an advisory capacity, the director responsible for the Controlling Department. This committee meets on a yearly basis. It may call on the General Secretariat Department to provide its secretariat.

The Special Fund Committee has the competence to examine the allocation of the Bank's Special Patronage Fund before it is approved by the Council of Regency. It is chaired by the Governor and otherwise comprises two Regents, two Censors and one member of the Board of Directors. This committee meets on a yearly basis. It may call on the General Secretariat Department to provide its secretariat.

In the performance of its duties in relation to remuneration and appointments, the Council of Regency is assisted by the Remuneration and Appointments Committee. The Remuneration and Appointments Committee Regulations, annexed to this Charter, define the powers, composition and functioning of that committee.

Composition

The Council of Regency is composed of the Governor, the Directors and ten Regents. It includes an equal number of French- and Dutch-speaking Regents.

The Regents are elected by the General Meeting for a renewable term of three years, on the basis of dual lists of candidates. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance.

The method of appointing the Regents has been organised in a special way. In the preparations for the Law of 28 July 1948 which amended the Organic Law and reorganised the Bank, the legislator expressed its desire that the method of appointing the Directors and Regents should ensure both the Bank's total independence vis-à-vis individual interests and the technical competence of the candidates. The procedure for proposing the Regents was designed to ensure that the various Belgian socio-economic interests were fairly represented.

In order to avoid any conflict of interests, the Organic Law stipulates that the Regents may not be members of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank, a Belgian institution or institution established in Belgium subject to the supervision of the ECB or a subsidiary of one of these institutions subject

to the supervision of the ECB, nor may they perform management duties in such an institution or take on certain political posts (as members of a parliament, government or ministerial cabinet).

The Regents may be dismissed by the General Meeting of Shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

Functioning

The functioning of the Council of Regency is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Council of Regency meets at least twenty times a year and passes its decisions by a majority of the votes. In urgent cases determined by the Governor, the Council of Regency may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting. In particular, the Governor and the Directors are not permitted to attend the discussions and take part in the voting concerning the approval of the annual accounts.

2.3.4 Board of Censors

Powers

The Board of Censors' task is to supervise the preparation and implementation of the Bank's budget. In that context, it regularly takes cognisance of the activities of the Internal Audit Service. Its chairman informs the Council of Regency of those activities each year and answers its questions on the subject.

The Board of Censors is also the Bank's Audit Committee. By that token, the tasks assigned to the Board of Censors include taking charge, in an advisory capacity, of the monitoring of the process of preparing the financial information, the monitoring of the effectiveness of the internal control and risk management systems, the monitoring of the statutory audit

of the annual accounts and the examination and the monitoring of the independence of the auditor.

Once a year, the Audit Committee reports to the Council of Regency on the performance of its duties. It also reports to the Council of Regency on all matters arising from the performance of its duties which are relevant for the approval of the annual accounts and the Annual Report, and for the drafting of the accounting rules by the Council of Regency. The Audit Committee reports to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, and the independence of the auditor.

Composition

The Board of Censors is composed of ten members. It includes an equal number of French and Dutch speakers. The Censors are elected by the General Meeting of Shareholders for a renewable term of three years. They are chosen from among persons with particular expertise in auditing. In order to avoid any conflict of interests, they may not take on certain political and parliamentary duties. The majority of Censors may not be members of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank, a Belgian institution or institution established in Belgium subject to the supervision of the ECB or a subsidiary of one of these institutions subject to the supervision of the ECB, nor may they perform management duties in such an institution.

The Censors may be dismissed by the General Meeting of Shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

Functioning

The functioning of the Board of Censors is governed by the Organic Law, the Statutes and the Rules of Procedure. The rules on its functioning as an Audit Committee are also set out in the Audit Committee Regulations. The Rules of Procedure and the Audit Committee Regulations are annexed to this Charter.

The Board of Censors meets at least eight times a year. Its resolutions are adopted by a majority of the votes.

2.3.5 Sanctions Committee

Powers

The Sanctions Committee pronounces on the imposition by the Bank of administrative fines laid down by the laws applicable to the institutions that it supervises. The rules of procedure for the imposition of administrative fines are set out in the Organic Law.

Composition

The Sanctions Committee is composed of six members appointed by the King:

1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State;

2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;

3° two magistrates who are neither counsellors at the Court of Cassation, nor at the Brussels Court of Appeal;

4° two other members.

The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in 1°, 2° and 3°.

For the three years preceding their appointment, the members of the Sanctions Committee may not have been on either the Board of Directors of the Bank or the Resolution College of the Bank, or a member of the Bank's staff.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

They are also prohibited from taking on certain political posts (as members of a parliament, government or ministerial cabinet).

The mandate of the members of the Sanctions Committee is six years and renewable. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

Functioning

The functioning of the Sanctions Committee is governed by the Organic Law, the Statutes and the Rules of Procedure which it has adopted.

The Sanctions Committee meets whenever the chairman deems necessary. Its decisions are passed by a majority of the votes.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

2.3.6 Resolution College

Powers

The Resolution College is the body competent to perform the tasks of the resolution authority authorised to apply the resolution instruments and to exercise the resolution powers in accordance with the legislation on the status and supervision of credit institutions.

