



Principles of Central Bank Law

15 January 2024

Duration: 120 minutes

- Please check at receipt of the exam the number of question sheets. The examination contains 2 pages and 4 questions.

Notes on solving the questions

Your answer must contain a discussion and analysis of the main legal (and related policy issues) based on information from lectures and readings. Exam points will be awarded for identifying the main issues and providing the relevant analysis.

Note: You should address as many of the relevant issues and/or concepts raised as possible. However, you will not receive full points simply for copying information off the lecture slides. Please make an effort of analysis, comparison and criticism to achieve full points.

Notes on marking

- When marking the exam each question is weighted separately. Points are distributed to the individual questions as follows:

Question 1	25 points	25% of total points
Question 2	25 points	25% of total points
Question 3	30 points	30% of total points
Question 4	20 points	20% of total points
Total	100 points	100 %

We wish you a lot of success!



Question 1 (25%)

Discuss how central bank mandates/objectives have changed over time and whether you feel they are fit for purpose in today's economy?

Question 2 (25%)

Discuss what tools central banks can use to address financial stability risks? In your view, which ones are most effective?

Question 3 (30%)

In **EU State A**, retail price inflation was 8% from January to October 2023. In July 2023, the Board of Governors (including its President) of the **Central Bank of EU State A** voted to decrease its interest rate (what it charges banks who borrow from it) from 6% to 4% (a significant decrease of 2 interest rate points) before a parliamentary election was held in September 2023. At the time of the vote to decrease interest rates, the **central bank president** (whose term of office ends in 2026) was lawfully a member of the majority party (the party in power) in State's A Parliament before the election. After the parliamentary election, however, a new political party was elected to power with a new parliamentary leader. The new parliamentary leader announced in October an investigation of the central bank president's vote to lower interest rates the previous July and whether such conduct can constitute grounds to sanction or remove the central bank president from office before the expiration of his term.

- a. Discuss what principles of European Union law discussed in class would be applicable to the above facts. (10%)
- b. Do you think the central bank president acted in conformity with the applicable EU legal principles? Why or why not? (10%)
- c. Do you think the parliamentary investigation of the central bank president is lawful under the applicable EU legal principles? Why or why not? (10%)

Question 4 (20%)

What are Central Bank Digital Currencies? In your view, should central banks issue them? What are some of the pros and cons?