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FINANCIAL LAW

'Finance is the art of passing money from hand to hand until it finally disappears.'

Robert W. Sarnoff – American media executive

KEY NOTES

Financial law mainly regulates **public finance** which is defined as all processes concerning **public revenue** and **expenditure** through which both central and local government is able to carry out its statutory duties such as national defence, health care, social security, education, environmental protection and public transport. A significant majority of public finances are collected in the **state** and **local budgets**. Financial **provisions** regulate the structure of budgets, their revenue and expenditure, proceedings for passing budgets and their **implementation**, control and supervision, and financial **accountability** for **infringements** of public finance along with the governance of financial institutions.

MONEY QUIZ

Match the countries with their currencies:

- | | |
|--------------|------------|
| 1. Ukraine | a) forint |
| 2. Lithuania | b) euro |
| 3. Bulgaria | c) lit |
| 4. Slovakia | d) hryvnia |
| 5. Hungary | e) lev |

Here are words which mean 'money' in different languages. Which languages are they?

- Geld
- dziengi
- la monnaie
- denaro
- mono

SPEAKING

Here are proverbs which refer to money. Work in pairs and discuss their meanings:

MONEY PROVERBS

1. A penny saved is a penny earned.
2. Easy come, easy go.
3. Cut your coat according your cloth.
4. Lend money and lose a friend.
5. Money has no smell.
6. Money isn't everything.
7. The best things in life are free.
8. The more you get, the more you want.
9. Money makes the world go round.

Do you agree with them?

READING

Task 1. Match the words with their meanings:

- | | | |
|--|---|-----------------------|
| 1. accountability (n.) [ə,kaʊntə'bi:ləti] | - | a) income |
| 2. audit (n.) ['ɔ:di:t] | - | b) regulation |
| 3. estate (n.) [i'steɪt] | - | c) buy |
| 4. expenditure (n.) [ɪk'spendɪtʃə] | - | d) control |
| 5. infringement (n.) [ɪn'frɪndʒmənt] | - | e) a violation of law |
| 6. provision (n.) [prə'vɪʒən] | - | f) expense |
| 7. purchase (v.) ['pɜ:tʃəs] | - | g) property |
| 8. revenue (n.) ['revənju:] | - | h) responsibility |

Financial law [faɪ'nænʃl 'lɔ:] is a discipline of law which has implications for many other branches of the law such as constitutional law, administrative law, civil law, commercial and company law etc. **State and local budgets** ['steɪt ənd 'ləʊkəl 'bʌdʒɪts] ensure the financial continuity and security of every country. Their importance is beyond all doubt, hence the need to regulate them through the constitution (the constitutional aspect of financial law). Institutions (administrative bodies) responsible for public spending are required to carry out **assigned**⁽¹⁾ [ə'saɪnd] tasks within the law (the administrative aspect of financial law). **The State Treasury** [ðə 'steɪt 'trezəri], which manages **public funds** ['pʌblɪk 'fʌndz], in many cases **features**⁽²⁾ ['fi:tʃəz] in civil contracts; it purchases real estate, buys goods and services which are necessary for the **execution of public tasks** [ɪgzə'kju:ʃən əv 'pʌblɪk 'tɑ:sks] (the civil and commercial aspects of financial law). The State Treasury possesses shares in companies and therefore may receive a dividend which is **revenue** ['revənju:] for the **state budget** ['steɪt 'bʌdʒɪt] (the connection with commercial and company law). Generally, a good knowledge of financial law requires knowledge of many other disciplines of law.

Financial law may be divided into several branches. Some of these are still developing, others are gradually separating from financial law; nevertheless, they remain linked with financial law to a greater or lesser **extent**⁽³⁾ [ɪk'stent]. Financial law includes the following main branches: budgetary law (of state and territorial self-government units), tax law, customs law, public banking law, monetary law, foreign exchange law, social security finance law, health protection finance law and international financial law. In the wake of Poland's accession to the European Union (EU), Polish financial law has also focused on aspects of EU finance.

