

BANK OF FINLAND

1973



YEAR BOOK

VOLUME 54

HELSINKI 1974

HELSINKI 1974
GOVERNMENT PRINTING CENTRE

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I. ECONOMIC DEVELOPMENTS IN 1973

The cyclical upswing which started in the latter half of 1972 continued throughout 1973. As a result of the upturn, capacity ceilings were soon met, and demand pressures built up in the course of the year, particularly in the southern parts of the country. The volume of total production grew by more than five per cent, although capacity constraints and a shortage of raw materials and skilled labour held back the growth of production in some fields. Demand pressures, coupled with domestic and international cost pressures, increased the rate of inflation and led to a rapid growth of imports. As the net inflow of foreign capital was only about a half of that in the previous year, part of the ensuing current account deficit was financed by drawing upon the country's foreign exchange reserves. The energy crisis introduced further uncertainty in the Finnish economy towards the end of the year.

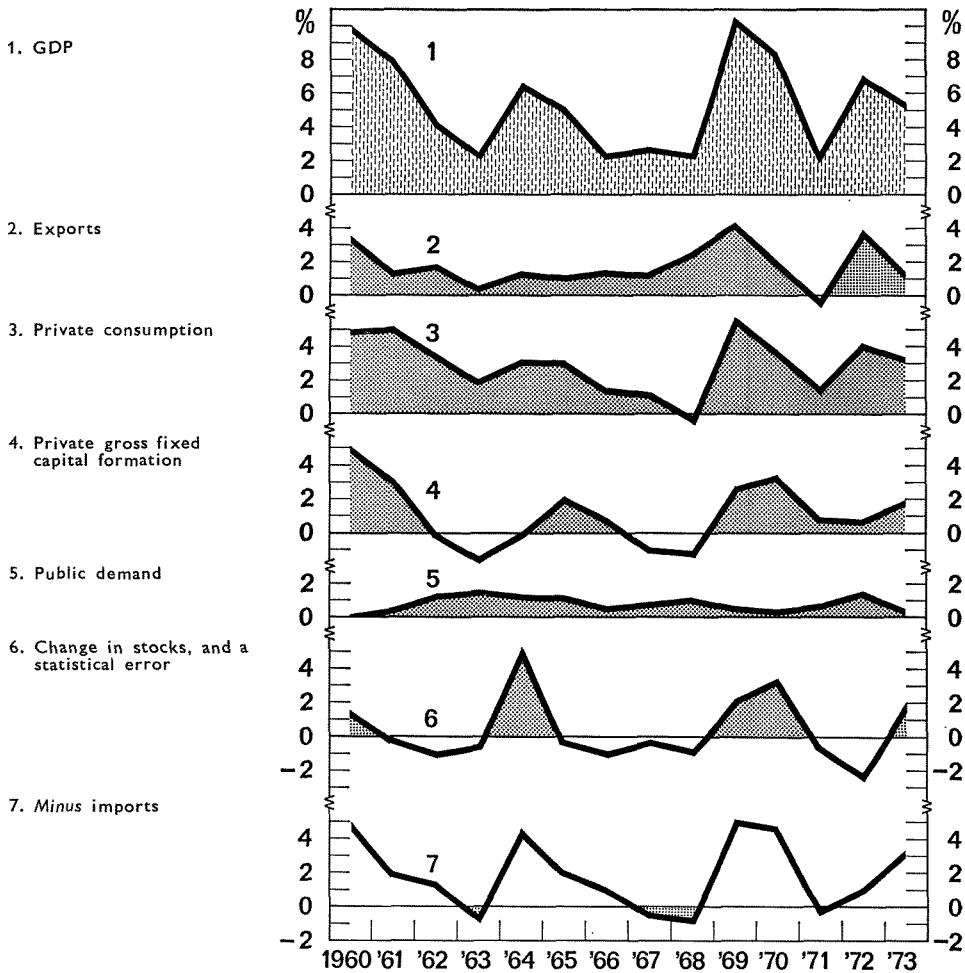
Foreign demand

The international cyclical upswing remained vigorous throughout 1973, and the growth rate of total production in the major Western industrialized countries exceeded the average long-term growth rate. However, in Sweden the cyclical upswing was still fairly mild. The simultaneous strengthening of demand in various countries also accelerated the rate of international inflation.

The revival of international economic activity strengthened foreign demand for Finnish exports. However, because of capacity constraints, it was not possible to increase the volume of exports to meet growing foreign demand, so that losses in market shares could not be avoided. On the other hand, export prices rose by 17 per cent and, accordingly, the value of commodity exports by about 20 per cent.

Domestic demand

Investment in fixed capital increased by more than four per cent. After capacity ceilings had been met in production, industry's investment in construction, machinery and equipment increased sharply. Residential building

CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT, ¹ 1960—1973

was brisk throughout the year and was helped by the previous easiness in the financial markets and the growth of state residential loans. Attempts were made to provide scope for expansion in industrial investment by levying an investment tax on buildings of lower priority and by reducing public investment. However, the growth of the volume of investment in construction was held in check by capacity constraints and a building strike in the spring and early summer. Because of a shortage of labour, it was not possible to fully make up for the losses caused by the strike during the latter half of the year. Investment in stocks grew sharply, as enterprises were able to

Changes in volume over previous year in per cent of previous year's gross domestic product.

increase their equity financing, and as inflationary expectations strengthened further. The volume of private consumption grew by six per cent as a result of an increase in real income and a sharp rise in the propensity to consume. The rise was particularly rapid for purchases of passenger cars and other consumer durables. Public expenditure increased more slowly than private consumption.

Production

The attempts to expand production at a time when production capacity was fully utilized and a shortage of labour prevailed, led to overheating in the economy during the course of the year. The situation was exacerbated by difficulties in obtaining raw materials. These problems were most severe in construction. Foreign demand for wood and paper industry products was so great that the industry could not meet it entirely. It was not until the closing months of 1973 that fellings picked up, but the need to guarantee a continued supply of wood in the future placed limits on cuttings. An increasing number of orders were placed with firms in the metal industry, but the expansion of output in this branch was curbed by a continuous shortage of labour. The energy crisis which came about towards the end of 1973, did not disturb production during the year under review.

Employment

The dualistic nature of Finnish employment problems came to the fore in 1973. The labour shortage in southern Finland became chronic, even though the unemployment rate remained high in other parts of the country because of structural factors. The average rate of unemployment was estimated to be 2.3 per cent. The labour force participation rate rose substantially because an increasing number of women sought jobs as a result of the brisk demand for labour.

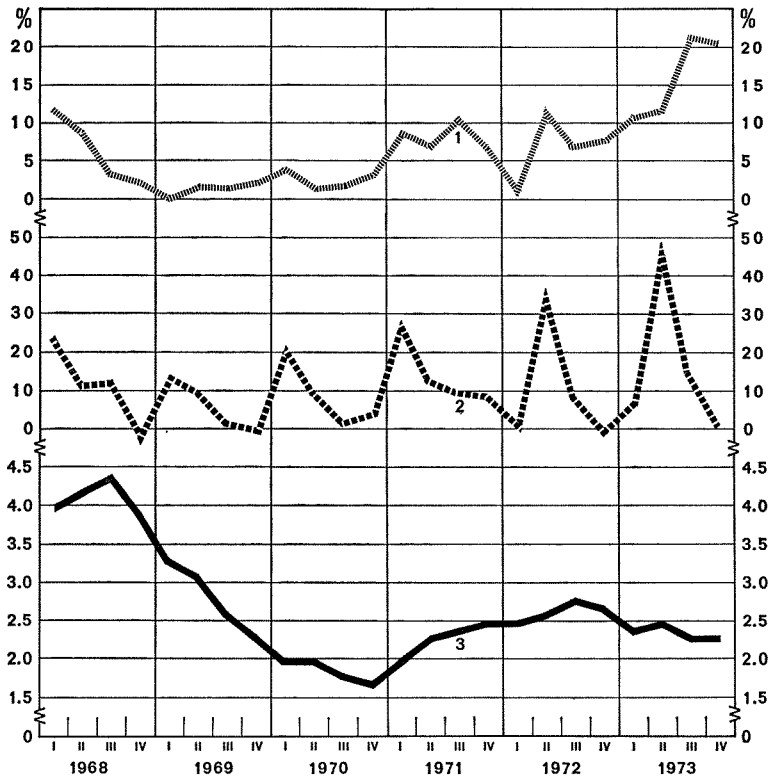
Imports

The volume of commodity imports grew by 13 per cent. In the face of sharply strengthening demand, the firms experienced a need to import both raw materials and investment goods. The rises in the price of oil did not have much of an impact on imports of fuel in the course of 1973. Imports of consumer goods and passenger cars continued to grow faster than other imports. Import prices rose by about 12 per cent and the value of imports by more than 25 per cent.

Prices and incomes

Prices continued to climb at a rapid pace. The average annual rise in the cost of living index was 11.7 per cent, and in the course of the year the index rose by more than 15 per cent. The rise in the average annual wholesale price index was more than 17 per cent, which was mainly a result of the rapid rise in the price of investment goods. The aggravation of inflation was caused by an increase in international prices and by strong domestic cost and demand pressures. In 1973 no central price and incomes agreement was concluded and individual organizations negotiated their own agreements during the spring. It is estimated that wages and salaries were increased on average by 10 per cent on the basis of these agreements. Because of the prevailing shortage of labour, wage drift was substantial, and the average level of earnings rose by more than 15 per cent as against 1972. Social secu-

PRICES, EARNINGS AND UNEMPLOYMENT, 1968—1973



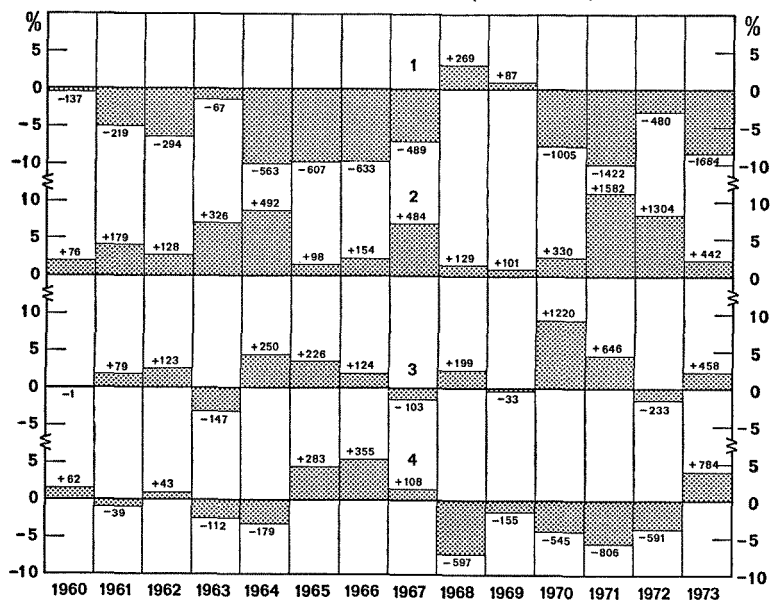
1. Change in the seasonally adjusted cost of living index (quarterly figures at annual rates)
2. Change in the index of earnings (quarterly figures at annual rates)
3. Seasonally adjusted rate of unemployment

rity costs increased particularly fast, and labour costs per unit of output rose by just under 11 per cent which was over 3 percentage points more than in the previous year. Cost pressures were further strengthened by rising import prices. The increase in agricultural target prices in May and the rise in interest rates in July also contributed to the increase in the cost of living index. The extent and methods of price control remained almost unchanged throughout 1973.

Balance of payments

The current account deficit grew substantially. This unfavourable development was mainly a result of an increase in the trade deficit from 1 025 million marks in 1972 to 1 995 million marks in 1973. The growth in the trade deficit was due to the fact that production capacity was not adequate to meet both domestic and foreign demand. On the other hand, the terms of trade improved notably. Expenditure on services increased faster than receipts from services, and the service account surplus grew only slightly. As, in addition, investment expenditure and income transfer expenditure exceeded corresponding receipts, the current account deficit came to about 1 700 million marks in 1973, whereas it amounted to 480 million marks in 1972.

SHARES OF BALANCE OF PAYMENTS ITEMS IN CURRENT ACCOUNT EXPENDITURE, 1960—1973 (Mill. marks)



1. Current account
2. Long-term capital, net

3. Short-term capital, net
4. Foreign exchange reserves (increase —)

Only about a quarter of the current account deficit was offset by a net inflow of long-term capital. Disturbances in international foreign exchange markets and rising interest rates on foreign loans reduced the willingness to borrow, particularly during the first half of 1973. Accordingly, the basic balance showed a clear deficit, after two successive years of surplus. Drawings of long-term foreign loans amounted to less than 2 000 million marks, or over 1 000 million marks less than one year earlier. Most borrowing took the form of direct financial loans or long-term import credits. Amortizations of credits granted by international financial institutions and by various foreign governments exceeded drawings of new loans. Changes in the share of bonds, direct investment and export credits in total debt were insignificant (see Table p. 26). The ratio of debt service costs to current account earnings amounted to 11 per cent.

The amount of net short-term foreign trade credits at the end of the year almost equalled the amount at the beginning of the year, as drawings of these credits were reduced by the implementation of a cash payment system for imports of consumer goods in June and of a limitation on prepayments for exports of sawn timber which came into force in the early autumn. Because the inflow of long-term capital was retarded, drawings of other short-term loans increased somewhat towards the end of the year. Thus almost half of the current account deficit had to be financed by drawing upon the foreign exchange reserves. In all, the country's foreign exchange reserves declined by 784 million marks. The fall in the Bank of Finland's foreign exchange reserves was 491 million marks.

Financial markets

Domestic financial markets were still very easy at the beginning of 1973. However, the rapid weakening of the current account and the slackening of the inflow of foreign capital, coupled with a continuing surplus in state finances, led to a pronounced tightening of the financial markets during 1973. The strengthening of domestic demand and the acceleration of inflation increased the demand for bank credits notably, whereas the growth of deposits slackened. The functioning of the money market was also affected by a bank strike in the spring. However, the tightening of financial markets did not yet substantially curb the growth of total demand during 1973.