Composition

The Resolution College is composed of the following persons:

1° the Governor;

2° the Vice-Governor;

3° the director of the department in charge of the prudential supervision of banks and stockbroking firms;

4° the director of the department in charge of prudential policy and financial stability;

5° the director designated by the Bank as the person responsible for resolution of credit institutions;

6° the President of the Management Committee of the Federal Public Service Finance;

7° the official in charge of the Resolution Fund;

8° four members designated by the King by Royal Decree deliberated in the Council of Ministers; and appointed in view of their particular expertise in banking and financial analysis; and

9° a magistrate designated by the King.

The Chairman of the Financial Services and Markets Authority attends Resolution College meetings in an advisory capacity.

The persons referred to in 8° and 9° are appointed for a renewable term of four years. These persons can be relieved of their duties by the authorities which have appointed them only if they no longer fulfil the conditions necessary for their role or in the event of serious misconduct.

Members of the Resolution College may not take on certain political posts (as members of a parliament, government or ministerial cabinet).

Functioning

The functioning of the Resolution College is governed by the Organic Law, the Royal Decree of 22 February 2015 and the Rules of Procedure which it has adopted.

Unless it is unable to do so, the Resolution College meets at least four times a year and whenever circumstances dictate or whenever three of its members request a meeting. Its decisions are passed by a majority of the votes. In urgent cases determined by its chairman, the Resolution College may take decisions by written procedure or by using a voice telecommunications system.

In the event of a conflict of interests, the member concerned refrains from taking part in the deliberations and the voting on the agenda items in question.

2.4 Other institutions of the Bank

2.4.1 General Meeting

Powers

The Ordinary General Meeting hears the Annual Report on the past year and elects the Regents

and the Censors for the offices which have become vacant, in accordance with the stipulations of the Organic Law. It appoints the external auditor. It amends the Statutes in cases where that power is not reserved for the Council of Regency.

The General Meeting deliberates concerning the matters mentioned in the convening notice and those submitted to it by the Council of Regency or by the Board of Censors.

The Organic Law does not confer organ status on the General Meeting, whose powers are limited.

Composition

The General Meeting is composed of the shareholders who have fulfilled the legal formalities for admission to the general meeting of a listed company.

The General Meeting represents the totality of the shareholders.

Functioning

The General Meeting is chaired by the Governor. The Ordinary General Meeting is held on the third Monday in May or, if that is a public holiday, on the next bank working day. An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit. A meeting must be convened if the number of Regents or of Censors falls below the absolute majority, or if it is requested either by the Board of Censors or by shareholders representing one tenth of the capital stock.

Before the meeting is opened, the shareholders sign the attendance register.

The function of scrutineers shall be performed by the two shareholders present who own the largest number of shares, who do not form part of the administration and who accept this duty.

Each share confers entitlement to one vote.

All resolutions are passed by an absolute majority of the votes. If the votes are equally divided, the proposal is rejected. Voting will take place either electronically, by roll call, by a show of hands, or by ballot papers. Elections or dismissals take place by secret ballot.

Decisions passed in accordance with the rules are binding on all the shareholders.

Minutes are drawn up in respect of each meeting. They are signed by the tellers, the chairman and the other members of the bureau. They are published on the Bank's website. Exemplified copies and extracts to be issued to third parties are signed by the Secretary.

2.4.2 Representative of the Minister of Finance

Except as regards the tasks and operations within the domain of the ESCB, the tasks of prudential supervision and the tasks of the Bank in contributing to the stability of the financial system, the representative of the Minister of Finance supervises the Bank's operations, and suspends and brings to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State. If the Minister of Finance has not given a decision within one week of the suspension, the decision may be implemented.

The representative of the Minister of Finance attends, ex officio, in an advisory capacity, the meetings of the Council of Regency and the Board of Censors.

He attends the General Meetings when he deems fit.

He reports to the Minister of Finance each year on the performance of his duties.

Via his representative, the Minister of Finance thus exercises, on behalf of the sovereign State, supervision over the Bank's activities in regard to tasks in the national interest.

The salary of the representative of the Minister of Finance is set by the said Minister in consultation with the management of the Bank, and is paid by the Bank.

2.4.3 Auditor

The auditor performs the auditing functions prescribed by Article 27.1 of the Protocol on the Statute of the ESCB and of the ECB, and reports to the Council of Regency on those activities. He certifies the annual accounts. He also performs certification functions for the attention of the ECB auditor.

He reports to the Works Council once a year on the annual accounts and the Annual Report. He certifies the accuracy and completeness of the information supplied by the Board of Directors. He analyses and explains, particularly for the members of the Works Council appointed by the employees, the economic and financial information submitted to this Council, in terms of its significance in relation to the financial structure and the assessment of the Bank's financial position.

The auditor is appointed on the basis of a procedure in accordance with the public procurement legislation to which the Bank is subject. He is then appointed by the General Meeting of the Bank on the proposal of the Works Council. He must be approved by the EU Council of Ministers, on the recommendation of the ECB.

2.4.4 Works Council

Pursuant to the Law of 20 September 1948 on the organisation of the economy, the Bank has a Works Council, a joint consultation body composed of representatives of the employer and representatives of the staff, elected every four years.

The main function of the Works Council is to give its opinion and formulate any suggestions or objections in regard to all measures which could change the working arrangements, working conditions and efficiency of the enterprise.

