

This PUBLIC BILL originated in the HOUSE OF REPRESENTATIVES, and, having this day passed as now printed, is transmitted to the LEGISLATIVE COUNCIL for its concurrence.

*House of Representatives,
6th April, 1936.*

Hon. Mr. Nash.

RESERVE BANK OF NEW ZEALAND AMENDMENT.

ANALYSIS.

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A BILL INTITULED

Title. AN ACT to amend the Reserve Bank of New Zealand Act, 1933.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

Short Title and commencement. 1933, No. 11

1. (1) This Act may be cited as the Reserve Bank of New Zealand Amendment Act, 1936, and shall be read together with and deemed part of the Reserve Bank of New Zealand Act, 1933 (hereinafter referred to as the principal Act).

(2) This Act shall be deemed to have come into force on the first day of April, nineteen hundred and thirty-six.

Cancellation of Share Capital.

Cancellation of shares in Reserve Bank and provision for payment to shareholders of value of shares and acerued dividends.

2. (1) On the commencement of this Act all shares in the capital of the Reserve Bank shall be deemed to be cancelled, and thereupon the several registered shareholders of the Bank, as on the thirty-first day of March, nineteen hundred and thirty-six, shall, in respect of the shares held by them on that date, be entitled, at their option, to receive for every such share either the sum of six pounds five shillings in cash or a like amount in New Zealand Government stock. If any instrument purporting to transfer any shares of the Bank is presented to the Bank for registration after the thirty-first day of March, nineteen hundred and thirty-six, and before the first day of May, nineteen hundred and thirty-six (whether such instrument was executed on, before, or after the said thirty-first day of March), the Bank may accept and register such instrument as if it were a valid transfer of the shares to which it relates, executed and presented for registration before the said thirty-first day of March, nineteen hundred and thirty-six. In any such case, the person named in the instrument as the transferee shall, for the purposes of this section, be deemed to be the registered holder of the shares as on the thirty-first day of March, nineteen hundred and thirty-six.

(2) There shall also on the commencement of this Act be payable to or on account of the shareholders registered as on the thirty-first day of March, nineteen

hundred and thirty-six, the dividend for the year ended on that date (being a dividend of five per centum on the paid-up capital).

5 (3) Any cash payable by the Bank under the provisions of subsection *one* hereof shall be paid by the Bank out of its funds.

(4) All stock issued under subsection *one* hereof shall be created and issued subject to the following special conditions, namely:—

10 (a) It shall be redeemable at par either on the first day of April, nineteen hundred and forty-six, or, at the option of the registered holder, on any earlier date that may be fixed by him on giving to the Registrar of Stock not less than
15 fourteen days' notice in writing of his intention to require redemption of such stock on the date so fixed:

(b) During the currency of such stock it shall bear interest at the rate of *four* per centum per
20 annum, to be payable half-yearly, on the first day of April and the first day of October, in each and every year:

(c) No transfer of any such stock shall be registered and no stock certificate shall at any time be
25 issued in respect thereof.

(5) This section, in so far as it relates to the creation or issue of Government stock, shall be deemed to be an authorizing Act within the meaning of the New Zealand Loans Act, 1932, and, except as otherwise
30 provided by the *last preceding* subsection, all such stock shall be created and issued subject to the provisions of that Act.

1932, No. 23

3. (1) Forthwith after the passing of this Act the Bank shall transfer to its General Reserve Fund the sum
35 of five hundred thousand pounds (being the nominal amount of its share capital), and the Minister of Finance shall, as soon as practicable thereafter, pay to the Bank an amount equal to the total amount paid by the Bank to its shareholders in respect of their shares, pursuant
40 to subsection *three* of the *last preceding* section.

Amount of former share capital to be transferred to General Reserve Fund.

(2) The provisions of section eleven of the principal Act shall apply with respect to all moneys paid by the Minister of Finance to the Bank pursuant to this section in the same manner and to the same extent as they
45 apply with respect to the payments referred to in the said section.

Corporate identity of Reserve Bank not affected by cancellation of shares.

4. Notwithstanding the cancellation of its shares in accordance with the foregoing provisions of this Act, the Bank, on and after the commencement of this Act, shall be and shall continue to be the same body corporate as that which was constituted by section seven of the principal Act (being a body corporate with perpetual succession and a common seal, and being capable of holding real and personal property, of suing and being sued, and of doing and suffering all such other acts and things as bodies corporate may lawfully do and suffer). 5 10

Reconstitution of Board of Directors of Reserve Bank.