The balance of payments deficit reduced the net foreign claims of the Bank of Finland by 445 million marks. The surplus in state finances, together with the capital import deposit system introduced in the summer, contributed to the growth of domestic term liabilities of the Bank of Finland. Of these, deposit certificates increased by 660 million marks and the central government's counter-cyclical fund by 505 million marks; the accrual of capital

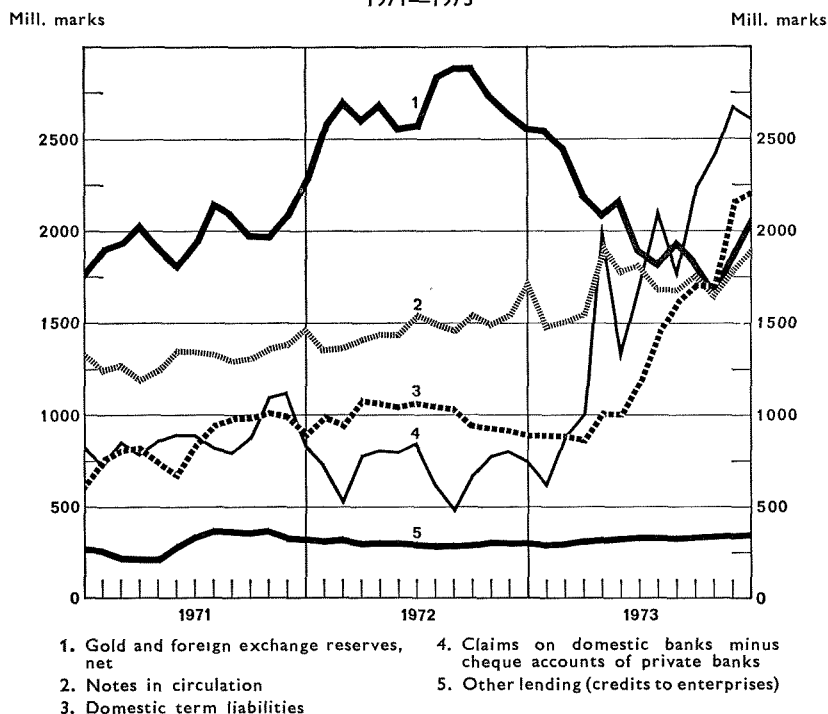
import deposits was 214 million marks. The tightening of the financial markets was reflected by the 1 859 million mark growth in the commercial banks' debt to the central bank.

Deposits by the public grew only slightly, compared with the increase in nominal income. Time deposits grew by less than 14 per cent. The deposit growth was curbed by a decline in the propensity to save of private households and by a rise in the price of dwellings. Moreover, expectations of further inflation tended to hold back the growth of deposits. On the other hand, deposit developments, particularly in savings and co-operative banks, were supported by the increase in forestry earnings. The share of fixed term deposits in all time deposits remained almost unchanged throughout 1973, even though 24-month deposits grew faster than other fixed term deposits.

Demand deposits increased more sharply than time deposits, i.e., by 27 per cent. This was mainly the result of a rise in export prices and a strengthening of the inflow of foreign capital during the latter half of 1973. Total deposits made by the public grew by less than 16 per cent in 1973, or by 2 percentage points less than in the previous year.

Lending by the deposit banks increased by more than 24 per cent. The pronounced increase in the demand for credit was caused by the starting of

MOVEMENT IN MAJOR ITEMS IN THE BALANCE SHEET OF THE BANK OF FINLAND,
1971—1973



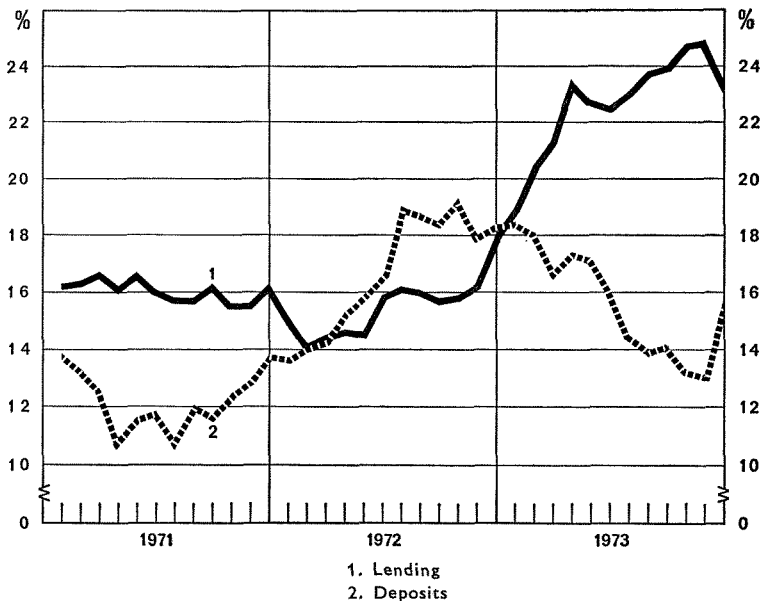
several major industrial investment projects and the unusually sharp rise in prices, particularly in construction.

The growth in lending by the deposit banks exceeded the rise in deposits by 1 827 million marks. However, the growth of the deposits accepted by the savings and co-operative banks almost equalled the increase in their lending.

The deposits by the public in the commercial banks increased by 1 180 million marks, i.e., 1 445 million marks less than lending. In the previous year, the growth in deposits had exceeded the rise in lending by 209 million marks. The commercial banks' investment in bonds increased by 163 million marks, and their holdings of bonds amounted to 1 203 million marks at the end of the year. Domestic claims in foreign currency grew by 229 million marks. Holdings of shares, real estate and movable property increased by 509 million marks during 1973, which was largely the result of rises in the valuation of real estate.

The net liabilities of the commercial banks to other financial institutions grew by 26 million marks. The equity capital of the commercial banks was raised by 493 million marks, i.e., 52 per cent, mainly as a result of share issues and changes in valuation. The net foreign liabilities of the commercial banks grew by 137 million marks, whereas they had declined by 314 million marks in the previous year. The commercial banks' debt to the central

BANK DEPOSITS AND BANK LENDING, 1971—1973
(Change on the corresponding month of the previous year)



bank in the form of discounts and rediscounts rose by 1 830 million marks and amounted to 2 583 million marks at the end of the year. As the central bank credit quotas of the commercial banks totalled 1 550 million marks at that time, it meant that the commercial banks had exceeded their quotas by more than 1 000 million marks. The average level of the commercial banks' debt to the central bank, calculated on the basis of end-of-month figures, was 1 790 million marks in 1973. This figure is rather high because of the bank strike in the spring.

The interest rates paid on deposits remained unchanged during the first half of the year. At the beginning of July, interest rates were raised by 1 ½ percentage points. Accordingly, the following rates of interest were paid on different types of accounts during 1973:

	Jan. 1 — June 30	July 1 — Dec. 31
24-month deposits	6 ¼	7 ¾
12-month deposits	5 ¼	6 ¾
6-month deposits	4 ¾	6 ¾
Standard deposits ¹ and service accounts ²	4 ¼	5 ¾
Cheque accounts and postal giro accounts ²	0	1 ½

The rates of interest on loans were also raised by 1 ½ percentage points at the beginning of July. Thus the highest lending rate of the banks was 12 ½ per cent. At the end of 1973, the weighted average lending rate of the commercial banks was 9.50 per cent; for the savings banks, it was 10.16 per cent, for the co-operative banks 10.29 per cent, and for Postipankki (the post office bank) 9.25 per cent. The weighted average lending rate for all deposit banks was 9.75 per cent.

From the point of view of state finances, 1973 was an easy year. The surplus in the budget proposal, excluding borrowing and redemptions, came to 134 million marks. Since the accrual of taxes was larger than had been estimated, the estimates of revenue were raised in supplementary budgets by a total of 1 953 million marks, of which 742 million marks was recorded as an increase in income and property tax revenue and 460 million marks as an increase in turnover tax revenue. The rapid rise in prices and costs also increased state expenditure. As the employment situation was continuously weak in eastern and northern Finland, it was necessary to begin several additional work programmes in the course of the year. By increasing housing loans for the development regions, attempts were made to provide industrial firms with better facilities for locating in these regions. In the autumn, 500 million marks was transferred to the central government counter-cyclical fund held by the Bank of Finland. In the four supplementary budgets, state expenditure was increased by a total of 2 198 million marks. The

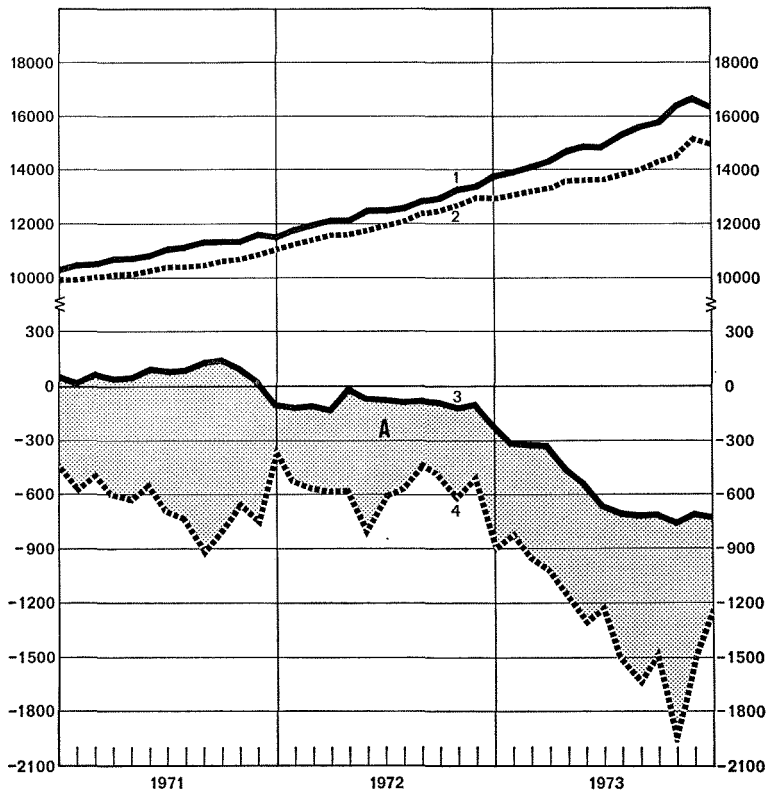
¹ Standard deposits = ordinary deposit and savings accounts.

² The interest paid on service accounts is calculated on the basis of the lowest balance during the month.

STATE FINANCES, 1971—1973
(12-month moving total, as of the end of the last month)

Mill. marks

Mill. marks



1. Revenue (excl. borrowing)
 2. Expenditure (excl. redemption)
 3. Long-term borrowing, net
 4. Expenditure minus revenue
- A Cash surplus

State's easy financial position was also reflected in its borrowing. In 1973 redemptions of outstanding State loans amounted to 954 million marks and drawings of new long-term State loans to 238 million marks. Budgeted housing loans came to 980 million marks, which meant an increase of almost 50 per cent on the previous year.

During 1973, 38 Finnish bond issues were floated, of which 35 were issued at home and 3 abroad. Sales of domestic bonds amounted to 874 million marks. Sales of government bonds totalled 208 million marks, as against 388 million marks one year earlier. Amortizations of government bonds amounted to 719 million marks. Sales of bonds issued by credit insti-

tutions increased from 317 million marks to 428 million marks, and sales of other private bonds rose from 145 million marks to 235 million marks. Of the domestic issues, 21 had a fixed interest rate and 14 a variable rate. The interest rate on fixed rate loans ranged from 7 ½ per cent to 9 ¼ per cent. At the end of 1973, outstanding domestic bonds totalled 3 738 million marks, which was 2 per cent more than at the end of the previous year. The breakdown by issuer of the total amount of bonds outstanding is as follows: the central government 1 750 million marks, local authorities 28 million marks, credit institutions 1 316 million marks and other issuers 644 million marks.

Stock market activity remained brisk during 1973. The turnover of the Helsinki Stock Exchange grew by 291 million marks, i.e., by 74 per cent. However, the major part of this increase was the result of a rise in share prices. Payable share issues of companies listed on the Stock Exchange totalled 387 million marks, which was 60 per cent more than in the previous year.

II. MONETARY POLICY OF THE BANK OF FINLAND

General monetary policy measures

The monetary policy measures implemented during 1973 were designed to gradually tighten the financial market and to curb the growth of total demand. The growth of the current account deficit and the fall-off in the inflow of foreign long-term capital placed strains on the financial market from the beginning of 1973.

At the end of February, the Bank of Finland decided to lower its share in the financing of domestic suppliers' credits from 30 per cent to 15 per cent.

At the end of June, after most of the collective agreements had been concluded, the Bank of Finland decided on a number of monetary policy measures, including a general rise in interest rates from the beginning of July and a reduction in the central bank credit quotas from the beginning of September.

The general rise in interest rates of 1 ½ percentage points was designed to help to secure the real yield on deposits and to reduce the gain which borrowers received as a result of inflation. It was also intended that the growth of the demand for credit be curbed and that saving, particularly deposit saving, be encouraged in a situation where the acceleration of inflation and the rapid growth of the current account deficit endangered balanced economic development.

In accordance with the decision concerning the central bank credit quotas of the commercial banks, the quotas were to be kept unchanged until the beginning of September, when their total amount was to be lowered from 150 per cent to 140 per cent of their base level. However, in August it was decided that the credit quotas should be raised to 190 per cent of their base level from the beginning of September. This step was necessary, because otherwise the financial market would have tightened more sharply than was desired, mainly as a result of substantial decline in foreign exchange reserves which had occurred during the summer. The stipulations concerning penalty rates on credit in excess of the central bank credit quotas, which had been temporarily suspended in April because of the bank strike, again came into force at the beginning of September. The decision in June to lower the quotas also included a few technical revisions, which were designed to improve the efficiency of quota policy. During 1973 quota policy measures were used to

restrict gradually the banks' capacity to grant credit and to restrain credit expansion, so as to check the overheating of the economy.

The monetary policy measures taken at the end of June included guidelines on credit policy for the coming years. This recommendation was primarily designed to improve the efficiency of the measures implemented, taking into account both the purpose and the regional distribution of the projects financed. The recommendation presupposed that credit would be granted more selectively for purchases of consumer durables and other consumer goods and for financing of unusually large stocks in industry and trade. The financial institutions were advised to favour investment projects which would expand productive capacity, particularly outside the southern parts of the country, whereas it was recommended that credit be granted selectively for building projects which would be of secondary importance for the expansion of productive capacity. At the same time, the Bank of Finland announced that if cyclical forecasts proved to be correct, it would help to create favourable climate for financing investment projects which would be carried out after the boom. The Bank remarked that balanced long-term economic growth cannot be secured unless the efficiency of investment is improved. For this reason, the guidelines recommended that growing attention be paid to the criteria for granting credit.

In September the Bank of Finland advised the financial institutions to curb their financing of all investment projects which would increase the use of raw timber, and which had not been approved on the basis of the agreement between the Central Association of Forest Industries and the Bank of Finland. The purpose of this step was to hold back investments in those sectors of the wood industry, mainly the sawn wood industry, which were not deemed advisable from a long-term macroeconomic point of view, despite the favourable demand and price climate of the moment. In the same month, the Bank of Finland advised the financial institutions to show reserve in granting credits sought because of the restrictions on advance payments for certain export goods.

In October the Bank of Finland urged the financial institutions to do their best to delay the start of building projects, which were to be begun in the autumn of 1973 and during 1974. At the same time, the Bank advised the financial institutions to be more stringent in granting loans for the purchase of dwellings and other property, in order to check the demand induced rise in housing prices. These recommendations were deemed necessary, because during the year under review construction was expanding more vigorously than was warranted by the availability of productive capacity. Moreover, the increase in the number of building permits granted suggested that pressures on capacity would strengthen further during 1974, so that rise in the cost level and in housing prices would remain rapid.