Specific economic and financial information is made available by the Board of Directors, in accordance with the law.

2.5 Mechanisms for controlling the activities

A series of control mechanisms ranging from operational to external controls govern the Bank's activities and operations, ensuring that they proceed smoothly with due regard for the set objectives and in accordance with the dual concern for security and the economical use of resources.

The control requirements applicable to the Bank on account of its tasks as the country's central bank and its membership of the ESCB differ from, and extend beyond, those laid down in the Belgian corporate governance code recommended for public limited liability companies governed by ordinary law.

From the point of view of the general management of the enterprise, the Board of Directors is responsible for establishing an internal control system and for ensuring its adequacy.

This internal control system is based on the concept of three lines of defence.

The departments and autonomous services take on *primary responsibility* for the actual operation of the internal control system. That involves:

- identifying, assessing and attenuating the risks of their entities;
- establishing adequate internal control and management systems in order to control the risks of their entities within the risk tolerance limits set by the Board of Directors;
- ensuring that their entities respect the objectives, policies and internal control.

Secondary responsibility for the actual operation of the internal control system rests with the members of the Board of Directors designated for this purpose:

- as regards financial risks, the Director-Treasurer is responsible for the Middle Office, which is in charge of identifying, assessing, managing and reporting on the risks resulting from the Bank's portfolio management activities. The Middle Office reports monthly and quarterly to the Board of Directors via the Director-Treasurer.
- as regards non-financial risks, the member of the Board of Directors designated for this purpose is responsible for Operational Risk Management (ORM), Business Continuity Management (BCM), the compliance function, information security, secondary aspects of physical security and of activities concerning banknotes.

The Internal Audit Service takes on *tertiary responsibility* for the actual operation of the internal control system.

The Internal Audit Service is tasked with giving the Board of Directors additional assurance, based on the highest degree of organisational independence and objectivity, concerning the effectiveness of the Bank's governance, risk management and internal control,

including the attainment of the risk management and control objectives by the first and second lines of defence.

In order to guarantee its independence vis-à-vis the departments and services, the Internal Audit Service comes directly under the Governor and does not carry any direct operational responsibility. It reports to the Board of Directors and the Audit Committee.

The head of the Internal Audit Service is a member of the Internal Auditors Committee (IAC) of the ESCB. The Internal Audit Service conforms to the methodology, objectives, responsibilities and reporting procedure laid down within the ESCB, including those in the Eurosystem/ESCB Audit Charter approved by the ECB Governing Council. An Internal Audit Charter, approved by the Board of Directors and the Council of Regency on the proposal of the Audit Committee, describes the role of the audit function, its responsibilities and the powers conferred on it for the performance of its tasks.

Certain control functions are performed by specific administrative entities (e.g. the management of access to computer systems), while structural conflicts of interest are resolved by segregating the activities concerned (system of Chinese walls): thus, for example, the operation and oversight of the payment systems are entrusted to two different departments.

The Board of Censors supervises the preparation and implementation of the budget and takes note of the activities of the Internal Audit Service. Every year, its chairman informs the Council of Regency and answers its questions.

As the Bank's Audit Committee, the Board of Censors is responsible, in an advisory capacity, for the monitoring of the effectiveness of the internal control and risk management systems and the monitoring of the Bank's internal audit.

To that end, the Audit Committee periodically examines, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various Departments and Services. It ensures that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors. The Audit Committee also examines the notes contained

in the Annual Report concerning internal control and risk management.

The Audit Committee examines the effectiveness of the internal audit. It examines the internal audit charter and verifies whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank. Where appropriate, it makes recommendations on this subject to the Board of Directors. Before the internal audit's programme of work is approved by the Board of Directors, the Audit Committee examines that programme, taking account of the complementarity with the work of the statutory auditor. The Audit Committee receives the internal audit reports or a summary thereof, and the quarterly report of the internal audit. It examines the extent to which the departments and services take account of the internal audit's findings and recommendations. At the request of the Board of Directors, the Audit Committee gives its opinion concerning the profile of the internal audit officer.

The Audit Committee also assesses the relevance and consistency of the accounting rules drawn up by the Council of Regency.

The Council of Regency approves the annual accounts, the annual budget, the accounting rules and the rules on the Bank's internal organisation. It consults the Audit Committee before approving the annual accounts, and may ask this committee to examine specific questions on that subject and report back to it.

The Bank is also subject to various external controls.

The first form of control is provided by the auditor, who verifies and certifies the Bank's accounts.

Except as regards the tasks and operations within the domain of the ESCB, the tasks of prudential supervision and the tasks of the Bank in contributing to the stability of the financial system, the representative of the Minister of Finance supervises the Bank's operations on the behalf of the Minister. The latter in fact has the right to monitor those operations and to oppose the implementation of any measure which would be contrary to the law, the Statutes or the interests of the State.

In addition, the Governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

Finally, pursuant to the Statute of the ESCB and of the ECB, the Bank acts in accordance with the directions and instructions of the ECB. The Governing Council takes the necessary measures to ensure compliance with those directions and instructions, and requires all necessary information to be supplied to it.

2.6 Rules of conduct

A code of conduct imposes strict rules of behaviour on the members of the Board of Directors and on the Bank's employees.

