

Mr Beetham

RESERVE BANK OF NEW ZEALAND AMENDMENT

ANALYSIS

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A BILL INTITULED

An Act to amend the Reserve Bank of New Zealand Act 1964

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

1. Short Title—This Act may be cited as the Reserve Bank of New Zealand Amendment Act 1978, and shall be read together with and deemed part of the Reserve Bank of New Zealand Act 1964 (hereinafter referred to as the
10 principal Act).

2. Interpretation—The principal Act is hereby amended by inserting in section 2, in their appropriate places in the alphabetical order of definition of terms, the following definitions:

No. 78—1

“Advances” has the same meaning as in the New Zealand Credit and Currency Act 1978:

“Bank credit” has the same meaning as in the New Zealand Credit and Currency Act 1978:

“New Zealand Balance Sheet” has the meaning assigned to it in section 15 of the New Zealand Credit and Currency Act 1978: 5

“Public Sector Account” has the same meaning as in the New Zealand Credit and Currency Act 1978.”

3. Principal and other functions of Reserve Bank—The 10
principal Act is hereby amended by repealing section 8, and substituting the following section:

“8. (1) The principal functions of the Reserve Bank shall be—

“(a) To carry out its functions under the New Zealand Credit and Currency Act 1978 and to give effect to every resolution of the House of Representatives made thereunder notwithstanding any communication from the Minister or otherwise made by the Executive Government; and 15 20

“(b) To act as the central bank for New Zealand.

“(2) The other primary functions of the Reserve Bank shall be—

“(a) To advise the House of Representatives and the Executive Government on matters relating to monetary policy, banking, credit, and overseas exchange; and 25

“(b) Subject to the provisions of the New Zealand Credit and Currency Act 1978 and, subject thereto, to any resolution of the House of Representatives made pursuant to section 14 of that Act or made pursuant to this section, to carry out all or any of the following functions:— 30

“(i) to give effect to policy of the Executive Government as communicated from time to time to the Reserve Bank by the Minister; 35

“(ii) To make advances to Public Sector Accounts on such conditions as the Minister decides from time to time;

5 “(iii) To regulate and control banks and financial institutions, and banking transactions, any class or classes of transactions of financial institutions, and the borrowing and lending of money as may from time to time be prescribed and, subject thereto, as may from time to time be directed by the Minister;

10 “(iv) To control and regulate rates of interest in respect of all or any classes of transactions as may from time to time be prescribed;

15 “(v) To regulate and control overseas exchange, and overseas exchange transactions as may from time to time be prescribed and, subject thereto, as may from time to time be directed by the Minister.

“**(3)** The House of Representatives may from time to time make, alter, amend, or rescind resolutions for all or any of the following purposes:

20 “(a) Giving any direction or making any other provision concerning the implementation of any of the provisions of this Act, including any provision that enables the Minister to exercise any power or to give any direction to the Reserve Bank;

25 “(b) Prescribing the manner or circumstances in which the Reserve Bank shall make decisions under this Act;

“(c) Making, amending, or revoking regulations under this Act in addition to or in substitution for regulations made thereunder by the Governor-General by Order in Council;

30 “(d) Making provision for any special or other reports to be made by the Reserve Bank to the House of Representatives in any circumstances not provided for in this Act or in any other enactment;

35 “(e) Adopting rules of procedure for dealing with annual, special, or other reports of the Reserve Bank pursuant to the provisions of this Act or of any Regulations made pursuant to this Act or of any resolution made under this section;

40 “(f) Dealing with the administration of any of the provisions of this Act or of any regulations made pursuant to this Act or of any resolution made under this section or under section 14 of the New Zealand Credit and Currency Act 1978:

“(g) Adopting rules of procedure for dealing with any other matters arising from any of the provisions of this Act or of any regulations made pursuant to this Act or of any resolution made under this section or under section 14 of the New Zealand Credit and Currency Act 1978: 5

“(h) Concerning anything incidental to any of the aforesaid purposes.

