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Authority and Independence of National Bank of Ethiopia:- Assessment of the Parent Act

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Abstract:
Independence of central bank's independence is of importance to ensure price stability and economic development. Studies show that both developing and developed nations have legally endorsed the independence of their central banks and; they have legislated specific laws to underpin enforcement of the principle of central bank's independence. The paper examines the establishment proclamation or parent act of national bank of Ethiopia from the light of common features of independent central banks; and found that the appointment process of Board of directors and governors is clearly mandated or entrusted to the political authority, prime minister. Their accountability as well made to the prime minister. Besides, the law fails to put a clear limitation up on the extent of the debt that the government could borrow from the national bank. The proclamation acknowledges, in addition to price stability, other too general purpose i.e. undertaking other related activities as are conducive to rapid economic development. These gaps of the parent act call for reevaluation and rewriting of the parent act.

Keywords: *Authority of central banks, Independence of Central Banks, National Bank of Ethiopia*

1. Introduction

The central banks importance overall economic performance of a state is crucial, for both the stability of the state itself and its economic growth.[1]However, its effectiveness to enhance one nations economic development and price stability is, among other things, depend on independence of the central bank granted and recognized by the legal regime of the state.[2] This demands a well-crafted legal system, which should be capable of delivering most of the policies and choices independently.

Our world has been facing the worst economic failures, for instance the1930 great depression, 1970 and 1980 sustained inflation, and the recent global financial crisis. An excessive interference of the government on the determination, management and implementation of monetary policies infrequently pointed out as one of the main variables for such global economic failures.[3] The most usual cause, as cited by cukier man and other economists who conducted to examine the failure of central banks to maintain price stability especially during 1970s and 1980s sustained inflation, is government's intervention in monetary policies to ensure short political benefits during election.[4] According to the scholars view, government usually design short run expansionary monitory policy to avert social problems like unemployment while discounting the long run inflationary and price instability effect. Most political authorities do that to ensure political acceptance of the people thereby to get electoral benefit during election.

Thus, to avoid price instability, central banks shall be independent of government interference in monitory polices, they argued. The theoretical view developed by economists to rationalize the need for central bank's independence is generally based on the older public choice view; the analysis of Sarrgent and Wallece and time inconsistency problem of monetary policy.[5] Besides empirical researches acknowledged that the more independent central bank is, the more likely it is that the economic stability will be preserved. Following the 1970s and 1980s sustained inflation, though the degree of independence granted to the central banks varies, most nations legally

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[1] European Central Bank, available https://www.ecb.europa.eu/ecb/orga/independence/html/index.en.html (accessed on Nov 2015) p. 9

[2]Alex cukiermanand StevenB., Measuring the Independence of Central Banks and Its Effect on Policy Outcomes, available at http://wber.oxfordjournals.org/content/6/3/353.abstract, (accessed on Dec 2015) p5

[3]SilvesterC.WEijiffinger and JACOB De haan, the political economy of central bank independence,(1996) p.3

[4]Nowadays, it is widely believed that a high degree of Central Bank Independence (CBI) coupled with some explicit mandate for the Central Bank (CB) to restrain inflation is an important institutional device to assure price stability. see Jiji T Mathew, Measuring Central Bank Independence in Twenty- Five countries: A New Index of Institutional Quality,p1

[5]SilvesterC.W,Eijiffinger and JACOB De haan , supra note3, p3

announce the independence of central banks.[6]The national bank of Ethiopia has been established by proclamation no592/2008. The current national bank of Ethiopia is the main functional mechanism that must ensure the credibility and monitor or supervise the performance of financial system, in addition to the powers to hold a national reserve and to monitor the crediting risk of commercial banks in Ethiopia.

This article is thus aimed at providing the legal review up on Ethiopian law of central bank in light of the principles developed by scholars to measure legal independence of central banks. The basic question posed is whether the Ethiopian law on central bank provides a sufficient basis for independent and functional central bank. To answer such issue, the paper will provide the parameters developed by researchers to measure legal independence of central banks and then analysis of most important provisions of the relevant law. Finally, the paper concludes and recommends.