The members of the Board of Directors maintain the highest standards of professional ethics.

The members of the Bank's organs and staff are subject to strict professional secrecy pursuant to Article 35 of the Organic Law. They are also subject to the legal rules on insider trading and market manipulation.

The members of the Council of Regency – namely, the Directors and the Regents – and the members of the Board of Censors have a legal obligation to submit an annual list of their mandates, duties and occupations to the Court of Auditors. In addition, they are bound to make an annual wealth declaration, unless there have been no appointments, terminations or renewals in the past year with regard to the mandates, duties and occupations that they have to declare.

The Bank's code of conduct lays down rules for members of the Board of Directors and of its staff on the holding of and transactions in the Bank's shares and shares or parts issued by certain enterprises subject to supervision by the Bank or the ECB, and rules on urgent withdrawals concerning certain enterprises subject to supervision by the Bank or the ECB. The Chairman of the Sanctions Committee and the competent Director exercise supervision over compliance with these provisions, respectively by the members of the Board of Directors and by the members of staff.

The Regents and Censors do not effect any transactions, for their own account or on behalf of a third party, in shares of the Bank or financial instruments relating to those shares during the annual closed period of thirty calendar days before publication of the annual accounts. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative

transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors.

2.7 The Secretary and the Treasurer

The Secretary draws up the minutes and the records of the meetings of the Board of Directors and of the Council of Regency. He draws up the minutes of the general meeting of shareholders and has them signed by the chairman of the general meeting, the scrutineers and the other members of the bureau. He certifies copies conforming to the original. He deals with changes to the Bank's Rules of Procedure.

Under the Bank's internal control system based on the concept of three lines of defence, the Treasurer carries secondary responsibility for the management of all financial risks.

3. Shareholders

3.1 Capital and shares

The Bank's share capital totals ten million euro. It is represented by four hundred thousand shares of no face value. Two hundred thousand registered, non-transferable shares are held by the Belgian State. The two hundred thousand other registered, bearer or dematerialised shares are held by the public and listed on Euronext Brussels.

The share capital is fully paid up.

Except for those belonging to the State, the shares can be converted to registered or dematerialised shares, free of charge, at the owner's request.

Ownership of the registered shares is established by entry in the Bank's shareholders register. The registered shareholder receives a certificate which does not constitute a transferable instrument. Dematerialised shares are represented by an account entry in the name of their owner or holder with an authorised intermediary or with the settlement institution, S.A. Euroclear Belgium.

3.2 Shareholder structure

Since 1948, and pursuant to the Organic Law, the Belgian State has held two hundred thousand of the Bank's shares, or 50% of the total voting rights.

The Bank has no knowledge of other holdings of 5% or more of the voting rights.

3.3 Dividends

The setting of the dividends is organised by the Organic Law. A first dividend of 6% of the capital is guaranteed by all reserves. The second dividend corresponds to 50% of the net proceeds from the portfolio which the Bank holds as a counterpart to its total reserves. The second dividend is guaranteed by the available reserve, unless the level of the reserves were to fall too low as a result.

In view of the special nature of the Bank and its tasks in the public interest, including the primary objective of maintaining price stability, the dividend is largely dissociated from profit or loss. In this way, the shareholder is protected against the volatility of the Bank's results, which are influenced by the monetary policy of the Eurosystem and exogenous factors such as demand for banknotes or exchange rate movements.

4. Communication with shareholders and the public

4.1 Principles

As the country's central bank, the Bank performs special tasks in the public interest, on which it has to render account to the democratic institutions and to the public in general, and not only to its shareholders and employees.

4.2 Reports

Every year, the Bank publishes a Report providing the public with extensive information on recent economic and financial developments in Belgium and abroad. The summary presented by the Governor on behalf of the Council of Regency focuses on key events in the past year and delivers the Bank's main messages concerning economic policy.

Each year, the Bank also publishes a report on its activities in the field of prudential supervision, as well as a Corporate Report presenting for the shareholders' and the public's attention the Annual Report and the annual accounts for the preceding year and explaining the organisation and governance of the Bank.

These Reports are made available in printed form to the shareholders and the public. They are also published on the Bank's website, which offers all the Annual Reports issued since 1998.

The Bank is not subject to the rules governing the drawing up and issuing of periodical information.

4.3 Relations with parliament

Pursuant to the Organic Law and the Statutes, the Governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at their request or on his own initiative. He shall send to the Chairmen of the Chamber of Representatives and the Senate the Annual Report on the activities of the Bank in the field of prudential supervision.

4.4 General Meetings

The Bank's Ordinary General Meeting provides an opportunity for shareholders and the Bank's management to meet. Every year at the meeting, the Board of Directors presents the Annual Report and the annual accounts for the past financial year.

4.5 Website

On its website, the Bank offers the public and the shareholders a large quantity of regularly updated information on its activities and operations, available at all times.

5. Representation of the Bank and signing of acts

5.1 Representation of the Bank

The Governor represents the Bank in legal proceedings.

The Governor and the Board of Directors may expressly or tacitly grant special authority to represent the Bank.