The Bank of Finland continued to sell deposit certificates during 1973. The value of outstanding deposit certificates rose from 790 million marks to 1 450 million marks in the course of the year.

Special credit arrangements

The Bank of Finland continued to participate in the financing of domestic suppliers' credits, but in February it lowered its share from 30 per cent to 15 per cent of the outstanding liability. The interest rate applied to these credits was raised by 1 ½ percentage points from the beginning of July, when other interest rates were raised by the same amount. Otherwise, the same credit terms were applied to these credit arrangements as in the previous year.

The credit commitments made within the framework of the programme totalled 421 million marks during 1973, which corresponded to deliveries worth 553 million marks. These credit commitments, in which the share of the Bank of Finland came to 75 million marks, exceeded the total credit commitments made in the two previous years. Drawings of credits amounted to 481 million marks, of which the Bank of Finland financed 94 million marks. The outstanding credits granted within the framework of the domestic suppliers' credit programme amounted to 1 061 million marks at the end of 1973, which was 15 per cent more than at the end of the preceding year. The share of the Bank of Finland in outstanding credits was 271 million marks.

The breakdown by type of commodity delivered shows that most of the credit commitments were made to finance deliveries of wood-processing and power plant machinery and equipment. The share of ships in the credit commitments declined further and made up no more than one per cent of the total amount of credit commitments made. In the commodity breakdown of the deliveries made with the aid of credits drawn, the share of ships was 44 per cent of the total value of the deliveries, whereas the share of wood-processing and power plant machinery and equipment was substantially smaller in total credits drawn than in credit commitments made.

Between the setting-up of this special credit arrangement in 1967 and the end of 1973, the Bank of Finland granted 706 credit commitments, of which 75 were cancelled. At the end of 1973, there were 173 totally repaid credits and 120 unused.

The last outstanding credits granted within the programme introduced in 1963 for providing suppliers' credits for the metal industry were repaid during the year under review.

The granting of new export credits was continued in the form introduced in 1971. At the end of 1973, the total amount outstanding came to 47 mil-

lion marks, or 8 million marks more than at the beginning of the year. A total of 193 enterprises were receiving credit at the beginning of the year and 217 at the end of the year. The expansion of this credit arrangement was the result of a general tightening in the financial market during the latter half of 1973, which encouraged the banks and enterprises to seek, as much as possible, finance from sources which would not be directly affected by the measures designed to tighten the financial market.

III. FOREIGN EXCHANGE POLICY OF THE BANK OF FINLAND

Exchange rates

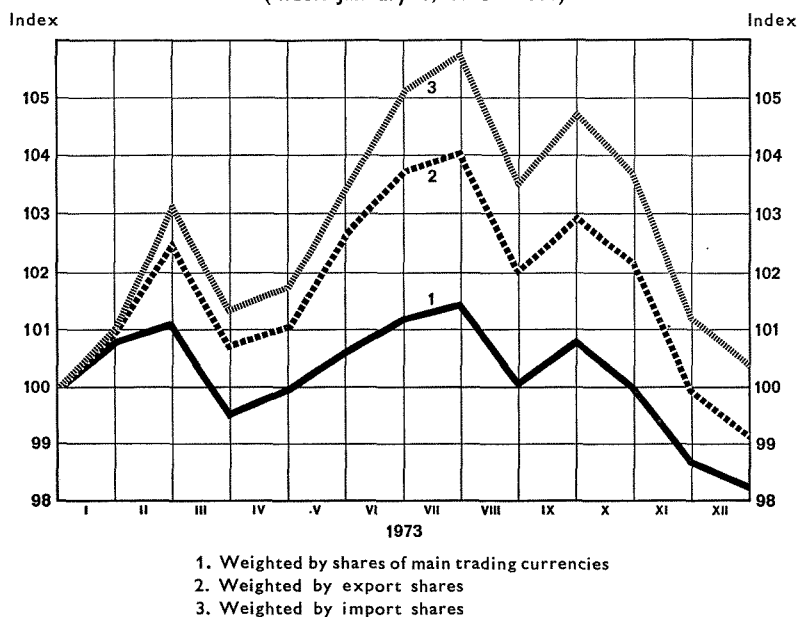
The international par value of the mark, as provided for in the first clause of Paragraph 2 of the Currency Act of March 30, 1962, and in accordance with the Articles of Agreement of the International Monetary Fund (Treaty Roll No. 45/1969), remained 0.211590 grams of fine gold during the year under review.

As a result of the devaluation of the U.S. dollar, the Bank of Finland decided to change the central rate of the mark from 4.10 marks to 3.90 marks per U.S. dollar on February 15. This change meant that the mark was revalued by 5.1 per cent against the dollar. The daily limits for exchange rate fluctuation were determined on the basis of the central rate. The exchange rate for the U.S. dollar varied up to 2 $\frac{1}{4}$ per cent on either side of the central rate until June 4, when the Bank of Finland decided to cease observing the lower fluctuation limit for the dollar (3.813 marks per U.S. dollar). Foreign exchange rates, other than those for floating currencies, could vary up to 4 $\frac{1}{2}$ per cent on either side of the rates calculated on the basis of the central rate.

Continuous distrust of the U.S. dollar during the first half of 1973 and the attempts made by various countries to protect themselves against inflationary pressures caused by speculative capital movements led to a situation in which the central rate system could not withstand the pressures brought to bear through the foreign exchange market, notwithstanding the extension of the fluctuation limits.

The U.S. authorities announced on February 12 that the United States would devalue the dollar by 10 per cent against gold. However, the official decision on devaluation did not come into force until October 18. The devaluation of the dollar weakened pressures against the dollar only temporarily. The Japanese yen started to float at the time the U.S. dollar was devalued. The Italian lire and the Swiss franc had been floating from the end of January. From March 19 the currencies of all EEC countries as well as the Swedish and the Norwegian krona began floating against the dollar. At the same

AVERAGE WEIGHTED CHANGE IN EXCHANGE RATES AGAINST THE FMK IN 1973
(index January 1, 1973 = 100)



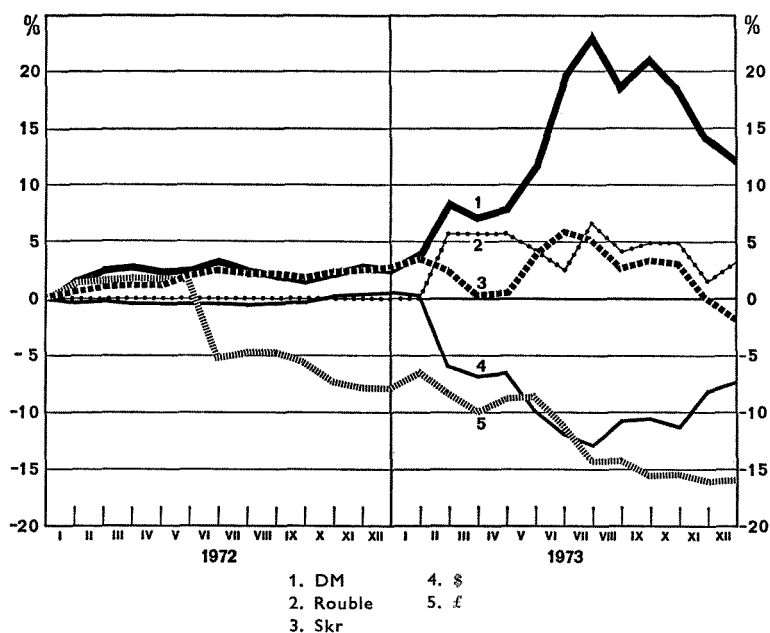
time, the EEC countries, excluding the United Kingdom, Ireland and Italy, decided to continue to apply a system, in which the difference between the rate for the strongest and the weakest Community currency could not exceed $2 \frac{1}{4}$ per cent. This system was immediately adopted by Sweden and Norway. Towards the end of the year, the position of the dollar in the foreign exchange market strengthened, as a consequence of the improvement in the United States' trade balance and the occurrence of the oil crisis, which was expected to cause more serious problems in Europe than in the United States.

During the year under review, there were pronounced changes in the free market price of gold, while the low official price of gold as compared with the free market price led in practice to the freezing of the gold reserves of the central banks. On November 12 the decision made in March 1968 between a few central banks to separate the official gold market from the private, was cancelled. The ensuing fall in the price of gold was short-lived, and towards the end of the year the price rose rapidly.

Because of the volatile state of the foreign exchange markets and the fall in Finland's foreign exchange reserves, the total value of foreign exchange dealings on occasions when the foreign exchange rates were determined was very high and amounted to 2 350 million marks compared with 1 473 million marks in 1972.

Because of the instability in the international foreign exchange markets,

CHANGES IN THE BUYING RATES OF MAJOR CURRENCIES IN TERMS OF MARKS
FROM THE BEGINNING OF 1972 TO THE END OF 1973



a number of interruptions occurred in the exchange quotations of the Bank of Finland in the course of the year. From time to time it was necessary to change the exchange rate quotations several times a day. As a result of the devaluation of the U.S. dollar, the Bank of Finland did not quote any foreign exchange rates between February 12 and 14. Because international foreign exchange markets were closed, the Bank of Finland did not quote exchange rates between March 2 and 11, but it remained willing to sell dollars at the last quoted selling rate.

As in the previous year, attempts were made during 1973 to keep the average international value of the Finnish mark stable. This presupposed that the exchange rate for the dollar against the mark fell until August, and that it rose again from November. Relative to the mark, the exchange rates for currencies of the countries participating in the joint European float developed the opposite way. The rates for the dollar and sterling fell by 7.8 per cent and 8.9 per cent respectively during the course of the year under review. The rate for the Swedish krona fell by 4.5 per cent, and that for the DM rose by 9.3 per cent. The rate for the rouble rose by 3.2 per cent during 1973.

The table on page 23 presents the selling rates for various currencies at the end of 1972 and 1973.

The selling rates for currencies at the end of 1972 and 1973

		29. 12. 1972 mk	31. 12. 1973 mk
New York	1 US \$	4.178	3.854
Montreal	1 C \$	4.200	3.870
London	1 £	9.815	8.940
Stockholm	100 Skr	88.15	84.20
Oslo	100 Nkr	62.95	67.35
Copenhagen	100 Dkr	61.05	61.50
Frankfurt o. M.	100 DM	130.57	142.70
Amsterdam	100 Hfl	129.35	136.70
Brussels	100 FB	9.470 ¹	9.350 ¹
		9.420 ²	9.360 ²
Zürich	100 Sfr	110.82	118.80
Paris	100 FF	81.75 ¹	81.95 ¹
		81.55 ²	79.10 ²
Rome	100 Lit	—,7172	—,6370
Vienna	100 ÖS	18.06	19.52
Lisbon	100 Esc.	15.60	15.10
Reykjavik	100 Ikr	4.28	4.57
Madrid	100 Ptas	6.60	6.80
Moscow, clearing	1 Rub	4.960	5.120

The charts on pages 21 and 22 show changes in the average international value of the Finnish mark, weighted in various ways, during 1973 and the development of the mark rates for the currencies most important for Finland from the beginning of 1972 until the end of 1973.

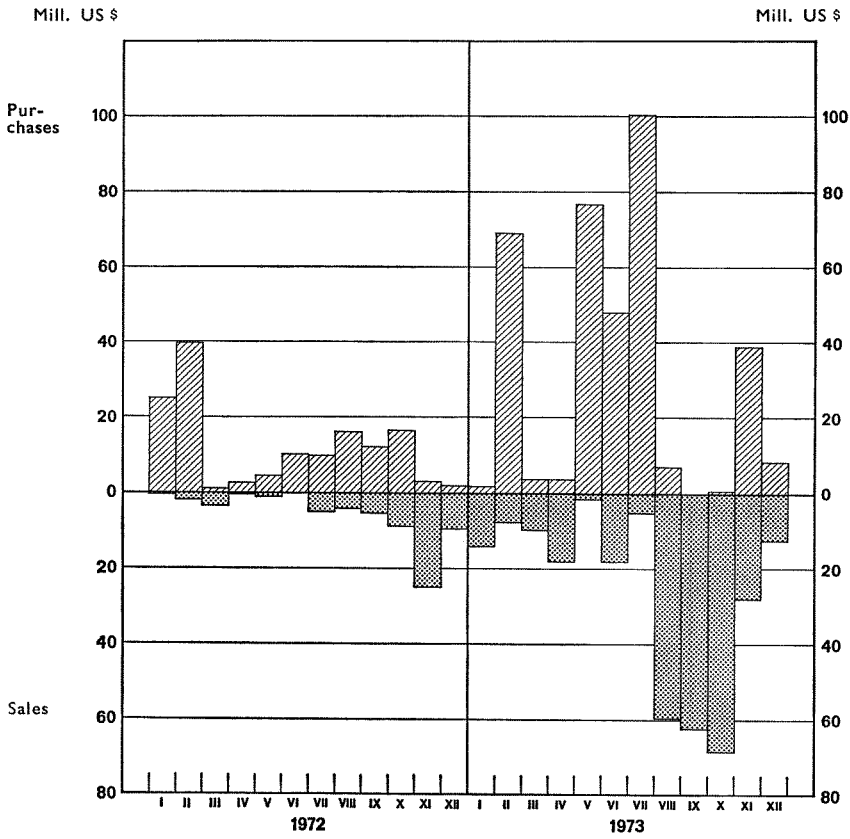
Forward exchange transactions

During the year under review, the amount of forward exchange transactions tripled compared with 1972. At the same time, the forward exchange rates fluctuated more frequently than in 1972, for the Bank of Finland tried to balance supply and demand in the forward market. Forward purchases of foreign exchange by the Bank of Finland totalled 357 million dollars and sales came to 305 million dollars during 1973. Short-term (one to three month) transactions were still particularly important on the Finnish forward exchange market, and accounted for more than 40 per cent of the Bank of Finland's forward exchange dealings. However, the importance of longer-term forward exchange contracts grew compared with 1972. Purchases by the Bank of Finland were largest at the middle of the year and sales in the early autumn. On December 31, the three-month forward ex-

¹ Commercial rate.

² Financial rate.

FORWARD EXCHANGE TRANSACTIONS OF THE BANK OF FINLAND IN 1972 AND 1973



change rate for the U.S. dollar was 3.879 marks or 0.65 per cent (2.6 per cent on an annual basis) above the spot selling rate. During October no quotations were made for one and two month forward exchange rates.

The chart above shows the development of the foreign exchange transactions of the Bank of Finland from the beginning of 1972 until the end of 1973.

Measures related to foreign financing

In order to keep the money market tight, drawings of short-term import credits were restricted by the cash payment system which was introduced by the Bank of Finland on June 15. At this time, a special capital import deposit scheme was introduced (see p. 28 and 29). The Bank of Finland decided to regulate the drawings of advance payments for exports of timber and timber products as from September 12, in order to curb the excessive growth of export earnings and to check the rapid rise in the price of raw timber.