- (1) **wyznaczone**
- (2) **występuje**
- (3) **tu: stopień**

After the accession to the EU, EU law has become part of the Polish legal order. The provisions of the EU's financial law play a crucial role in the discipline of Polish financial law. Knowledge of these is essential for many reasons, e.g. applying for EU funds, accession to the Euro zone, harmonization of tax law, establishment of the Single Financial Market of the EU. EU Financial law is extensive in its **scope**⁽⁴⁾ ['skəʊp] concerning in particular: monetary law and the European System of Central Banks, the general budget of the EU (income, **expenditure** [ɪk'spendɪtʃə], budgetary planning, establishment, **implementation**⁽⁵⁾ [ɪm'plɪmən'teɪʃən] and control procedures), EU funds and other financial instruments, budgetary discipline, protection of EU financial interests, **public finance sector** ['pʌblɪk 'faɪnənts 'sektə], tax harmonization and the single financial market of the EU.

One of crucial legal acts as far as financial law is concerned is the Act on Public Finance of 29th August 2009. It could be called the "constitution of Polish financial law" because it regulates many aspects of financial law such as the **entities**⁽⁶⁾ ['entɪtɪz] of the public finance sector, rules on contracting and financing of the **public debt** ['pʌblɪk 'det], **audit** ['ɔ:dɪt] and budgetary control, proceedings on passing and implementation of **state and local government budgets** ['steɪt ənd 'ləʊkəl 'gʌvnmənt 'bʌdʒɪts] and rules on the management of funds coming from the general budget of the European Union. However, Polish financial law is not completely codified. The Polish legal order is comprised of many acts referring to financial law, e.g.: an act on **accountability** [ə'kaʊntə'bɪlətɪ] for infringements of public finance discipline, an act on **regional chambers of auditors**⁽⁷⁾ ['ri:dʒənəl 'tʃæmbəz əv 'ɔ:dɪtəz] and an act on local government revenue.

- (4) zakres
- (5) wprowadzenie, wdrożenie
- (6) tu:podmioty
- (7) regionalne izby obrachunkowe

Task 2. Decide whether the following sentences are True (T) or False (F). Refer to the text above.

1. The State Treasury may earn money from shares.
2. Tax law has recently separated from financial law and now constitutes another discipline of the law.
3. Monetary law is the most important field of the financial law of the EU.
4. The Act on Public Finance is the supreme legislation in the field of public finances in Poland.

Task 3. Complete the chart below:

NOUN	ADJECTIVE
administration	
budget	
	commercial
	financial
management	

VOCABULARY WORK

Task 1. Complete the chart with the following words:

blow	cash	a coin	a credit card	a cheque	donate	earn
inherit	make	marry	lose	a note	raise	receive
save	spend	waste	withdraw	win		

Types of money	More money	Less money

Task 2. Match the two halves:

- | | |
|-------------|--------------|
| 1. a bank | a) rate |
| 2. exchange | b) currency |
| 3. cash | c) of living |
| 4. cost | d) loan |
| 5. foreign | e) point |

****Task 3. Match the expressions with their definitions and provide examples of situations when you would use these phrases:**

- hush money
- funny money
- monopoly money
- seed money
- soft money

1. money paid as a bribe to persuade someone to remain silent and not reveal certain information
2. money that seems to have little or no value
3. money that is used to start a business or other activity
4. false money
5. money obtained without much effort; also contributions made to political parties

LANGUAGE CHECK & LISTENING *Numbers*

Task 1. Write the numbers below.

- 0.7
- 30%
- 4.5\$
- 2/3
- 2.653
- 342,000

Task 2. TRACK 15. Listen to the conversation and complete the sentences below with the number:

- Mr Kowalski wants to borrow
- The period of loan will be years.
- The monthly repayments will be zlotys.
- The interest rate is %.
- The formalities will last days.
- The first repayment will be on
- They will sign the agreement on

SPEAKING

Task 1. Look at the statements below and decide whether you agree or disagree. Tick (✓) the ones you agree with and put a cross (x) next to the ones you disagree with. Think about your reasons.