5.2 Signing of acts

All acts which are binding upon the Bank may be signed either by the Governor, or, in the absence of the latter, by the Vice-Governor, either by a majority of the members of the Board of Directors or by

a Director together with the Secretary, without any need to substantiate their authority to third parties. They may also be signed by one or two persons mandated either by the Governor or by a majority of the members of the Board of Directors or by a Director together with the Secretary.

Moreover, routine administrative acts may be signed either by the Vice-Governor or a Director, or by the Secretary or the Treasurer or by one or two members of the staff mandated by the Board of Directors.

6. The Bank's specific responsibility

The Bank issues and abides by its own mission statement. In addition, as a member of the Eurosystem, it has adopted that system's mission statement.

6.1 The Bank's mission statement

"The National Bank intends to be an independent, competent and accessible institution which carries out tasks in the public interest, providing added value for the economy and for Belgian society. It aims to be a valued partner of the Eurosystem, to which it contributes at multiple levels."

6.2 Eurosystem mission statement

"The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States of the European Union whose currency is the euro, is the monetary authority of the euro area. We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.

In pursuing our objectives, we attach utmost importance to credibility, trust, transparency and accountability. We aim for effective communication with the citizens of Europe. We are committed to conducting our relations with European and national authorities in full accordance with the Treaty provisions and with due regard to the principle of independence.

We jointly contribute, strategically and operationally, to attaining our common goals with due respect to the principle of decentralisation. We are committed to good governance and to performing our tasks

effectively and efficiently, in a spirit of cooperation and teamwork. Drawing on the breadth and depth of our experiences as well as on the exchange of know-how, we aim to strengthen our shared identity, speak with a single voice and exploit synergies, within a framework of clearly defined roles and responsibilities for all members of the Eurosystem.”

Annex 4 Rules of Procedure¹

Chapter I – Activities of the organs

Article 1. – The Bank's organs are the Governor, the Board of Directors, the Council of Regency, the Board of Censors, the Sanctions Committee and the Resolution College.

Art. 2. – The Governor exercises his powers in accordance with the Organic Law, the Statutes and these Rules of Procedure.

He directs the Bank and its staff with the assistance of the directors.

He submits proposals to the Board of Directors on the allocation among its members of authority over the departments, services and units, and on the representation of the Bank in national and international organisations and institutions.

Without prejudice to the preceding paragraphs and Article 4, the Governor exercises direct authority over the members of staff, whatever their grade or function.

Art. 3. – The King confers the title of Vice-Governor on one of the directors. The Vice-Governor replaces the Governor if the latter is unable to perform his duties, without prejudice to Article 10.2 of the Statute of the ESCB.

Art. 4. – § 1. The Governor and the directors jointly exercise their powers as members of the Board of Directors. The Board of Directors is responsible for the administration and management of the Bank in accordance with the Organic Law, the Statutes and these Rules of Procedure.

The Board of Directors is chaired by the Governor. In his absence, the Vice-Governor takes his place.

On the proposal of one of its members, the Board of Directors may invite one or more members of the Bank's staff, as well as one or more external experts, to attend all or part of a meeting. The invited persons do not participate in the decision-making process. If an invited member of staff or external expert has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Board of Directors, he or she shall inform the Board of Directors before the board takes a decision.

Unless it is unable to do so, the Board of Directors meets at least once a week. It also meets whenever deemed necessary by the Governor, the Vice-Governor or two directors.

Taking account of the requests made by members of the Board of Directors, the secretary submits a proposal of the agenda with the items for discussion at least three calendar days before the meeting. The Governor draws up the final agenda and may insert amendments with the agreement of the directors concerned, by no later than the day before the meeting. After that deadline, no further items may be added to the agenda except with the approval of the Governor.

All documents intended to form the basis of decisions of the Board of Directors, and in particular notes from the services and departments concerning the items for discussion, are circulated to the directors at least two calendar days before the meeting, except in urgent cases.

The Board of Directors cannot take decisions unless the majority of its members are present. A Board member is deemed to be present if he/she physically

¹ Approved by the Council of Regency on 20 February 2008. Latest amendments: 30 January 2019.

attends the meeting or takes part in the meeting via voice telecommunications in real time. Except in urgent cases, no decision may be taken on items which are not entered on the agenda. Resolutions are passed by a majority of the votes cast. If the votes are evenly divided, the Governor has the casting vote. If, in the Governor's absence, the votes are evenly divided, the proposal is rejected.

The minutes of the meetings of the Board of Directors contain a brief mention of the matters discussed and the decisions taken. In cases of dissent, the directors may ask for the minutes to record their vote, with supporting reasons, or their opinion. Once the minutes have been approved, they are signed by the members present at the meeting to which the minutes relate. The secretary is responsible for keeping the minutes.

When drafting the minutes concerning prudential matters, the secretary is assisted by a member of the Legal Service who, for that purpose, attends meetings of the Board of Directors dealing with prudential matters. At meetings of the Board of Directors dealing with macro-prudential matters, the secretary, when drafting the minutes, is assisted by a member of the Prudential policy and financial stability Service. When drafting the minutes concerning other matters, the secretary is assisted by the General Secretariat Department.

§ 2. In duly reasoned urgent cases confirmed by the Governor, the Board of Directors may, except when adopting regulations, decide by the written procedure or by using a system of voice telecommunication.