At the end of 1973, stand-by credits negotiated by the Bank of Finland totalled 300 million dollars. No drawings of these stand-by credits were made during the year under review.

Foreign payments

At the end of the year under review, Finland had bilateral payments agreements with eight Socialist countries. In accordance with these agreements, accounts were kept with the Soviet Union and Romania in clearing roubles, with Bulgaria, the Democratic Republic of Germany and Hungary in clearing dollars, and with the People's Republic of China in clearing marks. The experiment of keeping accounts with Poland and Czechoslovakia in freely convertible U.S. dollars was continued. As in the past, U.S. dollar rates were adopted for sales and purchases of clearing dollars.

Within the framework of the exchange rate guarantee system, which was set up by the central banks of certain OECD countries and started at the beginning of 1973, the Bank of Finland credited the spot sales accounts of certain central banks at the Bank of Finland with a total of 60 500 marks as a result of the change in the central rate for the Finnish mark. Because the currencies of most countries participating in this system were allowed to float during the second quarter of the year under review, no other transactions within the framework of the system were made.

Long-term capital flows

A record volume of loans were drawn in the international capital market during the year under review. Although Euro-bonds were not issued up to the amount reached in the previous year, the total volume of new loans in the Euro-markets was double that in 1972. The vigorous growth centred on individual financial loans with shorter loan periods than those for bonds. Since the rates of interest were unusually high, most of the loans bore variable interest rates. Although the position of the dollar weakened further in the international capital market, more than 90 per cent of the loans drawn in the Euro-markets during the year under review were denominated in dollars. However, the share of dollar loans in Finland's newly taken long-term foreign loans was only somewhat more than a third.

At the end of 1973, Finland's long-term foreign debt totalled 10 594 million marks. Drawings of long-term foreign loans amounted to 1 969 million marks, which was a third less than in 1972. Redemptions totalled 1 360 million marks or a third more than in the previous year. The net inflow of long-term capital thus amounted to 609 million marks as against 2 026 million marks in 1972. These funds went almost entirely to the private sector;

drawings of foreign loans by the central government and local authorities were 174 million marks less than corresponding redemptions.

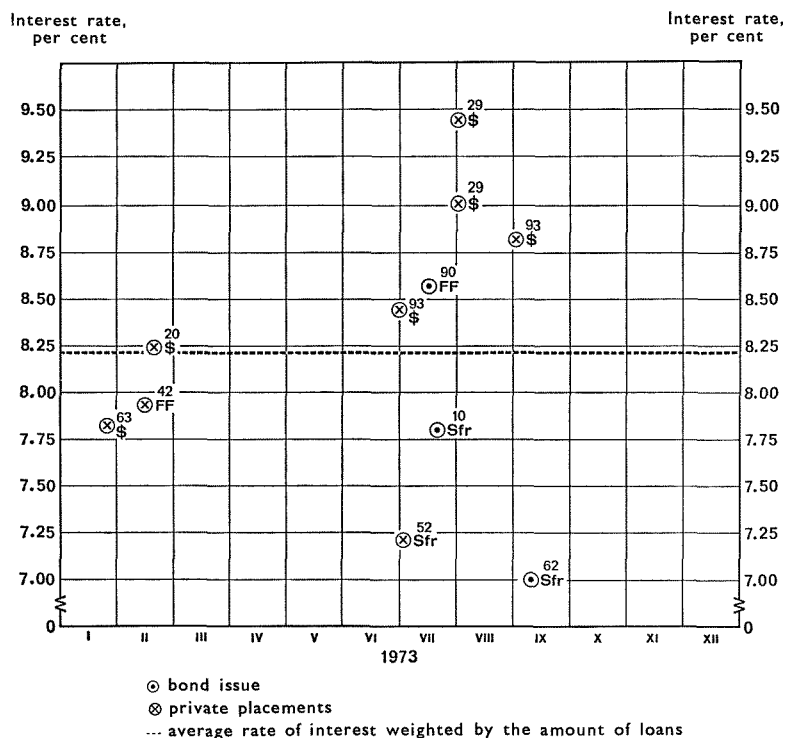
In 1973 about 65 per cent of the drawings of long-term debt were in the form of financial loans. However, redemptions were so large that the net growth of total financial loans was less than half of the net growth of total debt. The net increase in financial loans was only 273 million marks, while it had been 1 757 million marks in the previous year. The import credit debt grew slightly more than in 1972, or by 276 million marks.

Finland's long-term foreign debt and assets according to type of loan, million marks

	Dec. 31, 1972	Drawings	Changes in 1973		Dec. 31, 1973
			Amorti- zation	Net change	
Financial loans	8 407	1 273	1 000	+ 273	8 680
from foreign governments	402	0	90	— 90	312
from international financial institu- tions	561	42	81	— 39	522
bond issues	2 680	153	167	— 14	2 666
other financial loans	4 764	1 078	662	+ 416	5 180
Import credits	1 444	623	347	+ 276	1 720
Loans to Finnish sub- sidiaries from for- eign parent com- panies	134	73	13	+ 60	194
Total debt	9 985	1 969	1 360	+ 609	10 594
Development credits	6	23	0	+ 23	29
Export credits	1 452	310	344	— 34	1 418
Loans to foreign sub- sidiaries from Finn- ish parent com- panies	512	68	30	+ 38	550
Total assets	1 970	401	374	+ 27	1 997
Net debt	8 015	1 568	986	+ 582	8 597

Drawings on private placement loans, totalling 421 million marks, which are included in category »other financial loans» in the table above, were made during 1973. Six of them were denominated in dollars, one in French francs and one in Swiss francs. The decline in the Euro-bond markets was also reflected by the fact that only three new Finnish bond issues were launched abroad, as against eleven in 1972. Amortizations of outstanding

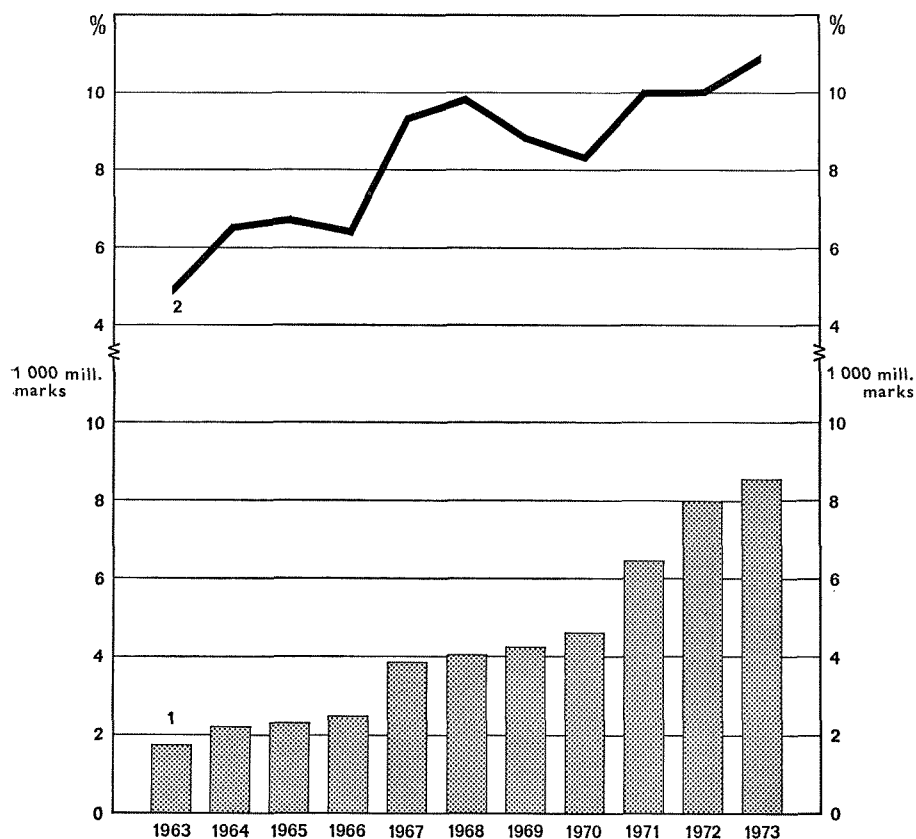
EFFECTIVE INTEREST EXPENSES PAID BY BORROWERS FOR FINNISH BONDS ISSUED ABROAD AND FOR FOREIGN PRIVATE PLACEMENT LOANS, IN 1973, CALCULATED AS OF THE DATE OF ISSUE (Mill. marks)



bonds exceeded drawings during the year under review. Of new bond issues, two were Swiss-franc loans and one a French-franc loan. The effective interest charges incurred by the borrower on Finnish bond issues and private placement loans issued abroad in 1973 are shown in the chart above. The average interest rate, weighted by the size of the loans, was 8.22 per cent in 1973; the corresponding average interest rate was 7.87 per cent in 1972. As in 1972, all the loans denominated in Swiss francs were obtained at a rate of interest below the average. On the other hand, only one dollar loan was obtained at a rate of interest below average.

At the end of 1973, about 45 per cent of Finland's long-term foreign debt was denominated in dollars, 25 per cent in D-marks, and 12 per cent in Swiss francs. The remainder was distributed among various currencies. Debt service charges, i.e., interest charges and amortizations, amounted to 2 025 million marks, which meant a 25 per cent growth on the previous year. The debt service ratio, or the ratio of total service charges to current

NET LONG-TERM DEBT AND THE RELATIVE BURDEN OF SERVICE CHARGES,
1963—1973



1. Net long-term debt (debt minus assets) at the end of each year
2. The relative burden of service charges on long-term debt or the ratio of redemptions and interest charges to current account revenue

account earnings, rose by less than one percentage point to 11 per cent (Chart above).

Finland's long-term foreign assets increased only by 27 million marks during 1973. At the end of the year, they amounted to 1 997 million marks. It is worth noting that outstanding export credits fell by 34 million marks. The net long-term foreign debt grew by a third on the previous year, or by 582 million marks. At the end of the year, net long-term debt amounted to 8 597 million marks.

From June 15 the Bank of Finland began to enforce a capital import deposit scheme, according to which the borrower can be obliged to deposit all or part of the loan drawn abroad for a certain period with the Bank of

Finland. The deposit requirement was designed to check overheating in the economy. At the end of the year under review, capital import deposits at the Bank of Finland totalled 214 million marks.

Direct investments, both those by Finnish enterprises abroad and those by foreign enterprises in Finland, continued to play a rather insignificant rôle in long-term capital movements during 1973. The value of the direct investment in Finland for which the Bank of Finland granted new permits came to 82 million marks. Of this amount, almost 40 per cent came from Sweden. According to permits granted for the repatriation of investment capital, repatriation of foreign investments in Finland amounted to 78 million marks during 1973. At the end of the year, there were 712 enterprises in Finland which were totally or partly owned by foreign proprietors. Of these, more than a half were marketing enterprises. According to permits granted by the Bank of Finland, Finnish direct investment in foreign countries amounted to 133 million marks, of which about 50 per cent was in the United Kingdom. The value of repatriation of Finnish investments in foreign countries for which the Bank of Finland granted permits amounted to 78 million marks. At the end of the year, there were 523 enterprises abroad which were totally or partly owned by Finnish proprietors. Of these, more than 60 per cent were marketing enterprises.

Direct investment in 1968—1973, million marks

Year	Total	In Finland		Total	Abroad	
		Industry	Marketing enterprises		Industry	Marketing enterprises
1968	27	9	18	86	81	5
1969	94	47	47	46	31	15
1970	46	13	33	37	15	22
1971	91	32	59	60	26	34
1972	103	18	85	144	119	25
1973	82	26	56	133	86	47

Foreign exchange situation

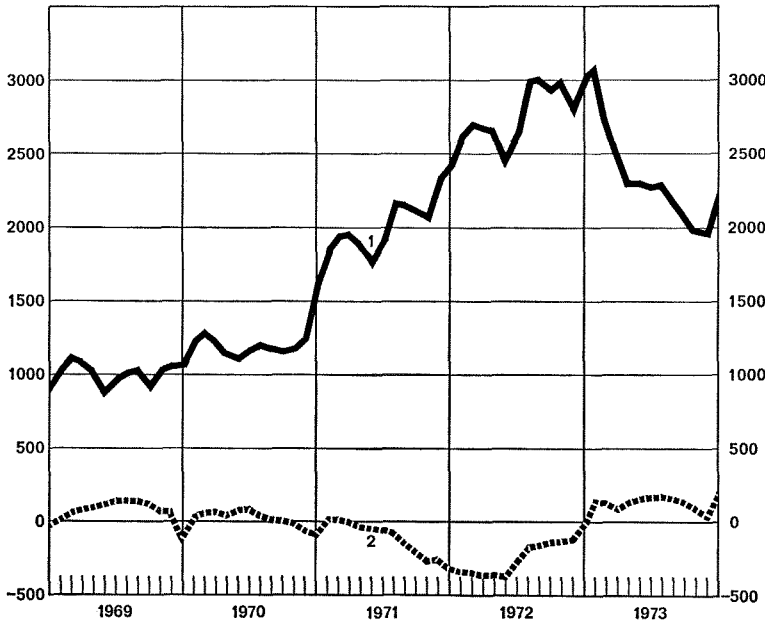
The net assets of the Bank of Finland and other foreign exchange holders are shown in the table and the chart on page 30.

As a result of the growing current account deficit and a decline in the inflow of foreign capital, the foreign exchange reserves of the whole country fell by 784 million marks during the year and amounted to 2 240 million marks at the end of the year. The gold and foreign exchange reserves of the Bank of Finland declined by 491 million marks, and the net foreign assets of authorized banks were reduced by 293 million marks. At the end of 1973, six per cent of the foreign exchange reserves of the Bank of Finland was in

FOREIGN EXCHANGE SITUATION, 1969—1973

Mill. marks

Mill. marks



1. Reserves of the Bank of Finland and the authorized banks
2. Of this, tied currencies

	Reserves Dec. 29, 1972			Reserves Dec. 31, 1973			Change		
	Bank of Finland	Others	Total	Bank of Finland	Others	Total	Bank of Finland	Others	Total
	Million marks								
Gold	205	—	205	121	—	121	— 84	—	— 84
Special drawing rights	283	—	283	285	—	285	+ 2	—	+ 2
IMF gold tranche	268	—	268	268	—	268	—	—	—
Convertible currencies	1 814	463	2 277	1 189	165	1 354	—625	—298	—923
Tied currencies ..	—6	—3	—9	210	2	212	+216	+ 5	+221
Total	2 564	460	3 024	2 073	167	2 240	—491	—293	—784

gold, SDRs accounted for 14 per cent, the gold tranche in the International Monetary Fund for 13 per cent and convertible currencies for 57 per cent. Assets on tied accounts corresponded to 10 per cent of the Bank's gold and foreign exchange reserves.