1. The state budget should be planned in terms of periods which correspond to the execution of particular tasks prescribed in it, thus not necessary for periods of only one year.
2. Stimulating markets by increasing public sector expenses and helping banks threatened by bankruptcy is a better solution in the context of the financial crisis than decreasing public expenses.
3. Taxes should not be raised during financial crises.
4. No reforms should be carried out during financial crises.
5. Poland should get accession to the euro zone as fast as possible.

Task 2. In groups discuss your opinions on each situation. Have you reached an agreement?

EXTRA PRACTICE CORNER

Task 1. Match the halves of the sentences below. Then use them to complete the template of the loan agreement.

1. The Borrower promises to pay to Lender
 2. The Borrower has the right to prepay
 3. The Borrower will repay
 4. The Lender can then demand immediate payment of
 5. The Borrower agrees to pay
-
- a) an attorney's fee of 7% of the unpaid balance
 - b) the entire remaining unpaid balance of this loan
 - c) the whole outstanding amount at any time
 - d) the amount of this note in 60 equal uninterrupted monthly instalments of 1265 ZLOTYS each
 - e) the sum of 70,000.00 ZLOTYS

LOAN AGREEMENT¹

This Loan Agreement (the 'Agreement') is made and effective this 11th day of July, 2009,
BETWEEN: **DAH BANK** (the 'Lender'), a corporation organized and existing under the laws of the state of **POLAND** with its head office located at: **7 LIPOWA STREET IN BIALYSTOK, POLAND**

AND: **TEXAS LTD** (the 'Borrower'), a corporation organized and existing under the laws of the state of **POLAND** with its head office located at: **20 KOLOROWA STREET, BIALYSTOK, POLAND**

1. PROMISE TO PAY

Within sixty months from today, 1), and interest and other charges stated below.

2. RESPONSIBILITY

Although this Agreement may be signed below by more than one person, the Borrower understands that we are each as individuals responsible for paying back the full amount.

3. BREAKDOWN OF LOAN

Amount of Loan: Other (Describe) Amount financed: Finance charge: Total of payments: Annual Rate: 8.5%

4. REPAYMENT

Terms of repayment: the Borrower will repay: 2) on the 5TH of each month starting on the 24 August 2009, and ending on 24 August 2014.

5. PREPAYMENT

3) If the Borrower does, or if this loan is refinanced that is, replaced by a new note, the Lender will refund the unearned finance charge, based on a commonly used formula for figuring rebates on instalment loans specified by the **BANKING REGULATIONS**.

6. LATE CHARGE

Any instalment not paid within 30 days of its due date shall be subject to a late charge of 20% of the payment, not to exceed 1581 ZLOTYS for any such late instalment.

¹ Blitz Document http://blitz-doc.com/forms/loan_agreement.html

7. SECURITY

To protect the Lender, the Borrower gives what is known as a security interest or mortgage on: THE BORROWER'S PREMISES

8. DEFAULT

If for any reason the Borrower fails to make any payment on time, the Borrower shall be in default. 4)
....., without giving anyone further notice. If the Borrower has not paid the full amount of the loan when the final payment is due, the Lender will charge interest on the unpaid balance at 25% per year.

9. RIGHT OF OFFSET

If this loan becomes past due, the Lender will have the right to pay this loan from any deposit or security the Borrower has with this Lender without notice. If the Lender gives an extension to pay this loan, the Borrower must still repay the entire loan.

10. COLLECTION FEES

If this note is placed with an attorney for collection, then 5) This fee will be added to the unpaid balance of the loan.

11. CO-BORROWERS

If the Borrower is signing this Agreement as a co-borrower, the Borrower agrees to be equally responsible with the other Borrower for this loan.

WITNESS WHEREOF, Company and Employee have executed this Agreement as of the date first set forth above.