In order to take a decision by voice telecommunication, all members must be called by the Governor or, in his absence, by the Vice-Governor. The decision is adopted by the majority of the votes, provided the voice telecommunication procedure enables the majority of the members of the Board of Directors to communicate in real time and to hold a collective discussion. Each member contacted may request the convening of a meeting of the Board of Directors or the application of the written procedure referred to in the following subsection.

In the case of the written procedure, the Governor or, in his absence, the Vice-Governor submits the text of the draft decision by post with advice of receipt. The text may also be submitted by fax, electronic mail or any other written process. When these communication

facilities are used, the technical confirmation of sending counts as proof of receipt. Moreover, each member is notified personally, preferably by telephone, of the sending of the communication. The communication mentions the time available to the members for submitting their written agreement to the proposal. During that period, each member may request an oral discussion of the draft decision via a voice telecommunication procedure, or may request the convening of a meeting of the Board of Directors. The proposal is approved by the Board of Directors if, within the period stated in the communication, all members have unanimously given their written approval.

Minutes are produced on all decisions taken by the procedures described in this paragraph.

§ 3. If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and the reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the management report for the year in question.

The director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

§ 4. The Board of Directors exercises in respect of its members the authorisation and derogation powers provided for by the Bank's code of conduct.

Art. 5. – § 1. The Council of Regency discusses questions within its sphere of competence under the Organic Law, the Statutes and these Rules of Procedure.

It meets at least twenty times per year. In urgent cases, it holds an extraordinary meeting which is convened by the Governor.

Council of Regency resolutions are passed in accordance with Article 31.1 of the Statutes. Any discussion may be postponed to the next meeting at the request of the majority of the members present. In that case, the author is nonetheless permitted to submit the proposal without waiting.

Minutes of the discussions of the Council of Regency are kept in accordance with Article 31.2 of the Statutes.

§ 2. In urgent cases confirmed by the Governor, the Council of Regency may decide by the written procedure or by using a system of voice telecommunication.

In order to take a decision by voice telecommunication, all members must be called by the Governor or, in his absence, by the Vice-Governor. The decision is adopted by the majority of the votes, provided the voice telecommunication procedure enables the majority of the members of the Council of Regency to communicate in real time and to hold a collective discussion. Each member contacted may request the convening of a meeting of the Council of Regency or the application of the written procedure referred to in the following subsection.

In the case of the written procedure, the Governor or, in his absence, the Vice-Governor submits the text of the draft decision by post with advice of receipt. The text may also be submitted by fax, electronic mail or any other written process. When these communication facilities are used, the technical confirmation of sending counts as proof of receipt. Moreover, each member is notified personally, preferably by telephone, of the sending of the communication. The communication mentions the time available to the members for submitting their written agreement to the proposal. During that period, each member may request an oral discussion of the draft decision via a voice telecommunication procedure, or may request the convening of a meeting of the Council of Regency. The proposal is approved by the Council of Regency if, within the period stated in the communication, all members have unanimously given their written approval.

Minutes are produced on all decisions taken by the procedures described in this paragraph.

§ 3. In regard to the budget, including the patronage funds, the Council of Regency is assisted by the Budget Committee and the Special Fund Committee.

The Budget Committee has power to examine the Bank's budget before it is approved by the Council of Regency. It is chaired by a member of the Board of Censors and otherwise comprises three regents, two other censors, the representative of the Minister of Finance, and, in an advisory capacity, the director responsible for the Controlling department. This committee meets on a yearly basis. It may call on the General Secretariat Department to provide its secretariat.

The Special Fund Committee has the competence to examine the allocation of the Bank's Special Patronage Fund before it is approved by the Council of Regency. It is chaired by the Governor and otherwise comprises two regents, two censors and one member of the Board of Directors. This committee meets on a yearly basis. It may call on the General Secretariat Department to provide its secretariat.

§ 4. In the performance of its duties in relation to remuneration and appointments, the Council of Regency is assisted by the Remuneration and Appointments Committee.

The Remuneration and Appointments Committee Regulations define the powers, composition and functioning of that committee.

§ 5. If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting.

§ 6. The regents do not effect, for their own account or on behalf of a third party, any transactions in shares of the Bank or financial instruments relating to those shares during the annual closed period of thirty calendar days before publication of the annual accounts. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed ad hoc by the Board of Directors.

Art. 6. – § 1. The Board of Censors exercises its duties as an audit committee and its supervisory duties in regard to the preparation and implementation of the budget in accordance with the provisions of

the Organic Law, the Statutes and these Rules of Procedure, and ensures that there are no conflicts between these duties that hinder their proper execution. The additional rules of operation regarding the audit committee are set out in the Audit Committee Regulations.

The Board of Censors meets at least eight times per year and whenever necessary, in which case it is convened by the Chairman. The Board passes its resolutions in accordance with the provisions of Article 33 of the Statutes.

Minutes are kept of the deliberations of the Board of Censors. Once these have been approved, they are signed by the members present at the meeting to which the minutes relate. The minutes are forwarded to the Bank's secretary, either as a whole or in part, and communicated to the Board of Directors.

§ 2. The members of the Board of Censors do not effect, for their own account or on behalf of a third party, any transactions in shares of the Bank or

financial instruments relating to those shares during the annual closed period of thirty calendar days before publication of the annual accounts. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed ad hoc by the Board of Directors.