IV. BANK OF FINLAND STATEMENTS

Detailed figures of the statement of the Bank of Finland are given in the statistical section of the Year Book. The following tables provide supplementary information on individual items in the statement and changes that have occurred in them.

Foreign accounts

Changes in the foreign accounts of the Bank in 1973:

	Dec. 29, 1972	Dec. 31, 1973	Change
	Million marks		
Gold	205	121	— 84
Special drawing rights	283	285	+ 2
IMF gold tranche	268	268	+ 0
Foreign exchange	1 929	1 546	—383
Foreign bills	110	96	— 14
Foreign bonds	117	177	+ 60
Currency subscription to Finland's quota in the IMF	530	530	— 0
Assets	3 442	3 023	—419
Foreign exchange accounts	78	80	+ 2
Mark accounts of holders abroad	43	67	+ 24
IMF mark accounts	530	530	— 0
Allocations of special drawing rights	258	258	—
Liabilities	909	935	+ 26
Net foreign assets	2 533	2 088	—445

The gold reserves and the foreign exchange assets of the Bank of Finland declined by 467 million marks. However, the foreign exchange liabilities grew by 26 million marks so that there was a net decline of 491 million marks in the gold and foreign exchange reserves of the Bank, which totalled 2 073 million marks at the end of the year.

Treasury accounts

The following table shows the development of the central government accounts in the Bank of Finland:

	Dec. 29, 1972	Dec. 31, 1973	Change
	Million marks		
Cheque account	1	2	+ 1
Export levy account	2	1	— 1
Counter-cyclical tax account	42	22	— 20
Governmental counter-cyclical fund	4	509	+ 505
Liabilities	49	534	+ 485

The central government increased its counter-cyclical reserves substantially during 1973. Thus 500 million marks was transferred to the Governmental counter-cyclical fund, which meant an increase of 505 million marks on the governmental counter-cyclical fund account when interest earnings are taken into account. On the other hand, 21 million marks of the funds accrued on the counter-cyclical tax and the export levy accounts was used during 1973. These funds are included in the Balance Sheet of the Bank of Finland in »Domestic term liabilities».

The table does not include Treasury bonds held by the Bank and deposit certificates sold to the central government.

Accounts of the banks

The following table illustrates the position of the banks towards the Bank of Finland:

	Dec. 29, 1972	Dec. 31, 1973	Change
	Million marks		
Discounted bills	752	2 556	+ 1 804
Rediscounted bills	1	—	— 1
Cheque accounts	5	61	+ 56
Assets	758	2 617	+ 1 859
Cheque account of Postipankki	2	2	+ 0
Cheque accounts of the private banks	—	—	—
Mortgage Bank of Finland Oy	0	3	+ 3
Liabilities	2	5	+ 3
Net indebtedness of banks	756	2 612	+ 1 856

In 1973 discounted bills grew by 1 804 million marks, whereas there were no rediscounted bills at the end of the year. The claims of the Bank of Finland on private banks, in the form of cheque accounts held in these banks, grew by 56 million marks.

On the liabilities side, the cheque account of Postipankki (the post office bank) showed no change from the previous year.

The net liabilities of the banks to the Bank of Finland increased by 1 856 million marks during 1973 and amounted to 2 612 million marks at the end of the year. This figure excludes bonds issued by various financial and credit institutions and held by the Bank of Finland as well as the deposit certificates of the Bank of Finland which were sold to these institutions.

When considering the position of the financial institutions, account must be taken of the liabilities incurred by the banks as a result of special credit arrangements and not included in the table. These consist of new export credits, bills related to the 1963 suppliers' credit arrangement which were unredeemed at the beginning of 1973, as well as export bills denominated in foreign currency. The latter accounts for the major part of the balance sheet item »Foreign bills». In addition, these liabilities comprise bills arising from the 1967 suppliers' credit arrangement and issued against the guarantee of the financial institutions, as well as bonds temporarily purchased from the banks under a repurchase obligation.

Trade and industry accounts

The following table indicates the development of the accounts of private enterprises at the Bank of Finland:

	Dec. 29, 1972	Dec. 31, 1973	Change
	Million marks		
Bills in Finnish currency	44	58	+ 14
Loans	272	304	+ 32
Other claims	5	10	+ 5
Assets	321	372	+ 51
Cheque accounts	1	5	+ 4
Other liabilities payable on demand	1	10	+ 9
Term liabilities	61	232	+171
Liabilities	63	247	+184
Net loans to trade and industry	258	125	—133

New export credits, which are made available through the commercial banks and included in »Bills in Finnish currency», increased by 8 million marks and amounted to 47 million marks at the end of the year. The major part of »Loans» consisted of advances made on the basis of the 1967 suppliers' credit arrangement. These advances grew by 35 million marks in 1973, and the total outstanding at the end of the year was 271 million marks.

On the liabilities side, »Other liabilities payable on demand» include deposits of advance payments made in accordance with the cash payment scheme for imports. At the end of 1973, these deposits totalled 6 million marks.

New investment deposits included in »Domestic term liabilities», which had accrued since 1968, declined from 33 million marks to 4 million marks. Old investment deposits amounted to 1 million marks at the end of the year, so that total investment deposits amounted to 5 million marks. The same balance sheet item includes the capital import deposits made during 1973, which totalled 214 million marks at the end of the year.

Other accounts

Changes in the items on the assets side not dealt with above include a decline in holdings of domestic bonds from 47 million marks to 33 million marks. »Finnish coin», entered under »Other assets» in the balance sheet, includes all coinage held by the Bank. Coins in circulation, the value of which is not entered in the balance sheet, increased from 165 million marks to 191 million marks during 1973. Detailed information on the circulation of coins is shown in Tables 7 and 9.

According to the balance sheet, the value of notes in circulation amounted to 1 907 million marks at the end of the year. The balance sheet item »Other sight liabilities» also includes ten million marks of notes denominated in the old monetary unit. When these old notes are taken into account, total note circulation at the end of 1973 comes to 1 917 million marks. Total note circulation increased by 177 million marks or 10.2 per cent during the year under review.

Ordinary note cover, which includes gold and the Bank's foreign assets, declined by 451 million marks in 1973 and amounted to 2 395 million marks at the end of the year. On the basis of a temporary revision in the Regulations for the Bank of Finland, the upper limit for supplementary note cover stood at 1 500 million marks at the end of the year. For this reason, the 863 million mark increase in coverable discounted bills raised supplementary cover to 1 204 million marks, and the right to issue notes grew by 412 million marks. As note circulation, liabilities payable on demand and the unused cheque account credits increased by a total of 218 million marks, the unused right of note issue grew by 194 million marks. It totalled 1 514 million marks at the end of the year. Information on the issuance of notes is given in Table 6.

According to the statement of the Bank of Finland, the Bank's own funds, excluding profits for the fiscal year, amounted to 714 million marks or to 40 million marks more than at the end of the previous year. The increase

was a result of a transfer of one-half of the 1972 profits to the reserve fund at the beginning of 1973. Apart from these funds, the Bank has capital items which are not shown in its balance sheet. These include equalization reserves, the office buildings of the Head Office and branch offices, a note-printing works, certain other real property which are indispensable for the operations of the Bank, and shareholdings, mainly majority ownership of Tervakoski Oy, a paper mill which manufactures high quality paper for bank notes and similar purposes.

The Profit and Loss Account of the Bank of Finland is shown in Table 3. Total earnings increased by 76 million marks on the previous year. Interest earnings on domestic credit grew by 98 million marks. However, interest income from foreign exchange claims declined by 21 million marks, whereas interest earnings on bonds remained almost unchanged.

The Bank's total expenses amounted to 154 million marks, which is 57 million marks more than in 1972. Interest expenses on deposits rose by 34 million marks. Wage and salary expenditure grew by 3 million marks. Expenditure on note printing increased by 3 million marks. Depreciation rose by 6 million marks. In addition, there were interest expenses on foreign credits, which amounted to 5 million marks, as well as 2 million marks of commission expenses. The profits of the Bank of Finland amounted to 98 million marks. In accordance with the Regulations for the Bank of Finland, one half of the profits for the year was transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

V. FINLAND'S RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

The Bank of Finland acts as an agent for the government in its relations with the International Monetary Fund and, together with the ministries concerned, with the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association, in all of which Finland is a member. In addition, Finland is a member of the Asian Development Bank and the African Development Fund. In accordance with the articles of respective agreements, the Bank of Finland operates as the Finnish deposit bank for these international financial institutions. The Bank of Finland is a shareholder in the Bank for International Settlements.

International Monetary Fund

During the year under review, the revision of the international payments system was the major focal point for the activities of the International Monetary Fund (IMF). The financial operations of the Fund remained relatively insignificant, whereas expert aid was expanded vigorously.

The volatility of international foreign exchange markets greatly affected the operations of the Fund during 1973. The uncertainty about the status and value of gold and the fact that the indebtedness of member countries to the Fund is tied to gold through SDRs, tended to weaken the willingness of member countries to draw loans from the Fund. Moreover, international financial markets were fairly easy. The need for external financing was also reduced by the application of more flexible foreign exchange rates. Accordingly, drawings of foreign exchange on the General Account in 1973 were less than half of those of the previous year and amounted to 733 million SDRs. Similarly, repayments of foreign exchange fell from 1 318 million SDRs in 1972 to 615 million SDRs. Drawings of the developing countries within the framework of the so-called compensatory financing system equalled 114 million SDRs. The Fund decided to work actively for the creation of a system to finance the establishment of a buffer stock of cacao similar to the one for tin.

Subscriptions to quotas totalled about 29 200 million SDRs at the end of 1973. Total drawings equalled about 3 500 million SDRs at the middle of December. During the year under review the Fund approved stand-by credit arrangements for 15 countries totalling 351 million SDRs.

No new SDRs were distributed in 1973, and their total remained at 9 315 million units. In transactions involving SDRs, foreign exchange rates based on market quotations were used for the first time. During the year under review, the U.S. dollar was devalued again, and its value in gold was set at 42.2222 dollars per ounce. Since the value in gold of SDRs remained unchanged, one SDR was worth US \$ 1.21.

Member countries do not participate in the financing of the Fund's Budget, but the Fund tries to cover its administrative expenditure mainly by charges collected from member countries for various credit transactions. The 21.7 million SDR loss of the Fund for the fiscal year was covered by resorting to the Special Reserve.

The two tier price system for gold, which was agreed upon by the central banks of seven industrial countries in 1968, was dismantled during the year under review. For this reason, the agreement between the International Monetary Fund and the Republic of South Africa, according to which South Africa could in certain cases sell new monetary gold to the Fund at a predetermined price, was cancelled.

In 1973 Finland made no use of Fund credit, nor did the Fund allocate Finnish marks to other member countries or buy Finnish marks against SDRs, so that Finland's »super gold tranche» remained unchanged, or at 9 per cent of the Finnish quota. The mark holdings of the Fund totalled 66 per cent of the Finnish quota at the end of 1973. The Finnish quota was 190 million SDRs or 798 million marks, which is 0.65 per cent of the total IMF funds accrued in the form of subscriptions. As a result of interest payments, the total amount of SDRs held by Finland rose to 67.8 million units or 284.7 million marks.

The so-called Committee of Twenty, assisted by a sub-committee, the Deputies of the Committee of Twenty, continued to lay the ground for the reform of the international payments system, in working groups set up in connection with the Fund's annual meeting. At the annual meeting, it was recognized that the reform was not yet ready, and the Committee of Twenty was charged to continue its preparatory work until the end of July 1974. The creation of an effective adjustment mechanism, the regulation of short-term capital flows, convertibility, the regulation of international liquidity, the rôle of different types of reserve assets as well as the monetary problems of developing countries were still the major problems. However, the energy crisis placed the reform of the payments system in a new light towards the end of the year, and required measures that had not been agreed upon by

the Committee of Twenty or the Monetary Fund itself in the course of the year.

In 1973 the Bahama Islands joined the International Monetary Fund, and brought the total number of member countries to 126, of which 116 participated in the SDR system. The Governor of the Fund, PIERRE-PAUL SCHWEITZER, resigned in September, and H. JOHANNES WITTEVEEN from the Netherlands took up this post.

The annual meeting of the International Monetary Fund was held in Nairobi from September 24 to 28, where Finland was represented on the Board of Governors by MAUNO KOIVISTO, Governor of the Bank of Finland, with JAAKKO LASSILA, Member of the Board of Management of the Bank of Finland, as his alternate. JAAKKO LASSILA also acted as an alternate member at the Committee of Twenty. The Finnish consultant on the deputy committee was JORMA ARANKO, Director of the Bank of Finland.

PER ÅSBRINK, a former Governor of the Bank of Sweden, was elected by the five Nordic countries as Executive Director of the Fund from the beginning of November, to serve out the remaining term of ERIK BROFOSS of Norway. SVEN LAMPE of Sweden acts as his alternate.

World Bank

At the end of 1973, there were 123 member countries in the International Bank for Reconstruction and Development (IBRD) or the World Bank. The Bahama Islands became a member of the Bank during the year under review.

The share capital of the World Bank amounted to about US \$ 25 200 million at the end of the year under review, in which Finland's share was US \$ 162.1 million or 0.64 per cent of the total. One per cent of the Finnish subscription has been paid in gold and dollars, and nine per cent in convertible marks on the account of the World Bank at the Bank of Finland. The payment of the remaining 90 per cent of the Finnish subscription can be required only if the World Bank's own obligations necessitate it.

During the fiscal year ending on June 30, 1973, the World Bank granted loans totalling US \$ 2 051 million to 42 countries. Most of the loans were granted to developing countries. The World Bank raised funds for its loans mainly by issuing bonds in the international capital market but it also drew on its own capital in the course of the year. During the fiscal year 1973, the World Bank floated 22 bond issues. In recent years the Bank has sought outlets in the capital market of the Arab countries.

The member countries of the World Bank make no contribution to the budget of the Bank, which finances its administrative costs from its current income. The profits of the World Bank for the fiscal year ending on June 30, 1973, amounted to US\$ 185 million.

The table below gives some particulars on the loans granted to Finland by the World Bank as of December 31, 1973.