LENDER
Stephen Cochran
President

BORROWER
Bruce Jacobs

Task 2. Read the agreement again and answer the questions:

1. How long is the loan agreement for?
2. What is the interest rate?
3. What happens if the borrower does not pay the instalment within 30 days?
4. How is the Lender secured?
5. When does the attorney earn the fees?

Task 3. Find more formal equivalents of the words given below in the extract of the Constitution of the Republic of Poland:

1. income (n.)
2. beginning (n.)
3. financial (adj.)
4. temporary (adj.)
5. expenses (n.)

The Constitution of the Republic of Poland (1997)

Chapter X PUBLIC FINANCES

[...]

Article 219

1. The Sejm shall adopt the State budget for a fiscal year by means of a Budget [ustawa budżetowa - budgetary statute].
2. The principles of and procedure for preparation of a draft State Budget, the level of its detail and the requirements for a draft State Budget, as well as the principles of and procedure for implementation of the Budget, shall be specified by statute.
3. In exceptional cases, the revenues and expenditures of the State for a period shorter than one year may be specified in an interim budget. The provisions relating to a draft State Budget shall apply, as appropriate, to a draft interim budget.
4. If a State Budget or an interim budget have not come into force on the day of commencement of a fiscal year, the Council of Ministers shall manage State finances pursuant to the draft Budget.

Task 4. Find English equivalents of the words given below in the extract of the Constitution of the Republic of Poland:

- a) publikacja
- b) zgodność (np. z ustawą)
- c) przyjąć poprawkę
- d) kadencja
- e) projekt ustawy budżetowej

Article 223

The Senate may, within the 20 days following receipt of the Budget, adopt amendments thereto.

Article 224

1. The President of the Republic shall sign the Budget or interim Budget submitted to him by the Marshal of the Sejm within 7 days of receipt thereof, and order its promulgation in the Journal of Laws of the Republic of Poland (Dziennik Ustaw). The provisions of Article 122, para. 5 shall not apply to the Budget or any interim budget.
2. If the President of the Republic has made reference to the Constitutional Tribunal for an adjudication upon the conformity to the Constitution of the Budget or interim budget before signing it, the Tribunal shall adjudicate such matter no later than within a period of 2 months from the day of submission of such reference to the Tribunal.

Article 225

If, after 4 months from the day of submission of a draft Budget to the Sejm, it has not been adopted or presented to the President of the Republic for signature, the President of the Republic may, within the following of 14 days, order the shortening of the Sejm's term of office.

Task 5. Read the extract of the Constitution of the Republic of Poland and decide whether the sentences given below are true (T) or false (F). Provide an appropriate excerpt.

1. The National Bank of Poland is the only institution authorised to issue money in Poland.
2. The Council for Monetary Policy is responsible for the value of Polish currency.
3. The President of the Republic of Poland is an organ of the National Bank of Poland.
4. The President of the National Bank of Poland cannot perform any public activities.
5. Members of the Council for Monetary Policy are chosen by the President of the Republic of Poland and the Parliament.