Interpretation.

5. In the provisions of this Act relating to the Board of Directors, the expression "ordinary members of the Board" means the Directors of the Bank other than the Governor, the Deputy Governor, and the Secretary to the Treasury. 15

Provisions for reconstitution of Board of Directors.

6. (1) The ordinary members of the Board of Directors in office on the commencement of this Act shall continue to be members of that Board, and shall thereafter hold office during the pleasure of the Governor-General in Council: 20

Provided that, unless they sooner vacate their respective offices, they shall retire in accordance with the following provisions, namely:— 25

- (a) Two shall retire on the thirty-first day of July, nineteen hundred and thirty-six;
- (b) One shall retire on the thirty-first day of July, nineteen hundred and thirty-seven;
- (c) Two shall retire on the thirty-first day of July, nineteen hundred and thirty-eight; 30
- (d) One shall retire on the thirty-first day of July, nineteen hundred and thirty-nine; and
- (e) One shall retire on the thirty-first day of July, nineteen hundred and forty. 35

(2) The members so to retire in any year shall be determined by the Board by ballot.

(3) If any ordinary member of the Board in office on the commencement of this Act vacates his office otherwise than by retirement in accordance with the provisions of subsection *one* of this section, the Governor-General in Council may appoint some person in his stead, to hold office on the same terms as his predecessor 40

in office. The provisions of this subsection shall apply in the event of any person appointed under this subsection vacating his office otherwise than by retirement in accordance with the foregoing provisions of this
5 section.

(4) The distinction between State directors and shareholders' directors is hereby abolished.

7. (1) On the retirement of any ordinary member of the Board in accordance with the provisions of
10 subsection *one* of the *last preceding* section, and thereafter from time to time as an ordinary vacancy occurs in the ordinary membership of the Board, the Governor-General in Council may appoint some person in his stead, to hold office during pleasure:

Appointment of new directors.

15 Provided that no member of the Board appointed under this section shall continue without reappointment to hold office continuously for a longer period than five years.

(2) Any ordinary member of the Board may from
20 time to time be reappointed.

8. The validity of the acts of the Board of Directors shall not be affected by any vacancy in the membership of the Board.

Acts of Board not affected by vacancy in membership.

Consequential Amendments of Existing Acts.

25 9. In consequence of the foregoing provisions of this Act relating to the cancellation of share capital and to the tenure of office of members of the Board, the principal Act is hereby amended in the manner indicated in the *First Schedule* hereto.

Consequential amendments of principal Act.

Miscellaneous Amendments of Existing Acts.

30 10. (1) It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by
35 the Minister of Finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the Bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New

Restatement of general functions of Reserve Bank.

Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas.

(2) For the purpose of enabling the Reserve Bank to fulfil its functions the Governor-General may by Order in Council make all such regulations, not inconsistent with the principal Act or this Act, as he from time to time considers necessary, and may prescribe therein such penalties as he thinks fit for the breach of any such regulations, not exceeding in any case a fine of *one thousand* pounds for any offence, or, in the case of a continuing offence, not exceeding a fine of *five hundred* pounds for every day on which the offence is committed or continued.

(3) All regulations made under the authority of this section shall be laid before Parliament within twenty-eight days after the making thereof if Parliament is then in session, and if not, then within twenty-eight days after the commencement of the next ensuing session thereof.

Repeal.

(4) This section is in substitution for section twelve of the principal Act, and that section is hereby accordingly repealed.

Extending authority of Reserve Bank to discount bills. 1934, No. 2

11. Section thirteen of the principal Act, as amended by section six of the Finance Act, 1934, is hereby further amended as follows:—

(a) By inserting before the words “ bearing two or more good signatures ” in paragraph (d) and also in paragraph (e) thereof, as set out in the said section six, the words “ (except in the case of bills, notes, or other documents as aforesaid signed on behalf of the New Zealand Government) ”.

(b) By repealing the proviso to the said paragraph (e).

Bank may grant accommodation by way of overdraft for purchase and marketing of New Zealand produce.

12. Section thirteen of the principal Act is hereby further amended by inserting, after paragraph (g) of subsection one, the following new paragraph:—

“(gg) Grant accommodation by way of overdraft to the Government of New Zealand or to any Board or other authority having statutory powers in relation to the marketing of any New Zealand produce, for the purpose of financing the purchase and marketing of any such produce.”