Loan agreement signed	Nominal value \$	Rate of interest %	Term years	Repaid by Dec. 31, 1973 \$	Outstanding on Dec. 31, 1973 \$	Undisbursed balance on Dec. 31, 1973 \$
1. 8. 1949	12 500 000	4	15	12 500 000	—	—
17. 10. 1949	2 300 000	3	2	2 300 000 ¹	—	—
30. 4. 1952	20 000 000	4 $\frac{3}{4}$	18	20 000 000	—	—
13. 11. 1952	3 479 464	4 $\frac{3}{4}$	18	3 479 464 ²	—	—
24. 3. 1955	12 000 000	4 $\frac{5}{8}$	15	12 000 000	—	—
22. 5. 1956	15 000 000	4 $\frac{3}{4}$	20	12 035 000	2 965 000	—
16. 3. 1959	37 000 000	5 $\frac{3}{4}$	15	32 983 000	4 017 000	—
9. 8. 1961	25 000 000	5 $\frac{3}{4}$	15	17 077 000	7 923 000	—
15. 8. 1962	25 000 000	5 $\frac{3}{4}$	20	8 850 000	16 150 000	—
18. 9. 1963	7 000 000	6	16	4 565 650	2 434 350	—
10. 7. 1964	28 500 000	5 $\frac{1}{2}$	15	11 977 000 ³	16 523 000	—
30. 6. 1965	14 000 000	5 $\frac{1}{2}$	17	8 395 756 ⁴	5 604 244	—
27. 4. 1966	20 000 000	6	15	5 570 000	14 430 000	—
24. 1. 1969	22 000 000	6 $\frac{1}{2}$	17	6 403 647	15 596 353	—
15. 10. 1970	20 000 000	7 $\frac{1}{4}$	17	1 199 893	14 017 866	4 782 241
17. 2. 1971	13 000 000	7 $\frac{1}{4}$	15	—	11 905 879	1 094 121
28. 12. 1972	20 000 000	7 $\frac{1}{4}$	15	—	3 701 853	16 298 147
	296 779 464			159 336 410	115 268 545	22 174 509

The World Bank did not grant any loans to Finland during the year under review. However, negotiations were under way in the course of the year on a loan for water protection. The seventeen loans granted to Finland by the World Bank by the end of 1973 amounted to US \$ 297 million.

Loans from the World Bank are drawn on when the project for which the loan was granted requires financing; thus about US \$ 22 million of the loans granted during the last few years were still unused at the end of 1973.

The annual meeting of the Board of Governors of the World Bank was held in Nairobi between September 24 and 28. During the year under review, Finland was represented on the Board by JOHANNES VIROLAINEN, Minister of Finance. OSMO KALLIALA, State Counsellor, served as the alternate member on the Board.

HANS E. KASTOFT of Denmark served as Executive Director elected by the five Nordic countries, and ANNIKKI SAARELA served as the alternate member throughout 1973.

¹ Of which \$ 197 869 cancelled.

² Of which \$ 1 416 cancelled.

³ Of which \$ 45 834 cancelled.

⁴ Of which \$ 7 500 cancelled.

International Finance Corporation

A total of 98 countries are members of the International Finance Corporation (IFC). During the year under review, Oman became a member of the Corporation. The share capital of the Corporation amounts to US \$ 107 million. Finland's subscription to the International Finance Corporation is US \$ 421 000 or 0.39 per cent of the share capital of the Corporation.

The International Finance Corporation finances its lending by drawing on its own capital and its Reserve Fund, by borrowing from the World Bank and by utilizing the return on its investments. In 1973 the Finance Corporation invested US \$ 147 million in 28 investment projects. Most of the 18 member countries which received advances from the Corporation were developing countries. The profits of the Finance Corporation for the fiscal year amounted to US \$ 6.2 million.

The Finance Corporation invests its funds by purchasing share capital in, or lending to, private enterprises operating in member countries and development credit institutions responsible for the long-term financing of the industries of developing countries. The International Finance Corporation, unlike the World Bank, invests without guarantee or mortgage security from a member country. The rate of interest may, depending on the risk, be higher than that on World Bank loans.

The Corporation has made four investments in Finnish enterprises, which all have been repaid. During the year under review, the Corporation sold all its shares in the Industrialization Fund of Finland Ltd to Finnish banks, and it no longer has assets or investments in Finland.

The Finnish representatives on the Board of Governors and on the Board of Executive Directors of the Corporation are, *ex officio*, those occupying the corresponding posts in the World Bank.

International Development Association

In all, 112 countries are members of the International Development Association (IDA). The basic capital of the Association is slightly more than US \$ 1 000 million. Finland's share is US \$ 3.9 million or 0.37 per cent. According to the Articles of Agreement of the Association, funds can be raised not only through member countries' subscriptions but also through additional financial aid provided by the developed countries. If the third replenishment of the funds is completed before the end of the 1973—1974 fiscal year, i.e., June 30, 1974, the total capital of the Association will amount to about US \$ 5 300 million, of which replenishment of funds will account for US \$ 4 300 million. Before the end of the 1973 fiscal year, a total of US \$ 3 500 million was paid to the Association. In 1973 Finland paid her last instalment in the third replenishment of the funds, which amounted to

US \$ 4.1 million. In all, Finland has paid US \$ 22.5 million to the Development Association in the form of share capital and replenishments of the funds. During the year under review, negotiations were also under way on a fourth replenishment.

The purpose of the International Development Association is to grant very long-term loans, with favourable loan terms, to developing countries with a shortage of capital. Since its foundation, the International Development Association has lent about US \$ 5 700 million to developing countries. The corresponding figure for the World Bank is about US \$ 20 000 million. In 1973 the Association granted about US \$ 1 300 million worth of credits to 43 countries or 36 per cent more than in the previous year. In the World Bank group (IBRD, IFC and IDA), the credit volume of the Development Association has been substantially increased in recent years. In the 1961—1962 fiscal year, loans granted by the World Bank totalled US \$ 882 million and those granted by the Development Association US \$ 134 million; in 1973 the corresponding figures were about US \$ 2 100 million and US \$ 1 300 million.

The Finnish representatives on the Board of Governors and on the Board of Executive Directors of the Association are, *ex officio*, those holding the corresponding posts in the World Bank.

Asian Development Bank

Altogether 40 countries belong to the Asian Development Bank (ADB), of which 14 are non-Asian. After the increase in 1972, the share capital of the Development Bank amounted to US \$ 2 750 million. However, Finland did not contribute to this increase in the share capital. Since the foundation of the Bank, Finland has taken up US \$ 5 million of the share capital, one half of which, according to the Charter, is paid; the remainder makes up part of the Bank's guarantee fund. Of the payable share capital, one half is to be paid in gold or in convertible currencies, the other half in convertible marks. The half of the share capital payable on demand forms part of the guarantee fund for the ADB. Drawings can be made only in order to allow the ADB to meet its own obligations.

The Asian Development Bank has contributed to the financing of development projects of countries in Asia and the Far East. The Bank has obtained the funds needed for these projects by drawing on its own capital, by issuing bonds and by utilizing the return on its investments. During the year under review, the Bank floated three bond issues on the European and Japanese capital markets. In addition, the Bank channelled funds obtained from member countries to special projects through the Agricultural Special Fund and the Multi-Purpose Special Fund.

In order to promote the activities of the Development Bank, it was decided to set up an Asian Development Fund in 1974. This Fund will work with the Bank and will take charge of the Special Funds which the Bank previously managed.

The Finnish representative on the Board of Governors is ÅKE WIHTOL, Head of Department of the Ministry for Foreign Affairs, and EERO ASP, Managing Director of the Finnish Export Credit Ltd, serves as his alternate. GUSTAF VAN DER FELTZ of the Netherlands serves as Executive Director elected by the Nordic countries, the Netherlands and Canada; in 1973 PENTTI RIPATTI, Director of the Ministry of Finance, of Finland was elected to serve as his alternate.

African Development Fund

The African Development Fund (AfDF) was founded in Abidjan on November 29, 1972, and it started operations on June 30, 1973. Finland became a member of the Fund on December 21, 1973. The Fund operates in connection with the African Development Bank, which is maintained by 36 independent African states. In addition to the African Development Bank, 15 non-African countries are members of the Fund. The Republic of South Africa and Rhodesia do not belong to these development institutions.

The African Development Fund was founded to create a wider financial basis for the Bank. The purpose of the Fund is to promote the economic and social development of African countries and to boost co-operation and trade between these countries. The Fund grants soft loans to the poor countries of the African continent. The original share capital of the Fund amounts to 90 million accounting units, or 390 million marks when valued at central rates. Finland's subscription to the Fund is 2.2 per cent of the share capital of the Fund or 8.66 million marks, of which Finland made the first payment, 2.9 million marks, in 1973 when she became a member of the Fund.

The Finnish representative on the Board of Governors is ÅKE WIHTOL, Head of Department of the Ministry for Foreign Affairs, and ANTTI HYNINEN, Head of Section of the Ministry for Foreign Affairs, serves as his alternate.

Bank for International Settlements

The number of shares and the size of the share capital of the Bank for International Settlements (BIS) remained unchanged during the year under review. Various central banks own about three quarters of the share capital of the Bank; the remainder is either unsubscribed or owned by private institutions. The share capital of the BIS amounts to 1 500 million gold

francs. At the end of the year under review, the Bank of Finland possessed 10 008 shares, which are worth 25 020 000 gold francs at nominal value. Of these shares, 8 000 carry voting rights.

The Bank for International Settlements continued in 1973 to accept gold and foreign exchange deposits from central banks, participated in so-called swap operations and intervened on the account of central banks in foreign exchange markets. As a result of foreign exchange crises, borrowing of the BIS expanded substantially during the year under review. The BIS has also participated in the reform of the payments system within the framework of the Committee of Twenty.

At the beginning of 1973, the Bank for International Settlements started to function as the agent and accountant for the Exchange Rate Guarantee System set up by the central banks of certain OECD countries. The Bank of Finland also participates in this system. Since the system is based on fixed exchange rates, increased floating severely hampered the use of the system.

Of the five Nordic countries, only Sweden is represented on the Board of Governors. MAUNO KOIVISTO, Governor of the Bank of Finland, represented the Bank of Finland at the annual meeting of the Bank for International Settlements.

Tables:

Activity of the Bank of Finland

In the statistical section, all figures stated in marks are given in the new monetary unit, one new mark being equivalent to one hundred old marks. In Tables 7—9, which relate to bank notes and coins, denominations in old marks or old pennies are indicated by omk and op respectively.

1. Balance sheet, 1966—1973

	31/12 1966	30/12 1967	31/12 1968	31/12 1969	31/12 1970	31/12 1971
ASSETS						
1 <i>Gold and other foreign assets</i>	637	799	1 477	1 433	1 965	2 776
2 Gold	144	189	190	189	121	205
3 Special drawing rights	—	—	—	—	98	197
4 IMF gold tranche	100	—	—	173	280	268
5 Foreign exchange	312	512	1 163	905	1 344	1 950
6 Foreign bills	56	73	76	107	85	119
7 Foreign bonds	25	25	48	59	37	37
8 <i>Claims on domestic banks</i>	915	867	725	637	839	849
9 Discounted bills	—	—	—	—	827	848
10 Rediscounted bills	915	867	618	550	9	1
11 Cheque accounts	—	—	107	87	3	—
12 <i>Other lending</i>	261	425	314	318	283	340
Inland bills discounted						
13 In foreign currency	36	123	25	7	—	—
14 In Finnish currency	180	197	186	192	137	121
15 Loans	45	105	103	119	146	219
16 <i>Other assets</i>	312	546	222	627	689	597
17 Finnish bonds	285	371	136	127	64	38
18 Finnish coin	12	12	12	5	7	14
19 Currency subscription to Finland's quota in the IMF	—	—	—	352	518	530
20 Other claims	15	163	74	143	100	15
21 Total	2 125	2 637	2 738	3 015	3 776	4 562
LIABILITIES						
22 <i>Notes in circulation</i>	1 106	1 052	1 160	1 298	1 344	1 479
23 <i>Liabilities payable on demand</i>	180	140	137	124	126	358
24 Foreign exchange accounts	51	65	57	81	94	297
25 Mark accounts of holders abroad	26	24	18	12	12	30
Cheque accounts						
26 Treasury	40	4	3	4	2	2
27 Postipankki	17	17	4	4	4	2
28 Private banks	14	10	39	10	1	9
29 Other	3	2	2	1	3	3
30 Other sight liabilities	29	18	14	12	10	15
31 <i>Term liabilities</i>	126	553	546	308	633	905
32 Foreign	84	339	21	8	—	—
33 Domestic	42	214	525	300	633	905
34 <i>IMF mark accounts</i>	—	—	—	352	518	530
35 <i>Allocations of special drawing rights</i>	—	—	—	—	88	174
36 <i>Equalization accounts</i>	267	422	400	405	404	400
37 <i>Bank's own funds</i>	446	470	495	528	663	716
38 Capital	300	300	300	300	600	600
39 Reserve fund	112	129	150	173	0	32
40 Profits undisposed	—	—	—	—	—	—
41 Earnings less expenses	34	41	45	55	63	84
42 Total	2 125	2 637	2 738	3 015	3 776	4 562

Million marks

29/12 1972	31/12 1973	1973						
		31/1	28/2	30/3	30/4	31/5	29/6	
2 912	2 493	2 847	2 740	2 494	2 399	2 512	2 226	1
205	121	205	205	205	205	205	205	2
283	285	283	283	283	283	285	285	3
268	268	268	268	268	268	268	268	4
1 929	1 546	1 873	1 774	1 531	1 421	1 522	1 227	5
110	96	102	96	94	104	110	112	6
117	177	116	114	113	118	122	129	7
758	2 617	631	885	1 004	2 037	1 364	1 722	8
752	2 556	621	828	986	2 036	1 363	1 696	9
1	—	1	1	1	1	1	1	10
5	61	9	56	17	—	—	25	11
316	362	309	310	325	330	338	346	12
—	—	—	—	—	—	—	—	13
44	58	40	40	41	43	47	50	14
272	304	269	270	284	287	291	296	15
607	598	585	608	621	958	633	602	16
47	33	18	37	47	389	62	32	17
25	25	33	36	37	33	35	35	18
530	530	530	530	530	530	530	530	19
5	10	4	5	7	6	6	5	20
4 593	6 070	4 372	4 543	4 444	5 724	4 847	4 896	21
1 730	1 907	1 497	1 521	1 562	1 937	1 795	1 829	22
136	178	143	290	146	903	170	96	23
78	80	25	25	27	27	38	29	24
43	67	45	45	48	46	52	46	25
1	2	43	47	41	46	41	5	26
2	2	18	162	16	768	22	1	27
—	—	—	—	—	3	4	—	28
1	8	2	1	3	2	2	2	29
11	19	10	10	11	11	11	13	30
899	2 214	901	891	879	1 022	1 018	1 197	31
—	—	—	—	—	—	—	—	32
899	2 214	901	891	879	1 022	1 018	1 197	33
530	530	530	530	530	530	530	530	34
258	258	258	258	258	258	258	258	35
286	171	282	287	299	299	297	244	36
754	812	761	766	770	775	779	742	37
600	600	600	600	600	600	600	600	38
74	114	114	114	114	114	114	114	39
—	—	40	40	40	40	40	—	40
80	98	7	12	16	21	25	28	41
4 593	6 070	4 372	4 543	4 444	5 724	4 847	4 896	42

