

## For more information...

The National Bank's **website** ([www.bnb.be](http://www.bnb.be)) features a vast array of economic and financial information, the Central Balance Sheet Office's database, etc.

Located in the centre of Brussels, the **Museum of the National Bank** ([www.nbbmuseum.be](http://www.nbbmuseum.be)) helps to give you a better understanding of the history of money and the main economic concepts.

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Who are we ?



# The National Bank of Belgium



The main tasks of central banks throughout the world are to put banknotes into circulation, conduct monetary policy and ensure financial stability.

The National Bank of Belgium is the country's central bank. Since the arrival of the euro, it has been part of the Eurosystem, whose members are the European Central Bank and all the central banks of the countries which have adopted the euro.

The National Bank also provides services to the general public, to businesses, the financial sector and to the State. People can go there to exchange old or damaged banknotes and, on its website ([www.nbb.be](http://www.nbb.be)) you can find company financial statements, statistics, a vast array of economic studies and a great deal of information.

**Note :** the National Bank is not a commercial bank, so it is not possible for a private individual or a company to open an account there, borrow money or purchase foreign currency.

## Putting notes and coins into circulation

Banknotes are the NBB's best-known product. As a member of the Eurosystem, the National Bank of Belgium places notes into circulation; on behalf of the State, it does the same for coins, although it does not actually mint them itself. The Bank has its own printing works, which enables it to produce some of the banknotes that are put into circulation in Belgium and in the rest of the euro area.



It is not the National Bank that decides on the quantity of notes and coins to be put into circulation. That depends on the volume of cash withdrawals made by the public.

# Monetary policy: preserving the value of the currency

Price stability contributes to sustainable growth of economic activity and to job creation. When the general price level fluctuates excessively, businesses have trouble planning their future, they invest less and fewer jobs are created; the result is an erosion of consumer confidence.

Every central bank ensures that the value of the currency is preserved, in other words avoiding any general rise or fall in prices, i.e. inflation or



deflation. In the euro area, the target in terms of price stability is a rise of just under 2 % a year.

It is through the implementation of monetary policy that the central bank pursues its objective of price stability. However, it does not exert any direct influence on prices, but instead acts on the interest rate (the “rent of money”).

Mainly to meet demand for banknotes from the public, the commercial banks have to borrow from the central bank. By adjusting the interest rates that it charges them, the central bank prompts the commercial banks to pass on these conditions to their own customers.

If there is a threat of inflation, the central bank will raise interest rates and that will curb the expansion of credit, which has become more costly, the money supply and demand for goods and services and will ultimately wipe out the price rise. If, on the other hand, a risk of deflation appears, the central bank will act in the opposite direction.

In order to assess the risks to price stability, the central bank can use as a basis the expansion of the money supply and on other economic indicators (exchange rates, wages, etc.) which provide information on future price developments.

## What is the money supply ?

Notes and coins ("fiduciary" money) only make up a fraction of the currency in circulation. Deposits with commercial banks ("scriptural" or cashless money) account for the largest part. While it is the central bank that produces fiduciary money, it is the commercial banks that create scriptural money by granting loans. All this together constitutes what is called the money supply. A strong expansion of this indicates a risk of inflation.

## Financial stability

Apart from monetary stability, maintaining a financial system which is both efficient and sound is a key objective of any modern central bank. The financial crisis has pointed up the need to improve the way that supervision of the banking and insurance sector.



In Belgium, this supervisory architecture is based on two pillars:

- the supervision of banks, insurance companies and other financial institutions is entrusted to the National Bank.
- supervision of the financial markets and consumer protection comes under the responsibility of the Financial Services and Markets Authority (FSMA).

The National Bank of Belgium is thus responsible for supervising individual financial establishments, a task referred to as microprudential supervision, as well as for macroprudential oversight, which concerns the sound functioning of the financial system as a whole.

Since November 2014, the Single Supervision Mechanism (SSM) came into force, entrusting the supervision of Europe's biggest banks to the ECB.

# Economic and Monetary Union

Since 1 January 1999, the National Bank has been part of the European System of Central Banks.



This is made up of the European Central Bank, whose headquarters are in Frankfurt, and the national central banks of the Member States of the European Union. Among these countries, Austria, Belgium, Cyprus, Estonia, France, Finland, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain have adopted the same currency, namely the euro. Together, they make up what is called the euro area. The Eurosystem is the entity formed by the ECB and the national central banks of the euro area. It is in charge of running the single monetary policy.





## Who decides ?

The Eurosystem is managed by the Governing Council of the European Central Bank. Composed of the six members of the ECB Executive Board and the governors of the euro area national central banks, this Council takes monetary policy decisions (changing interest rates, for example). Each member of the Council, including the governor of the National Bank of Belgium, has one vote in the decision-making process.

Like its fellow euro area members, the National Bank of Belgium is involved in preparing Governing Council meetings and takes part in implementing its decisions.

The National Bank also carries out other activities on its own with full autonomy.

Its governing body is the Board of Directors, whose members are appointed by the King and which is chaired by the Governor.

The Board of Directors regularly exchanges information on the economic and financial situation in the country with the Regents, who represent the country's main economic interests: employers, trade unions, small firms and business classes, etc.

# Better information means better management and better understanding

When it comes to economics and finance, information is vital. The National Bank devotes a good part of its work to providing and analysing information.



The Bank runs a Central Balance Sheet Office which gathers every year more than 400 000 sets of annual accounts of companies established in Belgium. Anyone can obtain an online copy in order to assess the state of health of an enterprise or an economic sector.

The Bank also manages a Central Individual Credit Register which makes it possible to assess the problem of over-indebtedness that Belgian households may be facing. Lenders have to consult the borrower's file before granting any new loan. About 6.300.000 registered borrowers can consult their file and have any errors put right. The Central Corporate Credit Register centralises information about loans granted to companies. Moreover, the National Bank turns out statistics and studies enabling a better understanding of the country's economy.

In addition, once a month, the Bank questions around 6 000 firms about their business and their forecasts for order books, recruitment, etc. This is an important source of information for studying the economic outlook for the country.

All this information enables analyses to be carried out and statistics to be compiled. The National Bank then publishes them in the Economic Review, the Statistical Bulletin and on Its website.

Every year, the NBB also publishes an Annual Report on economic and financial developments in Belgium.

## Services to the State, to businesses and the public

Apart from its two main activities – putting money into circulation, preserving its value and ensuring the stability and smooth functioning of the financial sector – the National Bank provides many other services to the State, to the corporate world, to banks and the general public.

Banks can apply to the National Bank to deposit or withdraw banknotes. Every banknote that comes back to the National Bank, after being in circulation for an average of three months, is subject to tough quality checks.

If it is soiled or in bad condition, it will be destroyed and replaced.

Nowadays, the majority of payments are made by electronic transfers, paper transfers, which generally involve the intervention of two banks: the payer and the payee.

The National Bank then steps in as an intermediary by managing the payment systems.

Loans issued by the State are written into accounts that it manages on a computerised basis. They are now dematerialised. It intervenes on the Stock Exchange on behalf of the State so that individuals can buy and sell State debt at similar conditions to those on the professionals' market.



The National Bank offers services to the general public, such as banknote exchange and Credit Register listings.

At its own counters, all banknotes of 100 francs or more issued by the National Bank since 1944 can be exchanged with no time limit. In addition, the Bank's experts analyse free of charge any seriously damaged banknote in order to set its value.