Art. 7. The Sanctions Committee exercises its powers in accordance with the provisions of the law and the Rules of Procedure which it adopts in accordance with Article 36/8, § 8, of the Organic Law. Those Rules of Procedure describe its rules of operation and the rules on conduct applicable to its members.

The chairman of the Sanctions Committee exercises the powers of supervision over compliance with the Bank's code of conduct as described in that code.

The Bank provides the Sanctions Committee and its chairman with the staff and facilities required for the performance of their duties.

Chapter II – The Secretary and the Treasurer

Art. 8. – The Secretary, appointed by the Council of Regency in accordance with Article 43 of the Statutes, draws up the minutes and the records of the meetings of the Board of Directors and of the Council of Regency. He draws up the minutes of the general meeting of shareholders and has them signed by the chairman of the general meeting, the scrutineers and the other members of the bureau. He certifies copies conforming to the original. He deals with changes to the Bank's Rules of Procedure.

Art. 9. – Under the Bank's internal control system based on the concept of three lines of defence, the Treasurer, appointed by the Council of Regency in accordance with Article 43 of the Statutes, carries secondary responsibility for the management of all financial risks.

Chapter III – Organisation of the departments, services and offices

Art. 10. – The Board of Directors organises the head office in departments, services and units, specifying their functions. The resulting organisation chart is updated and published on the Bank's website.

On the proposal of the Governor, the Board of Directors allocates authority over the departments, services and units among the directors. The directors arrange for the departments, services and units under

their authority to execute the decisions taken by the organs within their respective spheres.

The departments comprise services, units and/or groups. The departments, services, units and groups are run respectively by their head of department, head of service, head of unit or head of group. These are responsible for the management of their department, service, unit or group and the implementation of the decisions taken by the organs.

The Board of Directors may set up standing inter-departmental working groups, deciding their terms of office, appointing their members and designating their chairman.

Art. 11. – The outside offices perform the tasks for which they have been given responsibility by the Board of Directors. These concern in particular decentralised operations coming under other departments or services, and local representation duties.

The office managers ensure the implementation of operating and security instructions and the maintenance of the building, equipment and furniture provided for the office. They inform the head office services without delay of any important facts concerning them.

The Board of Directors authorises one member of the staff of each office to replace the person in charge as his deputy. It also designates the persons whom the office manager may delegate to sign for him, in compliance with the rules.

Annex 5 Audit Committee Regulations¹

1. General

1.1 General duties

The Audit Committee performs an advisory function. Its duties are defined by Article 21*bis* of the Organic Law. Titles 2 to 5 below describe those duties in detail, and more particularly what is meant by the monitoring of the processes and systems mentioned.

1.2 Reporting

Once a year, the Audit Committee shall report to the Council of Regency on the performance of its duties.

The Audit Committee shall also report to the Council of Regency on all points arising from the performance of its duties which are of relevance for the approval of the annual accounts and the Annual Report of the Bank, and for the drafting of the accounting rules by the Council of Regency.

The Council of Regency shall consult the Audit Committee before approving the annual accounts. It may request the Audit Committee to examine specific questions on this subject and report back to it.

The Audit Committee shall report to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, the effectiveness of the external audit, and the independence of the auditor.

The Audit Committee shall draw the attention of the competent organ to aspects which it considers require action or improvement. It shall also make recommendations on the measures to be taken.

2. Monitoring of the process of preparing the financial information

2.1 Standards and rules

The Audit Committee shall assess the relevance and consistency of the accounting rules drawn up by the Council of Regency.

It shall examine the modifications which the Council of Regency proposes to make to the accounting rules, and express its opinion on that subject.

The Audit Committee shall discuss with the Board of Directors and the auditor any significant questions concerning the preparation of the financial information.

2.2 Significant and abnormal transactions

The Board of Directors shall inform the Audit Committee of the principles adopted for recording significant or abnormal transactions where various accounting approaches are possible.

2.3 Financial information

The Audit Committee shall assess the accuracy, exhaustiveness and consistency of the financial information.

In particular, it shall examine the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

This examination shall be based on a programme set by the Audit Committee and taking account of the activities of the Accounting Service, the Internal Audit Service and the auditor.

¹ Approved by the Council of Regency on 8 October 2008.

3. Monitoring of the effectiveness of internal control and risk management

3.1 Periodic examinations

The Audit Committee shall examine periodically, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various departments and services.

It shall ensure that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors.

3.2 Application to the Annual Report

The Audit Committee shall examine the comments contained in the Annual Report concerning internal control and risk management.

3.3 Financial or other irregularities

The Audit Committee shall examine the opportunities available to the Bank's staff for confidential reporting of any concerns about possible irregularities, particularly in regard to the preparation of the financial information.

4. Monitoring of the effectiveness of the internal audit process

4.1 Internal Audit Service

The Bank shall have its own independent Internal Audit Service.

The Audit Committee shall examine the internal audit charter and verify whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank.

Where appropriate, it shall make recommendations to the Board of Directors on that subject.

4.2 Programme of work

Before the internal audit's programme of work is approved by the Board of Directors, the Audit Committee shall examine that programme, taking

account of the complementarity with the work of the auditor.

4.3 Audit reports and recommendations

The Audit Committee shall examine the effectiveness of the internal audit. It shall receive the internal audit reports or a summary thereof.