13. Section thirteen of the principal Act, as amended by section six of the Finance Act, 1934, is hereby further amended by omitting from paragraph (*h*) of subsection one thereof, as set out in the said section six, all words after the words "the Government of the United Kingdom"; and by adding to the said paragraph as so amended the words "or securities guaranteed by the Government of New Zealand or by the Government of the United Kingdom".
- 10 14. (1) Section thirteen of the principal Act is hereby further amended by inserting, after paragraph (*i*) of subsection one thereof, the following new paragraph:—
- 15 " (*ii*) By authority of the Governor-General in Council, underwrite any loan proposed to be raised by the New Zealand Government."
- (2) Paragraph (*j*) of subsection one of section thirteen of the principal Act is hereby consequentially amended by omitting the words "but it shall not be lawful for the Reserve Bank to underwrite any such loan".
- 20 15. (1) Section fourteen of the principal Act is hereby amended by omitting from paragraph (*i*) thereof the words "one-half of" before the words "the revenue or estimated revenue".
- 25 (2) In computing the total amount that may be granted by the Bank by way of accommodation to the Treasury, as fixed by paragraph (*i*) of section fourteen of the principal Act, no account shall be taken of any securities acquired by the Bank under paragraph (*h*) of section thirteen of that Act or of any accommodation by way of overdraft granted by the Bank pursuant to paragraph (*gg*) of the said section thirteen (as enacted in section *twelve* of this Act).
- 30 16. (1) The Minister of Finance may at any time and from time to time by notice published in the *Gazette* suspend, either absolutely or subject to such conditions as he thinks fit, the duty imposed on the Reserve Bank by subsection one of section sixteen of the principal Act.
- 35 (2) Any notice under this section may be at any time in like manner amended or revoked.
- (3) During any period of suspension (whether absolute or conditional) the notes of the Bank shall continue to be legal tender, notwithstanding anything to the contrary in section twenty of the principal Act.
- 40 45

Extending authority of Reserve Bank to buy and sell Government securities. 1934, No. 2

Reserve Bank may underwrite Government loans.

Increasing authority of Reserve Bank to grant accommodation to Treasury.

Power to suspend the operation of subsection (1) of section 16 of principal Act.

Secretary to the Treasury, as member of Board, entitled to vote at meetings.

As to future appointments of Governor and Deputy Governor of Bank.

Cf. 1933, No. 11, s. 32 (2)

As to appointment of Acting Governor or Acting Deputy Governor.

Annual report of Board to be laid before Parliament.

Appointment and remuneration of Auditors.

17. Section twenty-three of the principal Act is hereby amended by omitting from subsection two the words "but shall not be entitled to vote at any meeting of the Board".

18. (1) Section twenty-five of the principal Act is hereby amended by omitting from subsection two the words "on the recommendation of the Board of Directors".

(2) If the Governor or the Deputy Governor of the Bank, during his term of office, becomes permanently incapable of performing the duties of his office, he may be removed from office by the Governor-General in Council, on the recommendation of the Board.

19. Section twenty-seven of the principal Act is hereby amended as follows:—

(a) By omitting from subsection four the words "Board of Directors", and substituting the words "Minister of Finance"; and by inserting after the words "an officer of the Reserve Bank" in the same subsection the words "or some other person":

(b) By omitting from subsection five the words "officer of the Reserve Bank", and substituting the words "person, not being a member of the Board".

20. (1) Within three months after the close of each financial year the Board shall furnish to the Minister of Finance a general report on the operations of the Bank during that year, together with such particulars as he may require.

(2) The report shall be signed by the Governor and the Deputy Governor, and shall be laid before Parliament within fourteen days after the receipt thereof by the said Minister if Parliament is then sitting, or, if Parliament is not sitting, shall be laid before Parliament within fourteen days after the commencement of the next ensuing session thereof.

21. (1) The Governor-General in Council may from time to time appoint one or more qualified persons to be the Auditor or the Auditors of the Bank. Every such appointment shall be for a term not exceeding two years, but any person appointed as Auditor may be reappointed on the expiry of any term of appointment. The Auditor or Auditors so appointed shall be entitled to receive from the funds of the Bank such fees as the Governor-General in Council from time to time prescribes.

(2) The persons in office as the Auditors of the Bank on the commencement of this Act shall thereafter hold office as if they were appointed under this section.