2. Independence of Central Banks

2.1. Evolution

The evolution of the view that central banks should be independent from government intervention on monitory policy is very recent phenomena though most nations recognized to avert inflation thereby ensure price stability. The 1970s and 1980s sustained inflation experienced by industrialized and developing economies as well is often cited as the beginning point for development of central bank's independence.[7]

To avert or minimize price instability that has devastating impact over the whole economy of the states, number of mechanisms has been devised to be implemented nationally and internationally, such as Bretton woods and European monitory system. However, during 1970`s and early 1980s, major industrialized nations experienced sustained period of inflation.[8] the braked down of the above stated regional and international institutions as well as national schemes to avert such sustained inflation led states to look for other means that can ensure price stability within their financial market.[9] It was at this juncture that Central bank independence became set as a device to maintain price stability. Thus, one can safely discern out that the main reason for development of central bank's independence was the failure of the schemes designed before 1970s to maintain price stability. One of the most influential line of arguments as to the cause for the sustained inflation occurred during 1970s and 1980s was that the discretionary monitory policy of the political authorities; i.e. the policy makers (governments) may prefer expansionary monitory policy which often follows duplication and supply of money to the market that exceeds the real output of the economy.[10] To express in more clear terms, the research conducted to investigate the cause of 1970s and 1980ssustained inflation reveals that elected officials who had been motivated by short run electoral considerations did influence the monitory policy of central banks.[11] Based on such findings, Economists frequently argued that political authorities may give undue priority on short run economic expansions so as to acquire electoral benefits while discounting the long run inflationary consequences of expansionary policies; thus, to ensure price stability, central banks shall be independent of political authorities interference in its operation and determination of monitory policy of the state.[12]

2.2. Meaning

According to fried man, central bank independence refers to a relationship between the central bank and the government that is comparable to the relationship between the judiciary and the government.[13] The judiciary canrule only on the bases of laws enacted by the legislator, and it can be ruled differently only through a change in the law. This definition provides full autonomy to the central banks and avoids any government, special the executive branch of government, interference in the operation of central banks mandate granted by the legislator. Therefore, the only responsibility of the central bank, according to fried man's definition, would be achieving the objectives out lined by the legislator and respecting other duties enumerated under the statute.

Hasse, however, relates central bank independence only to three areas in which the influence of government must be either excluded or drasticallycurtailed, that is, independence in personal matters, financial independence, and independence with respect to policy.[14] Personal independence refers to the influence that government has on appointment procedures. Financial independence refers to the ability given to the government to finance government expenditure either directly or indirectly through central bank credits. While the third kind of central banks area of independence, policy independence, refers to the autonomy of the central bank to formulate and Execute monetary policies.

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[6]Id P.6

[7] John E, Murray M, The new pal grave a dictionary of economics, Macmillan press limited, London,(2005) p 789

[8]see Christopher Crowe and Ellen E. Meade, Central Bank Independence and Transparency: Evolution and Effectiveness, 2008,pp.3-5

[9]Ibid

[10] Ibid

[11] Ibid

[12] see N. NergizDincera and Barry Eichengreen, Central Bank Transparency and Independence: Updates and New Measures, 2014,pp. 3-8

[13]SilvesterC.W, Eijiffinger and JACOB De haan, Supra note 3,p.5

[14] see also Jiji T Mathew,Supra note 4, p.5

The definitions given to the term central bank's independence by other scholars can be generally categorized in to two: first, the definition forwarded by those who support or propagate full independence of central banks from both the legislator and executive organs of the government; second, the second category of definition is the definitions pointed out by those who argue that the independence of central banks should be limited to a certain particular areas, specifically personal and instrumental independence. According to the later definition, the power to determine the policy goals or objectives to be achieved by the central bank should be entrusted to the government while the central banks shall be independent to devise instruments which enable to attain the policy goals ;and appointment procedures of personnel.

It is worth mentioning that the difference in defining the notion of central bank's independence is not only limited to academia but also reflects on the legal systems. Some legal systems only recognize the central bank's independence on few areas. Federal Reserve Bank of New Zealand and central bank of United Kingdom are instances of central banks with limited independence.[15]Some jurisdictions, such as united sates of America, provide full central bank independence (i.e. both goal and instrumental independence) to their central banks.[16]

At the nutshell, we can conclude that the term Central bank independence refers to the independence of central banks to determine monitory policy goals or/and instruments that helps to achieve the monetary goals.