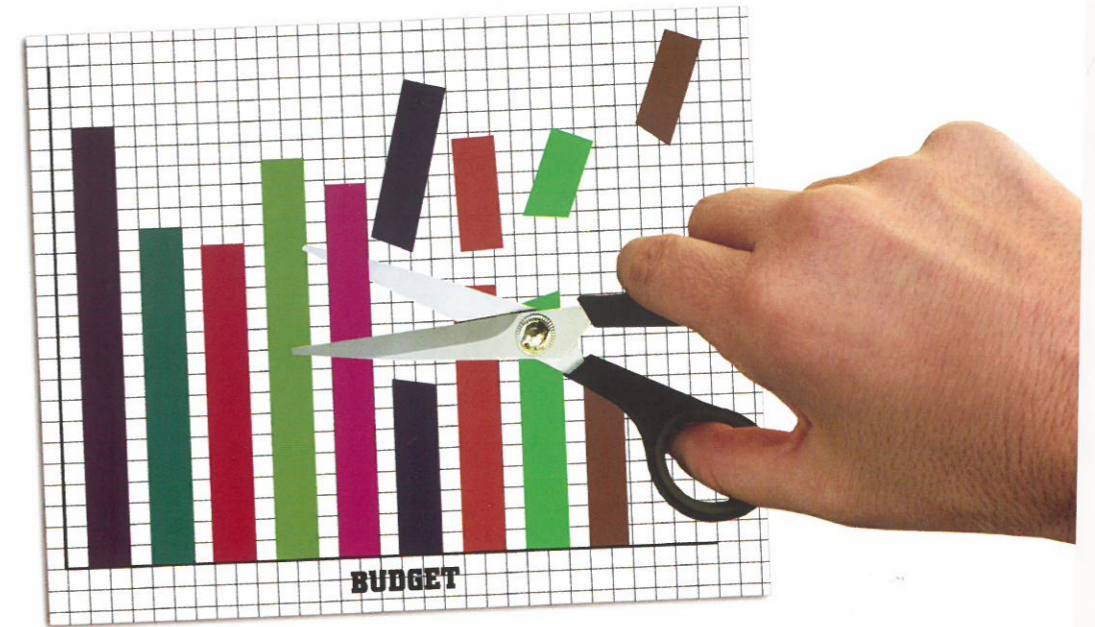
Article 227

1. The central bank of the State shall be the National Bank of Poland. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The National Bank of Poland shall be responsible for the value of Polish currency.
2. The organs of the National Bank of Poland shall be: the President of the National Bank of Poland, the Council for Monetary Policy as well as the Board of the National Bank of Poland.
3. The Sejm, on request of the President of the Republic, shall appoint the President of the National Bank of Poland for a period of six years.
4. The President of the National Bank of Poland shall not belong to a political party, a trade union or perform public activities incompatible with the dignity of his office.
5. The Council for Monetary Policy shall be composed of the President of the National Bank of Poland, who shall preside over it, as well as persons distinguished by their knowledge of financial matters - appointed, in equal numbers, by the President of the Republic, the Sejm and the Senate for a period of six years.
6. The Council for Monetary Policy shall annually formulate the aims of monetary policy and present them to the Sejm at the same time as the submission of the Council of Ministers' draft Budget. Within five months following the end of the fiscal year, the Council for Monetary Policy shall submit to the Sejm a report on the achievement of the purposes of monetary policy.
7. The organization and principles of activity of the National Bank of Poland, as well as detailed principles for the appointment and dismissal of its organs, shall be specified by statute.

SPEAKING

Work in pairs. Discuss the topics given below.

1. Credit cards are a good thing.
2. Children should not receive any pocket money.
3. Money brings happiness.
4. We should never give tips as waiters are paid for their work.
5. I never give money to people who beg in the street.