5 (3) Section forty-one of the principal Act is hereby repealed.

22. Sections forty-three and forty-four of the principal Act are hereby repealed.

Repeal of provisions relating to compulsory liquidation of Bank.

10 23. Section forty-five of the principal Act is hereby amended by adding to subsection two the following proviso:—

15 “ Provided that the requirements of this subsection as to the maintenance of balances in the Reserve Bank may from time to time, by notice published in the *Gazette*, be varied by the Governor of the Bank acting with the authority of the Minister of Finance, but so that the balance required to be maintained by any bank shall not at any time be less than the balance required by this subsection to be maintained.”

Requirements of section 45 of principal Act (as to balances to be maintained in Reserve Bank by trading banks) may be varied.

20 24. Section forty-six of the principal Act is hereby amended by repealing paragraph (h) of subsection one thereof, and substituting the following paragraphs:—

Amending provisions as to monthly returns to be furnished by trading banks to Reserve Bank.

25 “(h) The amounts, separately, of its aggregate advances and its aggregate discounts in New Zealand:

“(hh) The aggregate of the unexercised overdraft authorities of its customers.”

Repeal of Expired Provisions.

25. The enactments specified in the *Second Schedule* hereto are hereby repealed, as spent.

Repeal of expired provisions.

Schedules.

SCHEDULES.

FIRST SCHEDULE.

CONSEQUENTIAL AMENDMENTS OF PRINCIPAL ACT.

Number of Section affected.	Nature of Amendment.
Section 3 ..	By omitting from subsection one the words "which shall be a body corporate limited by shares in accordance with this Act".
Section 5 ..	By omitting from subsection two the words "The Board may from time to time, with the approval of the Governor-General in Council and with the concurrence of the shareholders, expressed at a general meeting of shareholders but not otherwise", and substituting the words "The Governor-General may from time to time by Order in Council"; and by omitting from the same subsection the words "it thinks fit", and substituting the words "he thinks fit".
Section 8 ..	By repealing this section.
Section 10 ..	By repealing this section.
Section 14 ..	By omitting from paragraph (c) the words "its own shares or".
Section 18 ..	By repealing subsections two and three.
Section 19 ..	By repealing this section.
Section 23 ..	By omitting from subsection one the words "or elected". By omitting from paragraph (f) of subsection three the words "for presentation to general meetings".
Section 27 ..	By omitting from subsection one the words "or to the general meeting of shareholders".
Section 28 ..	By repealing this section.
Section 29 ..	By repealing this section.
Section 30 ..	By repealing this section.
Section 31 ..	By omitting all words after the words "a breach of the provisions of this subsection".
Section 32 ..	By omitting from subsection one the words "or elected"; and by repealing subsection two.
Section 33 ..	By omitting the words "Board and sanctioned at a general meeting of shareholders", and substituting the words "Governor-General in Council".
Section 36 ..	By omitting the words "as the Board thinks proper has been made", and substituting the words "has been made as the Board, with the approval of the Minister of Finance, thinks proper"; by omitting the words "and after payment out of the net profits of a cumulative dividend of five per centum per annum on the paid-up capital"; by omitting from paragraph (a) the words "the paid-up capital of the Bank", and substituting the words "five hundred thousand pounds"; by omitting from paragraph (b) the words "the paid-up capital of the Bank, but is less than twice the paid-up capital", and substituting the words "five hundred thousand pounds, but is less than one million pounds"; by omitting from paragraph (c) the words "twice the paid-up capital of the Bank", and substituting the words "one million pounds".
Section 39 ..	By repealing this section.

Number of Section affected.	Nature of Amendment.
Section 40 ..	By repealing subsection one; by omitting from subsection two the words "the said sections", and substituting the words "this Act".
Section 47 ..	By repealing this section.
Section 48 ..	By repealing this section.
Section 50 ..	By repealing this section.
First Schedule ..	By repealing clauses one to seven, and clauses eleven to thirteen.
Second Schedule..	By omitting the reference to paid-up capital in the column relating to the liabilities of the Bank.

SECOND SCHEDULE.

EXPIRED PROVISIONS REPEALED.

Name of Act.	Provisions repealed.
The Reserve Bank of New Zealand Act, 1933 (No. 11) ..	Sections 6, 7, 9, 26 (2).
The Finance Act, 1933 (No. 2), (No. 41)	Section 6.
The Finance Act, 1934, (No. 2)	Sections 3, 9, 10.