2.3. Theoretical Justifications

Generally, the theoretical standpoint for central bank's independence is that price stability is fundamental objective of monetary policy and that objectives presumably not sufficiently safeguarded by elected politicians who focus their concerns on the short term, or by politically dependent central banks.[17]In addition to the theoretical view that independent central banks could ensure price stability, empirical researches revealed that countries with independent central banks have low level of inflation than nations in which central banks are under direct control of the government.[18]Proponents of central bank independence provide three arguments or theoretical foundations which show the rationale behind central bank’s independence: The argument based on the older public choice view; the analysis of sarrgent and wallece (1981) and time inconsistency problem of monetary policy.[19]

According to the older public view, monitory authorities are exposed to strong political pressure to behave in accordance with the government’s preferences, especially when there is a reduction on government revenue which worsen public deficit that obliges the authorities to resort to public debt.[20] The most usual and easy way used by political authorities under such circumstances is influencing the central bank to duplicate money which follows inflation and a long run devastating impact on the economy. In other words, in the absence of separation of the government and central banks or independence of central bank, politicians may order central banks to supply money in order to reduce the public and media pressure raised due to high public deficit and unemployment. As some observers testified, even with in the industrialized states with relatively independent central banks, there is such kind of activities by the political authorities. This view is interestingly stated in very clear terms by Buchanan and wanger:[21]

- A monitory decision maker is in a position only one stage removed from that of the directly elected politician. He will normally have been appointed to office by politician subject to electoral testing and he may even serve at the pleasure of the later. it is scarcely to be expected that persons who are chosen as monitory decision makers will be the sort of that are likely to take policy stances sharply contrary o those desired by their political associates, especially since these stances would also run counter to strong public opinion and media pressure…easy money is also easy for the monitory manager.

The second argument forwarded following the old public choice view to explain the rationale behind independence of central banks is the link among monitory and fiscal authorities and inflation.[22] Their analysis is more concerned on the relationship between monitory authority, which is often mandated to central banks, and fiscal authority. According to this analysis, fiscal authority should not be in aposition to dictate monetary authority or central bank of the state. Because if the monetary authorities cannot influence the size of the government's budget deficit and the public is no longer able or not willing to absorb government budget deficit, the monetary authorities will be forced to cover the deficit by creating or printing money, which in turn creates inflation. However, if the central bank's independencies recognized and practically assured, the central bank will have dominance over fiscal authorities, i.e., it would not be forced by fiscal authority to print money mainly to cover the budget deficit and fiscal authorities will be forced to reduce the deficit. Therefore, the argument is that the more independent the central bank is, the less the monitory authority forced to finance government budget deficit.

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[15]Stanley Fischer, Central Bank Independence, available at http://www.federalreserve.gov/newsevents/speech/fischer20151104a.htm (accessed on Dec,2015)

[16]John E, Murray M, supra note 7, p.5

[17]Pedro AntónioBasto de Sousa, independence and accountability of central banks andthe European central bank, 2001, available at http://eiop.or.at/eiop/texte/2001-009a.htm, (accessed in Oct.20, 2015)

[18]John E, Murray M, supra note 7, p6

[19]Ibid

[20]DavideRomelli, Regulatory reforms and central bank independence, available at http://afse2015.sciencesconf.org/61080/document, (accessed on Nov.2015) pp.3-6

[21]John E, Murray M, supra note 7, p4

[22]SilvesterC.WEijiffinger and JACOB De haan,supra note 3, p6

The time inconsistence problem is the third and most often raised argument for central bank independence. The basic idea of the dynamic inconsistency theory consists in the existence of an inflation bias that emerges because one assumes that policymakers are systematically tempted to stimulate the economy in order to respond to some motivations exploiting the short-run.although at the current moment they promise average low inflation rates, later on, when the private sector has already incorporated that information in its expectations and decisions, policymakers are tempted to abandon the assumed commitments.[23] According to this theory, a policy incredible if it does not suffer from dynamic inconsistency, what would happen if the policy makers' behavior were limited by rules or by other "commitment technology" that influences policy makers 'incentives directly.[24]

2.4. Common features of Independent Central Banks

To hold a conclusion on the issue that whether a certain state's central banksias independent or not, it needs intensive evaluation of state's legal regime and assessment of the actual relation of the central bank and government. However, as cukierman pointed out, the basic difficulty in measuring centralbank independence is that it is determined by a multitude of legal,institutional, cultural and personal factors, which are easily quantifiable. Thisshows that evaluating of central bank's independence requires more systematic arrangement of variables of central bank independence. There are three types of indicators for central bank independence: legal variables, which are derived from the proclamation of the central bank; the actual turnover of the central bank governors and answers made by national monitory policy makers to a questionnaire of central bank in practice.[25]

Though incorporating the above stated three indicators of central bank's independence is necessary and help full to figure out the actual independence of central bank, due to time and space limitation, I will evaluate only the legal independence of national bank of Ethiopia (herein after NBE)based on legal indicators.