PROBLEM! The budget bill

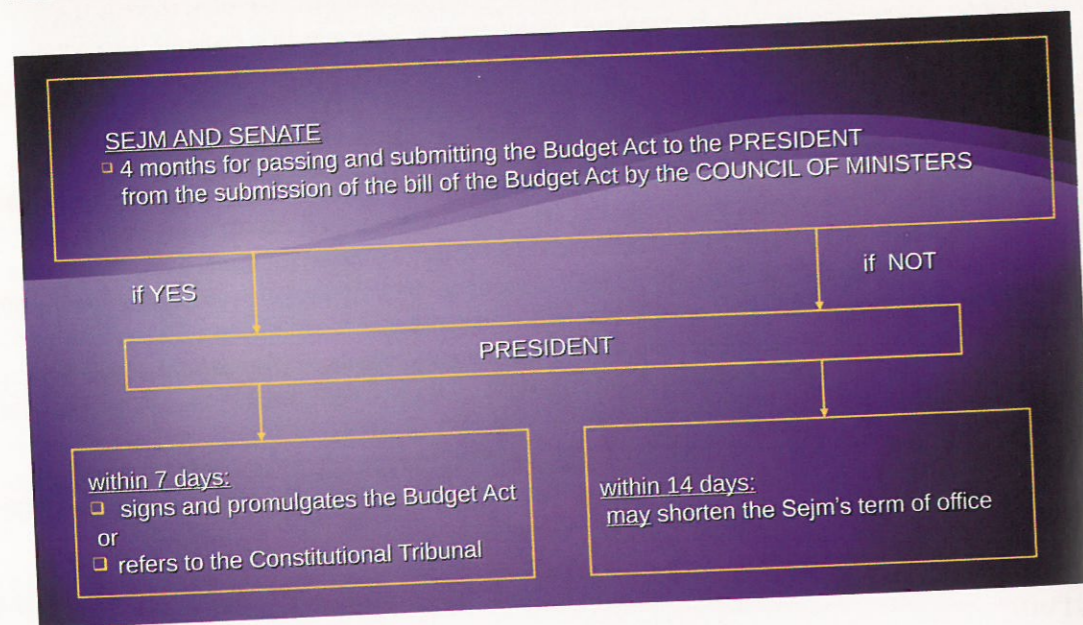
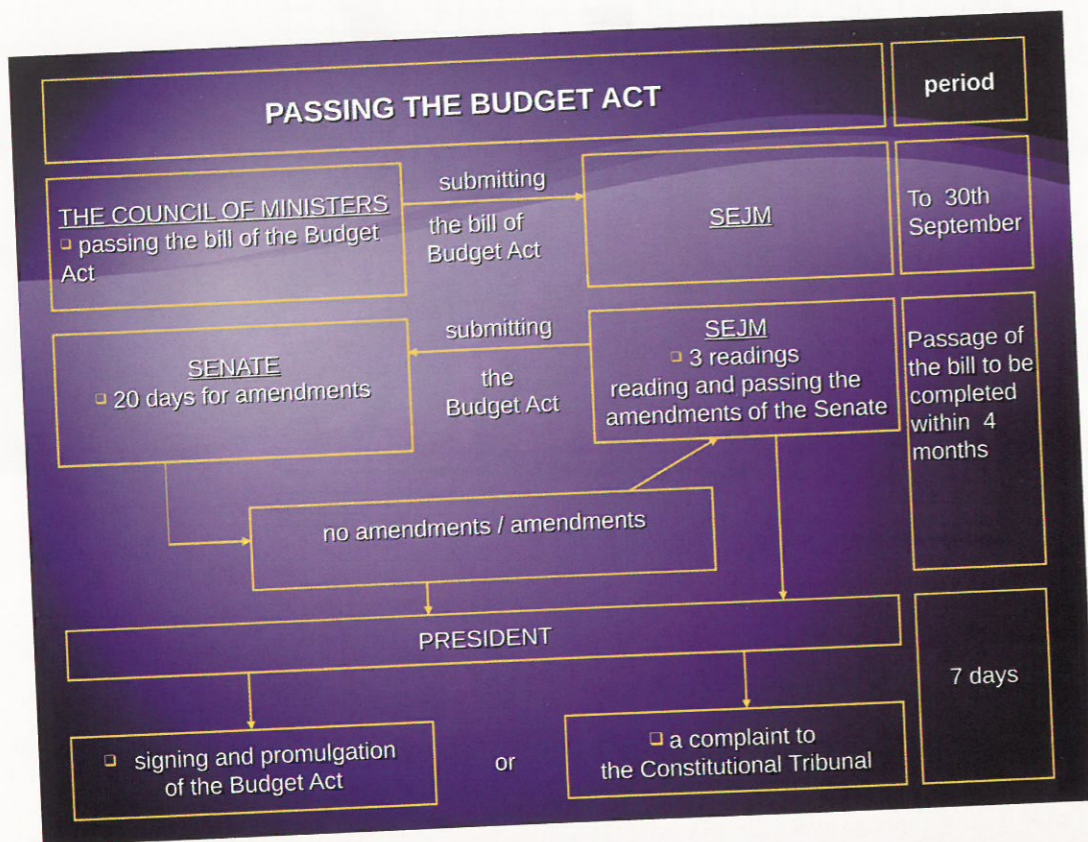
Background

