

ACT No. 383 of 3 May 2006

## Act on the Credit Institution for Local and Regional Authorities in Denmark (*Lov om Kreditforeningen af kommuner og regioner i Danmark*)

BE IT KNOWN that the Folketing has enacted and We Margrethe the Second, by the Grace of God, Queen of Denmark, have given Our Royal Assent to the following Act:

### Chapter 1

#### *Activities*

**1.** The object of the Credit Institution for Local and Regional Authorities in Denmark (the Institution) shall be to grant loans and offer financial leasing within the framework of the rules laid down by the Minister of the Interior and Health on the local and regional authorities' borrowing, including the financial services associated therewith as stipulated in the Institution's Articles of Association.

(2) The Institution shall be organised under the name of KommuneKredit.

(3) The Institution shall always have a set of Articles of Association regulating the Institution's affairs, which shall be approved by the Minister of the Interior and Health.

**2.** The Institution shall offer the services mentioned in Section 1(1), to:

- 1) local and regional authorities and local authority partnerships,
- 2) other local or regional purposes in compliance with the conditions as stipulated in Subsection 2.

(2) Loans and financial leasing for other local and regional purposes pursuant to Subsection 1(2), shall be provided only on the condition that one or more local or regional authorities provide a guarantee for the loan amount, or that loans are granted to companies etc., the articles of association of which stipulate that all participants are jointly and severally liable for loans raised and which count among their partners or participants one or more local or regional authorities.

**3.** Any local or regional authority having obtained a loan from or entered into financial leasing contracts with the Institution or being liable for loans or financial leasing contracts as stipulated in Section 2 above shall be a member of the Institution.

**4.** The Institution shall fund its activities through loans on money and capital markets, including financial instruments.

**5.** The members shall be directly, jointly and severally liable for all obligations assumed by the Institution. A member shall cease its membership only when that member has settled its debts to the Institution and has been released from its joint and several liability in accordance with the Articles of Association.

**6.** The Institution may carry out its activities through subsidiaries upon prior approval from the supervisory authority, cf. Section 15(1).

(2) The Institution may merge with the subsidiaries approved pursuant to Subsection 1 upon prior approval from the supervisory authority, cf. Section 15(1).

7. Within the framework laid down by the supervisory authority, cf. Section 15(1), the Institution shall be entitled to charge administration fees.

## Chapter 2

### *Capital structure etc.*

8. The equity capital of the Institution shall always be at least 1 per cent of the Institution's total liabilities.

(2) In the event that the equity capital falls below 1 per cent of the Institution's total liabilities, the amount required to restore the equity capital to the minimum requirement pursuant to Subsection 1 shall be collected from the members in accordance with the guidelines provided in the Institution's Articles of Association. The amounts collected with the addition of an amount of interest approved by the supervisory authority, cf. Section 15(1), shall be reimbursed to the members as soon as possible without the equity capital being reduced to a level below the minimum requirement stipulated in Subsection 1.

9. The Institution's possibility for raising loans without immediate relending shall be regulated by the supervisory authority, cf. Section 15(1).

(2) The supervisory authority, cf. Section 15(1), shall be entitled to lay down rules regarding the liquidity position of the Institution.

(3) The Institution shall lay down rules regarding the management of financial risks and use of financial instruments, which shall be submitted to the Ministry of the Interior and Health immediately following the approval by the Board of the Institution. The supervisory authority, cf. Section 15(1), shall be entitled to order the Institution to amend such rules.

## Chapter 3

### *Management*

10. The Board of the Institution and the Management shall give general supervision and direction to the general management of the Institution. The Board shall ensure that the Institution's activities are managed appropriately. The Management shall be in charge of the day-to-day management of the Institution.

(2) The Board of the Institution shall issue written guidelines on the Institution's most significant areas of activity, specifying the distribution of responsibilities between the Board and the Management.

(3) A copy of such guidelines shall be submitted to the Ministry of the Interior and Health, which shall also be notified in writing of any amendments.

11. The Institution shall be bound by the joint signatures of the Chairman or Vice-chairman of the Board and a member of the Management or by the joint signatures of any two members of the Management. The Institution shall also be bound by the joint signatures of one member of the Management and an employee with due authorisation from the Chairman of the Board or by the joint signatures of two employees with authorisation from the Chairman of the Board.