1. (Cont.) Balance sheet, 1966—1973

Million marks

		1973					
		31/7	31/8	28/9	31/10	30/11	31/12
ASSETS							
1	<i>Gold and other foreign assets</i>	2 192	2 360	2 253	2 099	2 328	2 493
2	Gold	205	205	205	205	152	121
3	Special drawing rights	285	285	285	285	285	285
4	IMF gold tranche	268	268	268	268	268	268
5	Foreign exchange	1 173	1 355	1 262	1 103	1 355	1 546
6	Foreign bills	124	110	97	100	100	96
7	Foreign bonds	137	137	136	138	168	177
8	<i>Claims on domestic banks</i>	2 120	1 784	2 243	2 417	2 673	2 617
9	Discounted bills	2 060	1 776	2 221	2 363	2 623	2 556
10	Rediscounted bills	0	0	—	—	—	—
11	Cheque accounts	60	8	22	54	50	61
12	<i>Other lending</i>	342	342	345	352	355	362
	Inland bills discounted						
13	In foreign currency	—	—	—	—	—	—
14	In Finnish currency	51	52	54	57	60	58
15	Loans	291	290	291	295	295	304
16	<i>Other assets</i>	600	728	801	805	724	598
17	Finnish bonds	33	158	232	232	150	33
18	Finnish coin	31	35	34	36	37	25
19	Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
20	Other claims	6	5	5	7	7	10
21	Total	5 254	5 214	5 642	5 673	6 080	6 070
LIABILITIES							
22	<i>Notes in circulation</i>	1 695	1 693	1 773	1 683	1 790	1 907
23	<i>Liabilities payable on demand</i>	314	212	448	557	308	178
24	Foreign exchange accounts	45	106	127	117	99	80
25	Mark accounts of holders abroad	51	50	49	52	71	67
	Cheque accounts						
26	Treasury	44	29	50	49	50	2
27	Postipankki	156	5	199	320	67	2
28	Private banks	—	—	—	—	—	—
29	Other	1	1	2	2	2	8
30	Other sight liabilities	17	21	21	17	19	19
31	<i>Term liabilities</i>	1 460	1 625	1 717	1 712	2 245	2 214
32	Foreign	—	—	—	—	76	—
33	Domestic	1 460	1 625	1 717	1 712	2 169	2 214
34	<i>IMF mark accounts</i>	530	530	530	530	530	530
35	<i>Allocations of special drawing rights</i>	258	258	258	258	258	258
36	<i>Equalization accounts</i>	252	145	160	171	172	171
37	<i>Bank's own funds</i>	745	751	756	762	777	812
38	Capital	600	600	600	600	600	600
39	Reserve fund	114	114	114	114	114	114
40	Profits undisposed	—	—	—	—	—	—
41	Earnings less expenses	31	37	42	48	63	98
42	Total	5 254	5 214	5 642	5 673	6 080	6 070

2. Foreign exchange reserves, at end of year or quarter, 1970—1973

Million marks

Currencies	1970	1971	1972				1973			
			I	II	III	IV	I	II	III	IV
Gold	121	205	205	205	205	205	205	205	205	121
Special drawing rights	98	197	282	283	283	283	283	285	285	285
IMF gold tranche ..	280	268	268	268	268	268	268	268	268	268
Convertible	1 302	1 920	2 196	2 070	2 245	1 814	1 327	952	910	1 189
Bilateral	- 63	-297	-331	-243	-104	- 6	128	200	176	210
Total	1 738	2 293	2 620	2 583	2 897	2 564	2 211	1 910	1 844	2 073

3. Profit and loss account, 1968—1973

Million marks

	1968	1969	1970	1971	1972	1973
EARNINGS						
Interest on internal loans	52.2	43.0	56.2	81.9	68.2	166.0
Interest on foreign exchange claims	15.7	26.0	40.1	53.7	74.8	53.4
Interest on bonds	13.5	10.5	20.7	16.2	24.2	23.6
Commission	2.8	3.4	3.5	3.7	2.8	3.0
Agio	1.1	2.3	1.3	2.3	0.9	—
Other earnings	2.4	2.7	3.8	4.5	5.3	6.0
Total earnings	87.7	87.9	125.6	162.3	176.2	252.0
EXPENSES						
Interest on deposits	12.7	9.0	27.8	40.5	57.6	92.0
Salaries	9.7	10.5	11.5	13.1	16.4	19.7
Pensions, family pensions and allowances	1.4	1.6	1.9	2.2	2.6	3.4
Social security contributions	0.7	0.7	0.8	1.0	1.2	1.5
Interest on foreign credits	5.4	0.5	0.1	—	—	5.4
Agio	—	—	—	—	—	2.0
Printing of bank notes	3.7	3.4	6.0	5.4	6.7	9.9
Other expenses	2.7	2.7	3.2	3.7	4.6	6.0
Amounts written off and depreciation ...	6.0	4.2	10.9	12.6	7.6	13.8
Total expenses	42.3	32.6	62.2	78.5	96.7	153.7
Net profit	45.4	55.3	63.4	83.8	79.5	98.3
Grand total	87.7	87.9	125.6	162.3	176.2	252.0

4. Interest rates applied by the Bank of Finland, 1958—1973

Per cent

From	Official discount rate of the Bank of Finland ¹	Range of discount rate set by Bank Supervisors	
		Minimum	Maximum
1. X 1958	7 1/4	6 1/2	8
1. III 1959	»	6	7 1/2
1. IV 1959	6 3/4	»	»
30. III 1962	8	7	8 1/2
28. IV 1962	7	6	7 1/2
12. XII 1969	»	»	9
1. VI 1971	8 1/2	»	»
1. I 1972	7 3/4	»	»
1. VII 1973	9 1/4	7 1/2	10 1/2

¹ In addition to the basic rate, the Bank of Finland has occasionally charged a penalty rate when the debt of a credit institution has exceeded certain limits.

5. Internal clearing operations: number and value of bank-postbills, cheques and transfers of account, 1970—1973

Number in thousands

Value in million marks

Month and year	Head office		Branch offices		Total	
	Number	Value	Number	Value	Number	Value
1970	14 454	45 610	6 663	12 625	21 117	58 325
1971	16 425	52 344	7 615	13 746	24 040	66 090
1972	17 800	62 200	8 690	16 256	26 490	78 456
1973						
I	1 638	6 407	792	1 626	2 430	8 033
II	1 463	5 674	716	1 435	2 179	7 109
III	1 638	6 242	795	1 578	2 433	7 820
IV	1 540	6 061	757	1 637	2 297	7 698
V	1 379	5 325	705	1 361	2 084	6 686
VI	1 587	6 313	719	1 639	2 306	7 952
VII	1 639	6 550	767	1 651	2 406	8 201
VIII	1 699	6 418	804	1 627	2 503	8 045
IX	1 568	6 538	765	1 684	2 333	8 222
X	1 878	7 880	907	2 057	2 785	9 937
XI	1 759	7 257	855	1 952	2 614	9 209
XII	1 622	7 578	798	1 911	2 420	9 489
Total	19 410	78 243	9 380	20 158	28 790	98 401

6. Note issue, 1961—1973

Million marks

Date	Right of note issue			Used right of issue				Note reserve
	Ordinary cover	Supplementary cover ¹	Total	Notes in circulation	Liabilities payable on demand	Undrawn on cheque credits	Total	
31. XII								
1961	779	472	1 251	837	73	9	919	332
1962	705	500	1 205	774	113	4	891	314
1963	818	451	1 269	944	59	6	1 009	260
1964	1 050	500	1 550	1 003	187	5	1 195	355
1965	945	500	1 445	1 029	98	5	1 132	313
1966	637	700	1 337	1 106	180	5	1 291	46
1967	799	700	1 499	1 052	140	3	1 195	304
1968	1 477	700	2 177	1 160	137	5	1 302	875
1969	1 433	500	1 933	1 298	124	0	1 422	511
1970	1 965	500	2 465	1 344	126	0	1 470	995
1971	2 776	500	3 276	1 479	358	1	1 838	1 438
1972	2 846	341	3 187	1 730	136	0	1 866	1 321
1973								
I	2 781	282	3 063	1 497	143	1	1 641	1 422
II	2 673	315	2 988	1 521	290	1	1 812	1 176
III	2 428	396	2 824	1 562	146	1	1 709	1 115
IV	2 375	500	2 875	1 937	903	1	2 841	34
V	2 441	851	3 292	1 795	170	1	1 966	1 326
VI	2 147	720	2 867	1 829	96	1	1 926	941
VII	2 105	809	2 914	1 695	314	0	2 009	905
VIII	2 274	873	3 147	1 693	212	0	1 905	1 242
IX	2 167	929	3 096	1 773	448	0	2 221	875
X	2 010	1 155	3 165	1 683	557	0	2 240	925
XI	2 224	500	2 724	1 790	308	0	2 098	626
XII	2 395	1 204	3 599	1 907	178	0	2 085	1 514

¹ The upper limit of the supplementary note cover was 500 million marks from the beginning of 1960 to November 23, 1966 and 700 million marks to the end of 1968. From the beginning of 1969 to May 23, 1973 the 500 million mark limit was in force. From May 23 to the end of October, 1973, the limit was 1 500 million marks. In November it was lowered to 500 million marks, and since the beginning of December, it has been 1 500 million marks.

7. Notes and coins in circulation, end-of-year figures, 1968—1973

Million marks

Denomination	1968	1969	1970	1971	1972	1973
Notes						
New						
100 mk	708.1	814.2	857.3	970.7	1 174.5	1 323.4
50 »	246.7	267.7	266.4	277.6	305.6	318.6
10 »	166.8	175.8	178.5	187.6	201.5	213.7
5 »	35.6	38.3	39.1	40.3	45.2	47.8
1 »	2.4	2.4	2.5	2.9	3.2	3.5
Total	1 159.6	1 298.4	1 343.8	1 479.1	1 730.0	1 907.0
Old						
10 000 omk	1.6	1.5	1.5	1.4	1.4	1.4
5 000 »	2.1	2.0	2.0	2.0	1.9	1.9
1 000 »	2.3	2.3	2.2	2.2	2.2	2.2
500 »	0.8	0.8	0.8	0.8	0.8	0.8
100 »	2.0	2.0	1.9	2.0	2.0	2.0
50, 20, 10, 5 »	1.2	1.2	1.2	1.2	1.2	1.2
Total	10.0	9.8	9.6	9.6	9.5	9.5
Grand total	1 169.6	1 308.2	1 353.4	1 488.7	1 739.5	1 916.5
Coins						
New						
10 mk	9.9	10.0	15.8	24.8	23.9	24.6
5 »	—	—	—	—	1.6	9.5
1 »	42.0	47.4	53.1	60.5	68.2	77.8
50 p	10.8	12.4	13.7	15.9	18.4	21.2
20 »	9.7	10.2	11.1	12.3	13.6	15.6
10 »	5.4	6.0	6.5	7.2	8.5	9.4
5 »	4.5	5.0	5.7	6.5	7.6	8.6
1 »	4.2	5.1	5.7	6.6	7.6	8.5
Total	86.5	96.1	111.6	133.8	149.4	175.2
Old						
1 000 omk	1.8	1.8	1.8	1.8	1.8	1.8
500 »	2.9	2.9	2.9	2.9	2.9	2.9
200 »	1.5	1.5	1.5	1.5	1.5	1.5
100 »	0.8	0.8	0.8	0.8	0.8	0.8
50 »	1.2	1.2	1.2	1.2	1.2	1.2
20 »	1.5	1.5	1.5	1.5	1.5	1.5
10 »	1.4	1.4	1.4	1.4	1.4	1.3
5 »	1.7	1.7	1.7	1.7	1.7	1.7
1 »	2.5	2.5	2.5	2.5	2.5	2.5
50, 25, 10, 5, 1 op	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.8	15.8	15.8	15.8	15.8	15.7
Grand total	102.3	111.9	127.4	149.6	165.2	190.9

8. Printing and destruction of notes, 1971—1973 Million marks

Denomination	Notes printed			Notes cancelled		
	1971	1972	1973	1971	1972	1973
Notes						
New						
100 mk	660.0	930.0	1 060.0	575.0	555.0	450.0
50 »	235.0	327.8	487.2	262.5	270.0	240.0
10 »	327.6	394.0	366.4	287.5	339.5	358.5
5 »	167.4	31.2	232.5	98.2	111.5	108.5
1 »	—	—	—	1.0	0.8	0.5
Total	1 390.0	1 683.0	2 146.1	1 224.2	1 276.8	1 157.5
In millions	77.6	61.5	103.6	60.5	68.1	67.3
Old						
Total	—	—	—	0.0	0.1	0.1
In millions	—	—	—	0.0	0.0	0.0
Grand total	1 390.0	1 683.0	2 146.1	1 224.2	1 276.9	1 157.6
In millions	77.6	61.5	103.6	60.5	68.1	67.3

9. Notes and coins, 1973 Million marks

Denomination	Total issue 29. XII 1972	Issued in 1973	Destroyed in 1973	Total issue 31. XII 1973	Held by the Bank of Finland 31. XII 1973	In circulation 31. XII 1973
Notes						
New						
100 mk	2 026.2	1 060.0	450.0	2 636.2	1 312.8	1 323.4
50 »	512.3	487.2	240.0	759.5	440.9	318.6
10 »	445.7	366.4	358.5	453.6	239.9	213.7
5 »	76.7	232.5	108.5	200.7	152.9	47.8
1 »	16.7	—	0.5	16.2	12.7	3.5
Total	3 077.6	2 146.1	1 157.5	4 066.2	2 159.2	1 907.0
In millions	107.0	103.6	67.3	143.3	89.2	54.1
Old						
Total	9.5	—	0.0	9.5	0.0	9.5
In millions	11.5	—	0.0	11.5	0.0	11.5
Grand total	3 087.1	2 146.1	1 157.5	4 075.7	2 159.2	1 916.5
In millions	118.5	103.6	67.3	154.8	89.2	65.6
Coins						
New						
10 mk	26.0	—	0.5	25.5	0.9	24.6
5 »	2.0	10.9	—	12.9	3.4	9.5
1 »	83.5	17.0	9.6	90.9	13.1	77.8
50 p	22.9	2.7	0.0	25.6	4.4	21.2
20 »	14.4	1.9	0.0	16.3	0.7	15.6
10 »	10.1	0.9	0.0	11.0	1.6	9.4
5 »	8.0	1.3	0.0	9.3	0.7	8.6
1 »	7.6	1.2	0.0	8.8	0.3	8.5
Total	174.5	35.9	10.1	200.3	25.1	175.2
Old						
1 000—100 omk	7.0	—	—	7.0	0.0	7.0
50 omk—1 op	8.8	—	0.1	8.7	0.0	8.7
Total	15.8	—	0.1	15.7	0.0	15.7
Grand total	190.3	35.9	10.2	216.0	25.1	190.9