In the Polish legal system, as well as in the legal systems of many European countries, there is the principle of *discontinuation of parliamentary work*. According to this general principle, bills brought before parliament and not passed within its term of office are not valid in the newly elected parliament. This means that the new parliament cannot be burdened by the bills of the former, these bills do not come into force with the new parliament and that they are subject to legislative procedure from the beginning.

Legal problems appear as soon as the principle of discontinuation of parliamentary work is applied to the budget bill. Namely, the Polish Constitution, as well as the Act on Public Finance, closely regulate all stages of the procedure for passing the State Budget Act. The Council of Ministers is obliged to submit the budget bill to the Sejm not later than three months (except in the case of 'exceptional circumstances') before the beginning of the new financial (calendar) year. This has far-reaching consequences, because the Parliament is obliged to pass and present the Budget Act to the President for signature within four months from the moment of submission by the Council of Ministers. Otherwise the President has the right to dissolve Parliament in 14 days. Problems arise with reference to the principle of discontinuation, when the government submits a budget bill to Parliament, after which, a new Parliament is elected for the next term of office. Should a newly elected Parliament continue work on the bill submitted by the previous Council of Ministers? Is the present Council of Ministers obliged to introduce another budget bill? What problems might appear in both cases?

Glossary

bill (n.) ['bɪl]	an act in draft
binding (adj.) ['baɪndɪŋ]	imposing obligation or duty
burden (v.) ['bɜːdʌn]	impose a task upon
dissolve (v.) [dɪ'zɒlv]	dismiss
stipulate (v.) ['stɪpjəleɪt]	state, express requirements
submit (v.) [səb'mɪt]	give in to authority
term (n.) ['tɜːm]	a limited period of time



Tasks

1. Work in groups. Group A, turn to page 314, read the text and prepare your arguments for discussion. Group B, turn to page 319, read the text and prepare your arguments for discussion.
2. Students A and B exchange their arguments trying to persuade each other of their opinions.
3. Then the whole class discusses the problem trying to find the best solution.

CHECK YOUR PROGRESS

I. INSTITUTIONS Match the two columns to form the names of the institutions mentioned in this chapter.

- | | |
|-----------------|-------------------------|
| 1. the Council | a) Treasury |
| 2. the National | b) Chambers of Auditors |
| 3. the State | c) Bank of Poland |
| 4. the Council | d) of Ministers |
| 5. Regional | e) for Monetary Policy |

II. PREPOSITIONS. Complete the gaps with an appropriate preposition:

at by for in of on over to (2x) within

The President of the National Bank of Poland shall not belong 1)..... a political party, a trade union or perform public activities incompatible with the dignity of his office.

The Council for Monetary Policy shall be composed 2)..... the President of the National Bank of Poland, who shall preside 3)..... it, as well as persons distinguished 4)..... their knowledge of financial matters – appointed, 5)..... equal numbers, by the President of the Republic, the Sejm and the Senate 6)..... a period of 6 years.

The Council for Monetary Policy shall annually formulate the aims of monetary policy and present them 7)..... the Sejm 8)..... the same time as the submission of the Council of Ministers' draft Budget. 9)..... 5 months following the end of the fiscal year, the Council for Monetary Policy shall submit to the Sejm a report 10)..... the achievement of the purposes of monetary policy.

III. WORD GROUPS. Underline the word that is different. Say why.

- | | | |
|---------------|-------------|---------|
| 1. act | bill | statute |
| 2. expenses | expenditure | fees |
| 3. funds | income | revenue |
| 4. binding | in force | invalid |
| 5. instalment | interest | tax |

IV. WORD FORMATION Complete the chart by filling in the correct form and then use the appropriate word in the sentences below.