The most widely recognized legal variables used to measure central bank's independence are those developed by Cukierman, Webb, and Neyapti, although alternative measures were developed by Bade and Parkin, and Alexia, Masciandaro, and Tabellini, among others.[26] According tocukierman, Webb, and neypita, there are four legal characteristics describedin the charter (proclamation) of central banks:[27] First, a bank is viewed asmore independent if the chief executive is appointed by the central bankboard rather than by the prime minister or minister of finance, is not subject to dismissal, and has a long term of office; Second, independence is higher the greater the extent to which policy decisions are made independently of government involvement; Third, a central bank is more independent if its charter states that price stability is the sole or primary goal of monetary policy; Fourth, independence is greater if there are limitations on the government's ability to borrow from the central bank.

Which policy prevails in case of policy conflicts between the central bank and the government, whether the government can issue policy directives to the central bank, and how independent the central bank is from financial point of view are also other issues to be considered in evaluating legal independence of central banks.[28]

3. Authority and Independence of National Bank of Ethiopia

The National Bank of Ethiopia (NBE) as the country's central bank was first established in 1963. On May 1991, a new Monetary and Banking Proclamation No.83/1994 was enacted which reorganized the bank according to the market-based economic policy so that it could foster monetary stability, a sound financial system and such other credit and exchange conditions conducive to the growth of the country's economy. Again, to determine the powers and responsibilities of NBE, the house of people representative, mandated with enactment of laws, promulgate an establishment proclamation, proclamation No. 591/ 2008.

Since the main issue to be addressed by the paper is evaluating the legal independence of NBE in light of measurements of central banks legal independence, the topic will be limited to the objectives of NBE, governance of NBE, the government and NBE relationship, appointment and dismissal of chief executive of NBE, and the power of NBE to determine its goals and instruments used to achieve its policy goals.

The most important segment of law, which should be analyzed in terms of the indicators of central bank independence, is the part that delegates the power of central bank to national bank of Ethiopia (NBE). Because this is the part of the law that provides the principles either underpin or undermines the legal independence of NBE. Therefore, it is worth to appraise the National bank of Ethiopia establishment proclamation No. 591/ 2008(the proclamation).

Like other legal regimes, the Ethiopian legal system recognizes the institutional independence of NBE. Article 3 (2) of the proclamation clearly declares the autonomy of the national bank. This implies that the NBE institutional structure is not linked and part of Ethiopia's government. Thus, one can hold that the law prohibits the possibility to include the central banking the government institutional framework. However, it is also possible to observe that the law does not refer to the prohibition of including the central bank in a government framework for the reason that there is legally recognized relationship of accountability between the NBE and the prime minister.[29]The FDRE constitution under article 51(7) also grants the power to administer the NBE to the federal government

[23] Alex Cuckierman, and Steven B. webb, supra note 2, p8
[24] Ibid
[25]John E, Murray M, supra note 4,p6
[26]ibid
[27] ibid
[28]Ibid
[29]Article 3 ofNational bank of Ethiopia establishment proclamation, Pro. No. 591/ 2008,

though it does not specifically stated the organ of the federal government responsible to administer and the means, which might be used to govern the national bank.