10. Exchange rates: selling rates at sight, 1973

Selling rate	1 Dollar New York	1 Dollar Montreal	1 Pound sterling London	100 Kronor Stockholm	100 Kroner Oslo	100 Kroner Copenhagen	100 D-Mark Frankfurt o.M.	100 Guildens Amsterdam	100 Francs, Brussels commercial financial	
<i>Jan.</i>										
Max.	4.178	4.198	9.920	88.65	63.85	61.10	132.20	131.25	9.520	9.520
Ave.	4.175	4.181	9.833	88.06	63.15	60.69	130.63	129.80	9.467	9.428
Min.	4.170	4.174	9.800	87.95	62.80	60.45	130.00	129.28	9.435	9.385
<i>Feb.</i>										
Max.	4.168	4.167	9.945	88.65	66.30	63.50	138.00	137.20	9.930	9.960
Ave.	4.017	4.037	9.743	87.80	64.61	61.82	133.40	132.83	9.626	9.505
Min.	3.911	3.935	9.520	85.80	63.65	60.90	131.55	130.80	9.495	9.649
<i>March</i>										
Max.	3.905	3.933	9.750	89.00	66.60	63.65	139.00	137.50	9.910	10.160
Ave.	3.881	3.886	9.580	87.14	65.67	62.96	137.57	134.45	9.816	9.998
Min.	3.864	3.878	9.530	86.20	64.70	62.30	136.60	131.80	9.690	9.940
<i>April</i>										
Max.	3.888	3.891	9.680	86.80	66.10	62.90	137.80	132.70	9.760	10.010
Ave.	3.884	3.886	9.648	86.20	65.76	62.63	137.14	131.89	9.696	9.848
Min.	3.874	3.877	9.580	85.60	64.40	62.20	135.70	131.15	9.640	9.650
<i>May</i>										
Max.	3.888	3.882	9.930	90.00	68.20	64.00	142.60	136.20	10.010	10.010
Ave.	3.866	3.866	9.792	87.32	66.65	62.87	138.71	133.61	9.816	9.840
Min.	3.840	3.838	9.680	85.90	65.65	62.15	136.65	131.56	9.650	9.680
<i>June</i>										
Max.	3.832	3.770	9.875	89.50	68.80	65.00	147.60	138.70	10.050	10.030
Ave.	3.735	3.738	9.637	88.65	67.98	64.12	144.55	136.53	9.961	9.954
Min.	3.666	3.670	9.465	87.50	66.75	62.50	141.50	133.60	9.830	9.830
<i>July</i>										
Max.	3.660	3.670	9.450	91.50	70.00	67.30	158.90	143.00	10.600	10.430
Ave.	3.631	3.635	9.237	90.13	69.05	65.70	155.87	141.17	10.278	10.155
Min.	3.580	3.590	9.020	88.50	67.80	64.50	151.70	138.20	10.000	9.900
<i>Aug.</i>										
Max.	3.725	3.705	9.170	90.10	68.50	66.30	156.75	141.20	10.300	10.150
Ave.	3.672	3.660	9.095	88.67	66.81	64.52	151.91	138.49	9.976	9.858
Min.	3.620	3.615	9.035	87.70	65.50	62.80	149.00	136.30	9.800	9.650

Marks

100 Francs Zurich	100 Francs, Paris commer- cial	100 Francs, Paris finan- cial	100 Lire, ¹ Rome commer- cial	100 Lire, Rome finan- cial	100 Schilling Vienna	100 Escudos Lisbon	100 Kronur Reykja- vik	100 Pesetas Madrid	1 Rouble, clearing Moscow	Selling rate
115.60	83.20	83.30	0.7170	--	18.20	15.70	4.28	6.60	4.960	<i>Jan.</i> Max.
111.76	82.13	82.10	0.7173	—	18.06	15.61	4.28	6.60	4.960	Ave.
110.76	81.45	81.45	0.7114	—	18.00	15.58	4.28	6.60	4.960	Min.
										<i>Feb.</i>
125.00	86.95	87.00	0.7170	0.7170	19.05	15.72	4.28	6.75	5.241	Max.
117.97	84.21	83.84	0.7007	0.6981	18.48	15.52	4.15	6.65	5.125	Ave.
115.25	82.75	82.70	0.6865	0.6750	18.15	15.21	4.05	6.60	4.960	Min.
										<i>March</i>
125.30	87.10	87.30	0.7000	0.7000	19.25	16.90	4.05	6.90	5.241	Max.
120.17	85.94	86.16	0.6811	0.6757	18.94	15.75	4.02	6.74	5.241	Ave.
118.00	85.50	85.50	0.6700	0.6590	18.78	15.45	4.00	6.70	5.241	Min.
										<i>April</i>
120.60	86.00	86.40	0.6650	0.6650	18.90	15.46	4.26	6.74	5.241	Max.
120.10	85.49	85.78	0.6628	0.6592	18.83	15.43	4.03	6.72	5.241	Ave.
118.80	84.90	85.15	0.6580	0.6540	18.70	15.40	4.02	6.70	5.241	Min.
										<i>May</i>
124.75	88.25	88.50	0.6660	0.6600	19.40	15.90	4.30	6.80	5.241	Max.
122.06	86.44	86.56	0.6573	0.6516	19.03	15.62	4.29	6.77	5.241	Ave.
119.75	85.30	85.30	0.6450	0.6440	18.79	15.40	4.27	6.74	5.241	Min.
										<i>June</i>
123.10	89.00	89.20	0.6490	0.6450	19.97	16.01	4.30	6.55	5.241	Max.
122.41	87.88	88.13	0.6307	0.6192	19.66	15.94	4.17	6.51	5.170	Ave.
121.90	86.40	86.70	0.6120	0.6040	19.38	15.75	4.10	6.50	5.083	Min.
										<i>July</i>
133.50	92.00	92.00	0.6370	0.6160	21.55	16.60	4.18	6.45	5.083	Max.
129.30	89.78	89.57	0.6280	0.5949	21.20	16.41	4.16	6.37	5.068	Ave.
126.80	88.00	87.00	0.6200	0.5850	20.60	16.25	4.14	6.30	4.972	Min.
										<i>Aug.</i>
128.40	88.95	87.50	0.6590	0.6350	21.20	16.40	4.30	6.55	5.438	Max.
124.16	86.58	85.61	0.6414	0.6165	20.68	16.05	4.24	6.48	5.266	Ave.
121.50	85.00	84.00	0.6230	0.5920	20.35	15.85	4.18	6.40	5.211	Min.

10. (Cont.) Exchange rates: selling rates at sight, 1973

Selling rate	1 Dollar New York	1 Dollar Montreal	1 Pound sterling London	100 Kronor Stockholm	100 Kroner Oslo	100 Kroner Copenhagen	100 D-Mark Frankfurt o.M.	100 Guildens Amsterdam	100 Francs, Brussels commercial	100 Francs, Brussels financial
<i>Sept.</i>										
Max.	3.718	3.701	9.125	89.00	67.80	65.80	155.20	147.15	10.250	10.250
Ave.	3.712	3.685	8.979	88.42	67.14	65.04	153.27	142.93	10.070	10.015
Min.	3.705	3.668	8.880	88.00	66.50	64.20	151.10	138.45	9.870	9.790
<i>Oct.</i>										
Max.	3.722	3.709	9.070	89.70	68.40	66.20	154.70	150.20	10.260	10.200
Ave.	3.701	3.697	8.992	88.73	67.78	65.60	153.60	148.28	10.137	10.122
Min.	3.686	3.687	8.945	88.00	66.40	64.50	150.70	145.00	9.980	9.930
<i>Nov.</i>										
Max.	3.814	3.818	9.040	88.30	68.40	64.65	150.65	145.40	10.000	9.995
Ave.	3.743	3.749	8.953	86.36	66.88	62.89	145.39	139.83	9.720	9.696
Min.	3.666	3.675	8.875	85.40	65.20	61.90	143.60	137.85	9.595	9.540
<i>Dec.</i>										
Max.	3.858	3.870	8.955	85.80	68.15	62.20	145.45	138.05	9.630	9.540
Ave.	3.837	3.840	8.898	84.70	67.90	61.89	144.65	136.97	9.526	9.492
Min.	3.810	3.808	8.850	83.85	67.35	61.50	142.70	136.30	9.350	9.360

Marks

100 Francs Zurich	100 Francs, Paris commer- cial		100 Lire, ¹ Rome commer- cial		100 Schilling Vienna	100 Escudos Lisbon	100 Kronur Reykja- vik	100 Pesetas Madrid	1 Rouble, clearing Moscow	Selling rate
124.20	88.50	87.00	0.6630	0.6350	21.00	16.10	4.44	6.56	5.153	<i>Sept.</i>
123.32	87.24	85.60	0.6588	0.6281	20.72	15.99	4.37	6.56	5.153	Max.
122.40	86.15	83.90	0.6570	0.6200	20.45	15.90	4.28	6.55	5.153	Ave.
										Min.
										<i>Oct.</i>
123.60	88.70	87.50	0.6610	0.6600	20.90	16.04	4.44	6.58	5.203	Max.
122.46	87.90	86.33	0.6558	0.6495	20.75	16.00	4.43	6.54	5.203	Ave.
119.10	86.80	84.90	0.6470	0.6470	20.35	15.85	4.41	6.47	5.203	Min.
										<i>Nov.</i>
119.20	87.30	85.00	0.6470	—	20.38	15.85	4.57	6.68	5.253	Max.
118.49	85.11	83.08	0.6351	—	19.79	15.51	4.47	6.57	5.136	Ave.
117.80	84.10	80.80	0.6290	—	19.60	15.30	4.39	6.45	5.033	Min.
										<i>Dec.</i>
120.65	84.70	82.00	0.6380	—	19.80	15.40	4.57	6.80	5.120	Max.
119.93	83.69	80.90	0.6330	—	19.70	15.26	4.57	6.77	5.115	Ave.
118.80	81.90	79.10	0.6260	—	19.52	15.10	4.57	6.69	5.033	Min.

¹ The Bank of Finland quoted a separate commercial and financial rate for the Italian lire from February 16 to October 5, 1973.

11. Exchange rates: selling rates at sight, 1966—1973

Selling rate	1 Dollar New York	1 Pound sterling London	100 Kronor Stockholm	100 Kroner Oslo	100 Kroner Copen- hagen	100 D-Mark Frankfurt o.M.	100 Guldens Amsterdam
1966							
Maximum	3.224	9.045	62.70	45.14	46.83	81.21	89.51
Average	3.224	9.007	62.45	45.10	46.69	80.68	89.14
Minimum	3.224	8.990	62.34	45.06	46.57	80.30	88.76
1967							
Maximum	4.206	11.655	81.55	58.88	60.42	105.63	116.95
Average	3.448	9.430	66.81	48.24	49.25	86.53	95.73
Minimum	3.224	8.975	62.30	45.06	46.45	80.47	89.18
1968							
Maximum	4.206	10.145	81.55	58.88	56.45	105.50	116.95
Average	4.190	10.033	81.10	58.68	56.00	104.98	115.80
Minimum	4.187	9.975	80.95	58.63	55.66	104.16	114.93
1969							
Maximum	4.215	10.095	81.75	59.06	56.15	114.62	117.34
Average	4.201	10.079	81.28	58.82	55.68	106.29	115.98
Minimum	4.187	9.985	80.95	58.55	55.59	104.00	115.16
1970							
Maximum	4.197	10.080	81.30	58.82	56.07	115.21	116.15
Average	4.180	10.014	80.62	58.52	55.76	114.67	115.62
Minimum	4.176	9.945	80.15	58.41	55.63	113.44	114.86
1971							
Maximum	4.204	10.610	85.40	62.00	58.80	128.50	127.85
Average	4.174	10.205	81.82	59.50	56.41	120.17	119.72
Minimum	4.152	9.995	80.60	58.47	55.72	114.60	115.80
1972							
Maximum	4.178	10.950	88.15	63.85	61.10	131.41	130.80
Average	4.146	10.368	87.20	62.97	59.72	130.07	129.22
Minimum	4.134	9.710	85.52	61.65	58.75	126.90	127.50
1973							
Maximum	4.178	9.945	91.50	70.00	67.30	158.90	150.20
Average	3.816	9.355	87.76	66.64	63.47	144.34	137.50
Minimum	3.580	8.850	83.85	62.80	60.45	130.00	129.28

Marks

100 Francs Brussels ¹	100 Francs Zurich	100 Francs Paris ²	100 Lire Rome ³	100 Schilling Vienna	1 Rouble clearing Moscow	Selling rate
						1966
6.497	74.74	65.80	0.5175	12.50	3.5667	Maximum
6.474	74.57	65.64	0.5165	12.49	3.5667	Average
6.440	74.28	65.10	0.5160	12.47	3.5667	Minimum
						1967
8.470	97.43	85.80	0.6750	16.29	4.6799	Maximum
6.940	79.69	70.11	0.5527	13.35	3.8239	Average
6.440	74.21	65.15	0.5156	12.47	3.5667	Minimum
						1968
8.470	97.49	85.70	0.6740	16.29	4.6799	Maximum
8.396	97.08	84.66	0.6723	16.22	4.6799	Average
8.320	96.47	84.21	0.6705	16.19	4.6799	Minimum
						1969
8.480	98.10	84.80	0.6735	16.33	4.6799	Maximum
8.381	97.44	81.16	0.6702	16.25	4.6799	Average
8.320	96.70	75.40	0.6660	16.16	4.6799	Minimum
						1970
8.455	97.65	75.80	0.6718	16.27	4.6799	Maximum
8.421	97.00	75.62	0.6669	16.18	4.6799	Average
8.405	96.30	75.40	0.6641	16.13	4.6799	Minimum
						1971
9.270	107.20	79.70	0.7000	17.60	4.960	Maximum
8.607	101.63	75.78	0.6765	16.75	4.684	Average
8.405	96.74	75.07	0.6690	16.13	4.6799	Minimum
						1972
9.490	111.10	83.10	0.7172	18.17	4.960	Maximum
9.424	108.64	82.25	0.7110	17.95	4.960	Average
9.245	105.79	79.60	0.6980	17.55	4.960	Minimum
						1973
10.600	133.50	92.00	0.7170	21.55	5.438	Maximum
9.852	121.22	86.10	0.6571	19.71	5.159	Average
9.350	110.76	81.45	0.6120	18.00	4.960	Minimum

¹ Since September 12, 1972, when the Bank of Finland began to quote both a commercial and a financial rate for the Belgian franc, the commercial rate has been used in the calculations.

² Since the introduction of dual rate system on August 13, 1971, the commercial rate has been used in the calculations.

³ The Bank of Finland quoted a separate commercial and financial rate for the Italian lire from February 16 to October 5, 1973. The commercial rate has been used in the calculations.

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VALDEMAR SANDELIN, Governor of the province of Häme, *Vice chairman*

AARO LINTILÄ, Farmer

VEIKKO VENNAMO, Lic.Jur., M.P.

INGVAR S. MELIN, Lic.Sc. (Econ.)

T. JUNNILA, Ph.D., M.P.

SYLVI SILTANEN, Governor of the province of Turku and Pori

HEIKKI HYKKÄÄLÄ, M.P.

AARNE SAARINEN, M.P.

Bank of Finland at the End of 1973

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Director of ADP Planning

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