It shall receive the quarterly report of the internal audit at the same time as the Board of Directors.

It shall examine the extent to which the departments and services take account of the internal audit's findings and recommendations.

4.4 Internal audit officer

At the request of the Board of Directors, the Audit Committee shall give its opinion concerning the profile of the internal audit officer.

5. Monitoring of the external audit process

5.1 The Bank's auditor

The Audit Committee shall make recommendations to the Board of Directors on the proposal for the selection, appointment and re-appointment of the auditor. It shall be informed of the tendering procedure, and in particular the selection criteria. If necessary, it shall make recommendations on this subject.

Where appropriate, the Audit Committee shall investigate questions leading to the dismissal of the auditor and make recommendations on the measures consequently required.

5.2 Programme of work

The auditor's programme of work shall be notified to the Audit Committee. The latter shall be informed in good time of any significant points revealed by the external audit process.

5.3 External audit reports and recommendations

The Audit Committee shall examine the effectiveness of the external audit process and ascertain to what

extent the Board of Directors takes account of the recommendations made to it by the auditor in its recommendation letter.

5.4 Independence

The Audit Committee shall monitor the independence of the auditor in accordance with Article 21*bis*, § 4, of the Organic Law.

It shall, in particular, monitor the nature and extent of the services other than auditing which could be assigned to the auditor.

6. Functioning of the Audit Committee

6.1 General contacts

The Audit Committee may invite the Governor, another member of the Board of Directors, a senior manager, the internal audit officer or the auditor to attend its meetings in whole or in part.

The Audit Committee is authorised to meet any person which it deems appropriate, without any need for a member of the Board of Directors or the Bank's senior management to be present.

6.2 Contact with the internal audit

The Audit Committee shall meet the internal audit officer at least twice a year.

The internal audit officer may contact the chairman of the Audit Committee direct and without restriction.

6.3 Contact with the auditor

The Audit Committee shall also meet the auditor and the internal audit officer at least twice a year to exchange opinions with them on any questions relevant to its duties, including the provisions of Article 21*bis*, § 3 and § 4 of the Organic Law, and on any other problem revealed by the audit process.

The auditor may contact the chairman of the Audit Committee direct and without restriction.

6.4 Assessment of the Audit Committee Regulations

The Audit Committee shall assess its own effectiveness once a year, and if appropriate shall propose the necessary adjustments to these Regulations.

6.5 Support

The Audit Committee may call on:

- the Secretariat Service, the entity dealing with meetings of the management organs, for administrative tasks and secretariat;
- –the Internal Audit Service to facilitate contact with the Bank's departments and services.

Annex 6 Remuneration and Appointments Committee Regulations¹

1. Powers

1.1 General duties

The Remuneration and Appointments Committee has an advisory role. It assists the Council of Regency in the performance of its duties in relation to remuneration and appointments, and submits recommendations to the organs and entities competent to propose candidates.

1.2 Powers relating to remuneration

The Remuneration and Appointments Committee submits proposals to the Council of Regency on the remuneration policy and on the remuneration of the Governor, the other members of the Board of Directors, the members of the Council of Regency and the members of the Board of Censors.

Each year, the Remuneration and Appointments Committee prepares the remuneration report which is included in the Governance Statement and approved by the Council of Regency.

1.3 Powers relating to appointments

The Remuneration and Appointments Committee submits recommendations for the attention of the organs and entities competent to propose candidates for vacant posts on the Board of Directors, the Council of Regency and the Board of Censors, those recommendations being intended to enable those organs and entities to respect all the applicable legal, statutory and ethical rules and to ensure the balanced composition of the Bank's organs in terms of competence and gender.

2. Composition

The Remuneration and Appointments Committee is composed of two Regents, two Censors and the representative of the Minister of Finance. The Remuneration and Appointments Committee members appoint one of the Regents or Censors as chairman.

At least three members fulfil the independence criteria stated in Article 526ter of the Company Code.

At least one member has the necessary expertise relating to remuneration policy which, according to the law, means that this member must hold a higher education diploma and must have at least three years' experience in personnel management or in regard to the remuneration of company directors and board members.

The Governor takes part in the Remuneration and Appointments Committee meetings in an advisory capacity.

3. Functioning

The Remuneration and Appointments Committee meets at least twice a year and whenever it considers that necessary for the performance of its duties.

Decisions of the Remuneration and Appointments Committee are valid only if the majority of its members are present.

Decisions are taken by a majority of the votes cast. If the votes are evenly divided, the chairman has the casting vote. If the chairman is absent and the votes are evenly divided, the proposal is rejected.

¹ Approved by the Council of Regency on 22 December 2010. Last amended on 24 October 2012.

At least every two years, the Remuneration and Appointments Committee assesses its own efficiency and proposes the necessary adjustments to these regulations.

The Remuneration and Appointments Committee can call on the Bank's General Secretariat to provide its secretariat.

National Bank of Belgium
Limited liability company
RLP Brussels – Company number: 0203.201.340
Registered office: boulevard de Berlaimont 14 – BE-1000 Brussels
www.nbb.be



Publisher

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Cover: the dealing room of the National Bank

© Illustrations: National Bank of Belgium

Cover and layout: NBB CM – Prepress & Image

Published in May 2019