“(4) Any resolution of the House of Representatives made pursuant to section 14 of the New Zealand Credit and Currency Act 1978 may, in addition to making provision for any purpose provided for in that section, also make provision for any purpose provided for in this section. 10

“(5) The provisions of subsections (3), (4), and (5) of section 14 of the New Zealand Credit and Currency Act 1978 shall apply, with the necessary modifications, to every proposal for a resolution of the House of Representatives under this section. 15

“(6) In carrying out its principal functions and other primary functions under this section and its other functions under this Act, the Reserve Bank shall have continuous regard to the provisions of the New Zealand Credit and Currency Act 1978 and, in particular, to the monetary policy of New Zealand declared by section 11 of that Act being, as they are, the best and the only adequate basis for the promotion and maintenance of economic and social welfare in New Zealand generally and, in particular, for the achieving and maintaining of the highest level of production and trade and continuing full employment of labour and other resources and for the achieving and maintaining of a stable internal price level.” 20 25 30

4. Trading banks to make returns to Reserve Bank—Section 31 of the principal Act is hereby amended by inserting, after subsection (8), the following subsections:

“(9) Within 10 business days after the date of the commencement of the New Zealand Credit and Currency Act 1978, every trading bank shall send to the Head Office of the Reserve Bank at Wellington a special return of the bank credit deemed to have been advanced by the Reserve Bank to that trading bank by virtue of section 6 of that Act, and 35 40

every such special return shall state every branch of the trading bank and the amount of bank credit in existence at each such branch on the date of the commencement aforesaid.

- 5 “(10) The Reserve Bank may from time to time by notice to all trading banks require them to supply such information as may be specified in the notice to be supplied in or with each monthly return that the Reserve Bank may require for the purpose of the New Zealand Balance Sheet or for any
10 other purpose of the New Zealand Credit and Currency Act 1978.”

5. **Trading banks to hold liquid assets**—Section 33 of the principal Act is hereby amended by inserting, after subsection (7), the following subsection:

- 15 “(8) The Reserve Bank shall phase out requirements made by notices given pursuant to this section as and when such requirements become superfluous or redundant in the course of the administration by the Reserve Bank of the provisions of the New Zealand Credit and Currency Act 1978 or of
20 any resolution of the House of Representatives made pursuant to section 14 of that Act.”

6. **Inspection of books of trading banks and supply of information**—Section 35 of the principal Act is hereby amended by inserting in subsection (1), after paragraph (c),
25 the following paragraph:

- “(d) The trading bank has failed to comply with any provision of the New Zealand Credit and Currency Act 1978 or of any resolution of the House of Representatives made pursuant to section 14 of that Act or of any notice, direction, or requirement given or imposed under any such provision.”

7. **Annual report**—Section 44 of the principal Act is hereby amended by omitting the word “members” in subsection (2) and substituting the word “directors”.

- 35 8. **Conflict with other Acts**—The principal Act is hereby further amended by repealing section 48, and substituting the following section:

“48. (1) In the event of any conflict between any of the provisions of this Act and any of the provisions of the New Zealand Credit and Currency Act 1978, the provisions of the New Zealand Credit and Currency Act 1978 shall prevail.

“(2) Subject to subsection (1) of this section, in the event of any conflict between any of the provisions of this Act and any of the provisions of the Banking Act 1908, or of any other Act relating to any bank or to the business of banking, the provisions of this Act shall prevail.” 5

9. Acts administered by the Reserve Bank—The principal Act is hereby further amended by inserting, after section 54, the following section: 10

“55. **Acts administered by the Reserve Bank**—The Reserve Bank shall be charged with the administration of this Act and of the following other Acts: 15

“1908 No. 11—The Banking Act 1908 (1957 Reprint, Vol. 1, p. 409)

“1964 No. 27—The Decimal Currency Act 1964

“1978 No. 00—The New Zealand Credit and Currency Act 1978.” 20

10. Administration of amendments to the principal Act made by this Act to be a charge on the funds of the Reserve Bank—(1) The costs of and incidental to the administration of the provisions of amendments to the principal Act made by this Act from time to time shall be a charge on the funds of the Reserve Bank. 25

(2) No moneys appropriated by or pursuant to any Act or otherwise appropriated by the House of Representatives shall be used for the costs of or incidental to the administration of the provisions of the amendments to the principal Act made by this Act. 30