The proclamation provides the specific objectives and powers of NBE. By doing so, the proclamation has both concluded the role of NBE and specified the limits of its functions and the source of its power. The proclamation setsout that the main purpose of the NBE is to maintain stable rate of price and exchange, foster a healthy financial system and undertake such other related activities as are conducive to rapid economic development of Ethiopia.[30]

Hence, it is observable that the NBE is granted with authorization but also with duties vis- a`–vis the financial market and economic development. On the one hand, the NBE is responsible for price stability and stability of financial market; on the other hand, it is obliged to carry out other activities, which could enhance the economic development of the nation. These purpose set forth by the law provides a very wide range of responsibility and rights for the NBE. Nevertheless the second purpose, i.e. undertakes such other related activities that create conducive environment for rapid economic growth, has almost nothing with the first purpose, price stability. The purpose of carrying out other related activities to enhance the overall economic development is rather a proclamation than objective. This can lead to malpractices in the NBE, given that the later can consider as if it is competent to deal with matters which do not substantial fall within its logical rage of competence, but which have to do with the support of economic development. Thus, one can say that maintaining price stability is described not as the main objective but as one objective in addition to the two objectives of NBE; i.e. ensuring soundness of financial market and undertaking other activities which could further economic development of the nation.

With respect to governance of the central bank, the proclamation sets out that board of directors, governor and vice governor as leaders of the NBE. The board of directors shall be the highest governing organ, which entrusted with all powers granted to NBE.[31]

From that perspective, given that the governing board is the only decision - maker of the bank, it is very important to examine more closely its composition and appointment procedure for the reason that the later would provide us with the information of whether the governance is free from the government intervention (independent from government interference).

From the powers and responsibilities of board of directors pointed out under article 5 of the proclamation, it is easily observable that the governing board of directors is the sole decision maker on the affairs of NBE. With that on mind, having gone thoroughly through the powers concerned, it is arguable that the NBE decision making structure is collective which in turn shows the democratic structure of the banks internal affairs decision making and governance.

It is worthwhile seeing composition of board of directors and their appointment. First, the law sets that the governing board of directors should be composed of five members, five of which should be out of governor and vice governor of NBE. The power to appoint the members of board of directors is clearly granted to the government. However, the law does not make clear which organ of the government is mandated with the power to appoint the members, because the term government generally denotes the three organs of government, legislator, executive and judiciary. Since the judiciary organ of the government, almost in all legal systems, is not entrusted to engage in administration and governance of central banks, the controversy that which organ is responsible to appoint members of board of directors would remain between the executive and general assembly (house of peoples representative). This issue is in fact the central part of the independence of the central bank. Given that, the rationale behind evolution of central bank's independence is to protect the central banks from executive branch of government, which often has short-run policies and electoral motives; allowing the executive branch of government to appoint would result adverse effect on the NBE independence thereby on the nation’s financial market stability.

Though which organ of government is responsible to appoint the members seems not clear, close investigation of the provisions reveals that prime Minister of FDRE is vested with a power to appoint and dismiss members of board of directors, governor and vice governor of NBE. Article 3(4) of the proclamation provides that the NBE is accountable to prime minister. This shows that the accountability of board of directors and governors towards the prime minister for the former represents and responsible to execute all powers and duties of NBE.

As aforementioned in the preceding sections, the first question to be raised in evaluating independence of central banks, especially institutional independence is that whether there is any involvement of the government in the appointment process of the bank. In this regard, as Cukier man, Webb, and neypita pointed out, the independence of central banks would be breached if the appointment and dismissal of central bankboard of directors and governor is politically influenced. As one can clearly observe, the proclamation provides direct power of appointment and dismissal to the prime minister. Thus, the law does not recognize the institutional independence of NBE, which considers being the basic precondition in establishing independent central bank.

Putting limitation up on the extent of government’s right to get debt from the central bank of the nation is also another parameter for independence of central banks.NBE has duty to extend credits and advances to the government.[32] The government and NBE, which represents by board of directors, should determine the amount of such advance and credits jointly. The law provides basic limitation on the amount of credits and advances to be granted to the government with in a fiscal year; i.e. the amount of credits and advances shall be consistence with the NBE objective of maintenance of price and exchange rate stability.[33] Thus, the law sets out a clear

[30]Article 4 of the National Bank of Ethiopia Establishment Proclamation
[31] Article 5 and9(1) of national bank of Ethiopia establishment proclamation
[32] Article 5(14) of the national bank establishment proclamation
[33]Article 13 (1) of the national bank establishment proclamation

limitation on the amount that the government could acquire from NBE, one can argue. However, the law is not clear and specific as the limitation on the government's right to get credits and advances.