Verb	Noun	Adjective/Adverb
	accountability	
to bind		burdened
to finance		provisional

- Remember that is a legally document.
- This contract includes a /an for salary increases over time.
- I do not want to you with my troubles.
- The language school had to close down due to lack of
- As president he knew he would be held for any budget deficit.

V. COLLOCATIONS Match the words below and then use them to complete the text.

Article 109

- | | |
|-------------|-----------|
| 1. budget | a) year |
| 2. state | b) act |
| 3. calendar | c) budget |

Article 111

- | | |
|--------------|---------------|
| 1. local | a) duties |
| 2. customs | b) means |
| 3. financial | c) government |

Article 112

- | | |
|-------------------|------------|
| 1. political | a) parties |
| 2. State Treasury | b) control |
| 3. state | c) debt |

The Act on Public Finance (2009)²

Section III The Long-term Financial Plan of the State and the Budget Act
Chapter 2 The Budget Act

Article 109

- The budget act shall be the basis for the financial management of the state for the budgetary year.
- The budget act consists of:
 - the
 - annexes;
 - provisions of which placing obligation on derives from this act or separate acts.
- The budget act shall be passed for one budgetary year.
- The budgetary year shall be one
- The budget act shall not contain provisions amending other acts.

² Unofficial translation

Article 111

The following shall be tax and non-tax revenue of the state budget:

- taxes and fees which under separate laws do not constitute revenue of authorities incomes of earmarked state funds and other entities of the public finance sector;
-;
- payments from profit of state owned enterprises and single-shareholder companies of the State Treasury;
- dividends;
- payments from profit of the National Bank of Poland;
- payments of surpluses of of executive agencies;
- income collected by state budgetary units, unless detailed regulations stipulate otherwise;
- income from lease or tenancy and other agreements of a similar character of property components of the State Treasury, unless special regulations stipulate otherwise, [...]

Article 112

- The Expenditure of the state budget shall be particularly allocated for:
 - operation of public authority organs including that of organs of central government administration, organs of and for defence of rights as well as courts and tribunals;
 - tasks carried out by the central government administration;
 - general subventions for regional and local government;
 - subsidies for regional and local government;
 - funds paid into the budget of the European Union, hereinafter referred to as "own resources of the European Union";
 - subventions for
 - subsidies or tasks defined in separate acts;
 - servicing; [...]

PREPOSITION AND COLLOCATION BANK

carry out assigned tasks

any instalment not paid **shall be subject to** a late charge

The Borrower shall be **in default**

If this **loan** becomes **past due**...

It **comes into force** on ...

the provisions of Article 122 (5) **shall not apply to** the budget act...

VOCABULARY BANK

- accountability** [ə,kaʊntə'biləti]
audit ['ɔ:dɪt]
borrower ['bɒrəʊə]
budget ['bʌdʒɪt]
burden ['bɜ:dən]
charge [tʃɑ:dʒ]
deficit ['defɪsɪt]
dissolve [dɪ'zɒlv]
estate [ɪ'steɪt]
expenditure [ɪk'spendɪtʃə]
fiscal ['fɪskəl]
implementation [ɪmplɪmən'teɪʃən]
infringement [ɪn'frɪndʒmənt]
instalment [ɪn'stɔ:lmənt]
interest ['ɪntrəst]
interim (budget) ['ɪntərɪm]
lender ['lendə]
monetary policy ['mɒnətəri 'pɒləsi]
promulgation [ˌprɒməl'geɪʃən]
provision [prə'vɪʒən]
public debt ['pʌblɪk 'det]
public finance ['pʌblɪk 'faɪnəns]
purchase ['pɜ:tʃəs]
revenue ['revənju:]
state (budget) ['steɪt 'bʌdʒɪt]
submit [səb'mɪt]
term [tɜ:m]