**12.** The remuneration paid to the members of the Board shall be approved by the supervisory authority, cf. Section 15(1), and shall not exceed the amount considered to be customary in view of the nature and scope of the position.

#### Chapter 4

##### *Financial statements and audit*

**13.** The Institution shall prepare an annual report in accordance with the guidelines provided in the Institution's Articles of Association. A copy of the annual report shall be submitted to the Ministry of the Interior and Health.

(2) The annual report shall be audited by at least two auditors, of whom at least one shall be a state-authorized public accountant.

**14.** The Board shall appoint one or two auditors, who shall be state-authorized public accountants. The supervisory authority, cf. Section 15(1), shall appoint an additional auditor.

#### Chapter 5

##### *Supervision etc.*

**15.** The Ministry of the Interior and Health shall be the supervisory authority charged with the supervision of the Institution's compliance with this Act and the rules laid down under this Act.

(2) The supervisory authority, cf. Subsection 1, shall be entitled to impose daily or weekly default fines on the members of the Institution's Board and Management, in the event that they fail to fulfil their obligations under Sections 8, 9, 10(2) and (3), 13(1) and 16 of this Act or the rules laid down under this Act.

(3) Default fines pursuant to Subsection 2 may be collected by means of statutory debt collection and by withholding wages etc.

**16.** The Institution shall submit the information requested by the supervisory authority, cf. Section 15(1), to the Ministry of the Interior and Health before the expiry of the deadline set by the supervisory authority.

**17.** The members of the Institution's Board and Management as well as its auditors shall, on their own initiative, notify the Ministry of the Interior and Health of any information of material importance to the Institution which may lead to the Institution not being able to fulfil its obligations under the Act or the rules laid down under the Act.

**18.** The supervisory authority, cf. Section 15(1) shall be entitled to arrange for investigations of matters pertaining to the Institution at the expense of the Institution.

**19.** The supervisory authority, cf. Section 15(1), shall be entitled to order the Institution to cover the costs incidental to the supervision.

#### Chapter 6

##### *Cessation*

**20.** In the event that the security of the creditors, in the assessment of the supervisory authority, cf. Section 15(1), is significantly deteriorated, and the Institution fails to institute measures within

the deadline set by the supervisory authority, the supervisory authority shall be entitled to discontinue the activities of the Institution or to arrange for the administration of the estate of the Institution.

**21.** In the event that the Institution ceases its activities, its reserves shall be allocated, except for provisions for pensions, and after all claims against the Institution have been settled. Such allocation shall be approved by the supervisory authority, cf. Section 15(1).

## Chapter 7

### *Entry into force and transitional provisions*

**22.** The Act shall enter into force on 1 January 2007.

(2) Act No. 35 of 19 March 1898 on Benefits for a Credit Institution for Local Authorities in Denmark (*lov nr. 35 af 19. marts 1898 om Begunstigelser for en Kreditforening af Kommuner i Danmark*) shall be repealed.

**23.** Notwithstanding the provisions in Section 2, loans granted by the Institution before 1 January 2007 and assumed by the Danish State as a result of the transfer of tasks etc. under the local government reform, cf. Act No. 539 of 24 June 2005 on certain procedural issues in connection with the local government reform (*lov nr. 539 af 24. juni 2005 om visse proceduremæssige spørgsmål i forbindelse med kommunalreformen*), may continue on unchanged terms and conditions by assumption of the debt by the State.

(2) The obligations assumed by the Institution in connection with the financing of continued loans pursuant to Subsection 1 shall be deducted from the obligations for which the members of the Institution are jointly and severally liable, cf. Section 5.

(3) In the statement of the Institution's equity capital requirement, cf. Section 8, the obligations assumed by the Institution in connection with the financing of continued loans pursuant to Subsection 1 may be deducted from the total liabilities of the Institution

**24.** The Act shall not apply to the Faroe Islands and Greenland.

*Given at Amalienborg Castle on 3 May 2006*

Under Our Royal Hand and Seal

Margrethe R.

/Lars Løkke Rasmussen

# THIS IS TO CERTIFY

that the foregoing

**"Act"**

is a true and faithful translation of the attached document  
in the Danish language produced to me.

This translation consists of five (5) pages.

In witness whereof I have hereunto set  
my hand and affixed my seal of office  
this 26<sup>th</sup> day of March 2007.

Sworn Translator and Interpreter at Aarhus, Denmark

Janni Jakobsen