Central banks` power to outline their goals, often termed as goal independence of central banks, is considered as key indicator of central bank's independence. First, in the overall contexts, one might have observed that the proclamation assigns to the NBE only the authority to formulate measures and to implement them in line with the ultimate goals determinedly the legislator under article 4. This could have seen in almost every provision provided by the law.[34] Thus, it is clear that the proclamation does not guarantee to the NBE the power to make policy goals in the financial sector without the assent of the government. In other words, though the NBE has the power to determine the means to achieve the policy goals, the law assigns a duty to NBE to follow the goals of the government stated on the proclamation, rapid economic development.

Lastly, Independent central banks are free to decide their internal affairs that include internal decision-making, administration of their employees, appointment, and dismissal process of chief executive as well as his vice of the central bank. This pattern of central bank's independence is often referred as institutional independence of central banks. Hence, to examine and then hold conclusion as to institutional independence of the NBE, we should look at two things in the law concerned. First, whether there is any institutional involvement of the government in the decision making of the NBE. Second, whether the appointment process ensures that the governance of the NBE can be freed from the government interference or control. In the first case, the answer is very simple; there is no involvement in the form of assent or permission in the decision- making politics of the national bank. The law assigned neither direct nor indirect right toto the government to involve in the decision making of NBE`s internal affairs.[35]In the second case, the proclamation clearly assigns the power to appoint both board of directors and governors to the government, specifically to the prime minister. Hence, there is legally recognized direct political influence on the appointment process of NBE, which could certainly undermine the independence of the NBE. This shows that the institutional independence of NBE is only limited to decision making of internal affairs for the reason that the government is mandated with the power to design policy goals of the bank and appointment of board of directors.

4. Conclusion and Recommendation

Central bank's independence, as a concept, emerges after the financial system instability occurred during 1970Sand 1980s. The main objective of central banks development is to ensure price stability of nations by prohibiting or restricting the hands of the government in determination, management and implementation of monitory policies. Though it is subject to debate, the term central bank independence refers to autonomous mandate or power of central banks to determine and implement monitory policies with a view to maintain price stability. The theoretical foundation of central bank's independence is based on three arguments, **i.e.** the older public choice view; the analysis of sarrgent and wallece and time inconsistency problem of monetary policy. Besides, empirical researches acknowledged that the more independent central bank is, the more likely it is that the economic stability will be preserved.

Economists have developed to measure legal independence of central banks of nations. This helps one to evaluate whether a certain states legal regime recognizes and provides a base for central bank independence. The most widely acceptable parameters of legal independence of central banks are those devised by cukier man., Webb, and neypita. According to them there are four legal characteristics described in the charter (the proclamation)of central banks: First, a bank is viewed as more independent if the chief executive is appointed by the central bank board rather than by the prime minister or minister of finance, is not subject to dismissal, and has a long-term of office; Second, independence is higher the greater the extent to which policy decisions are made independently of government involvement; Third, a central bank is more independent if its charter states that price stability is the sole or primary goal of monetary policy; Fourth, independence is greater if there are limitations on the government's ability tomorrow from the central bank.

Though the establishment proclamation of national bank of Ethiopia (parent act of NBE)recognizes the national bank of Ethiopia as autonomous or independent institution, but still leaves open almost all very important protection gates: namely; the governance of the national bank, the restriction up on the government right to acquire debt from the national bank, accountability of the national bank and the objectives of the central bank. The appointment process of Board of directors and governors is clearly mandated or entrusted to the political authority, prime minister. Their accountability as well made to the prime minister. Besides, the law fails to put a clear limitation up on the extent of the debt that the government could borrow from the national bank. The proclamation acknowledges, in addition to price stability, other too general purpose i.e. undertaking other related activities as are conducive to rapid economic development.

The review of the relevant provisions of the establishment proclamation reveals that the Ethiopian legal regime does not sufficiently guarantee the legal independence of the Ethiopian national bank. Having argued in this way, the paper stresses that the law fails to address most of the substantial attributes that ensure the functioning legal independence of the national bank. Thus, the establishment proclamation should be redrafted to incorporate principles and fill the existing gaps to ensure the independence of National Bank of Ethiopia.

[34] See for instance article 15(1) (a)of of the national bank establishment proclamation which states the National Bank may issue directives to maintain price and exchange rate stability that is conducive to the balanced economic growth of the nation.

[35]See article 9 of the national bank establishment proclamation. It grants all powers and duties of the national bank to the board of directors and outlines the decision-making procedures to be followed by board of directors while they involve in decision making about the internal affairs of the national bank.

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