

Mr. Payne.

BANKING AS A STATE MONOPOLY.

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A BILL INTITULED

AN ACT for the Better Safe-guarding of the Commercial and Investing Interests of the Community and for the Purpose of securing to the People of the Dominion the Profits accruing from the Business of dealing with the Monetary Transactions of the People of the Dominion.

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

- 10 1. This Act may be cited as the Banking as a State Monopoly Act, 1912. Short Title.
- 2. Six months from the date of the passing of this Act the business of banking and money-lending in all its branches shall become the sole monopoly of the Dominion. Banking sole monopoly of the Dominion.
- 15 3. On the date set forth in section *two* hereof the State shall enter into possession of all banking institutions in the Dominion, and shall then carry on the business of banking in the several offices of the various banking companies as going concerns, taking over all assets and all liabilities as provided in section *four* hereof. Dominion to take possession of all banking business.
- 20 4. The Chief Banking Officer appointed under the provisions of this Act shall then make searching inquiry into every account standing in the books of the several banks; and such officer shall, on approving accounts dealing with loans, advances, overdrafts, bills discounted, and all matters pertaining thereto, or of a like nature, assume full responsibility for such accounts on behalf of the State. Chief Banking Officer to take over full control.
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Such officer shall also make full inquiry into all investments made by the various banks, and shall, on approving same, assume full responsibility therefor on behalf of the State.

Redemption of notes in circulation.

5. The Chief Banking Officer shall demand that each of the various banking companies redeem in gold its liability on bank-notes in circulation, but only so far as the bank's gold reserve is available for that purpose. 5

Debentures to be issued to banks' shareholders.

6. The Chief Banking Officer shall, after making due provision for bad and doubtful debts (if any), issue to the shareholders of each company debentures payable in New Zealand, and bearing interest at the rate of four per centum per annum, and redeemable, at the will of the Crown, during any period not exceeding ten years from the date of the coming into operation of this Act. 10

£10 debentures to be issued.

7. The debentures issued under the provisions of section *six* hereof shall be *ten*-pound debentures, and shall be issued to each shareholder in each of the banks to such amount as will represent the amount standing to the credit of such shareholder in the share register of such company as his or her proportion of the share capital of such bank, and after deducting amount of provision for bad and doubtful debts as provided in section *six* hereof: 15

Provided that any amounts recovered and previously written off as bad or doubtful under section *six* hereof shall be payable to such shareholders proportionately to the shares held. 20

Interest payable to shareholders.

8. The Chief Banking Officer shall hand over to the shareholders of each bank the interest accruing from reserve fund amounts invested in outside investments, and not employed in the business of the banks. The interest shall be paid over to each shareholder, each shareholder receiving an amount proportionate to the number of shares held by him, and such interest-payments shall be made on the thirty-first day of March and the thirtieth day of September in each year. 25

Issue of further debentures to secure undivided profits.

9. In addition to the debentures for share capital to be issued to shareholders of the banks, as provided under section *six* hereof, the Chief Banking Officer shall further issue to each shareholder debentures as described in section *six* hereof to the amount due to each shareholder as his or her proportion of the undivided profits by means of which a reserve fund has been created. 30

Provision regarding loss on accounts.

10. Notwithstanding that under section *four* hereof the Chief Banking Officer assumes full responsibility for the asset and liability accounts taken over by the State from the banks, any loss due on any such matters taken over under that section (whether such loss is the result of securities held against loans depreciating in value, or securities held as assets depreciating in value, or from any cause loss is made on the original asset or liability items taken over by the State under the provisions of this Act), shall be made good out of the reserve fund of the bank so making the loss: 35

Provided that at the end of *ten* years from the date of taking over the banks under the provisions of this Act the State shall assume full responsibility for any further losses which may occur in connection with assets and liabilities so taken over at the date detailed in section *two* hereof. 40 45 50

11. At the date of the passing of this Act the Chief Banking Officer shall have power to inspect the books and papers of the banks, and he is hereby empowered to demand the production by the banks' managers or officials of any book or paper or other matter which he
 5 may deem it expedient to have before him for the purpose of safeguarding the interests of the depositors and others using the banks; and it shall be the duty of that official to ensure so far as lies in his power, and using the powers conferred upon him by this Act, that no
 10 undue cramping of business and no commercial stringency is created by the banks calling up overdrafts and generally tightening up the money-market in order to damage the working of this Act in the eyes of the public at large; and, to this end, the Chief Banking Officer shall place applications for loans and increases of overdrafts and other matters of financial accommodation before the Bank Board
 15 to be appointed under the provisions of this Act; and such Board shall have the authority to order the banking company concerned to make such loan to or to accommodate on overdraft any person whose securities have been approved by the Bank Board to be set up under the provisions of this Act.

Powers vested in Chief Banking Officer.

20 12. Any advances made or any accommodation allowed to any person under section *eleven* hereof at the order of the Bank Board shall be guaranteed by the Dominion, and shall in no wise become chargeable against the shareholders of the various banks.

Guarantee by the Dominion.

25 13. The Chief Banking Officer shall prepare a full and complete set of books for each branch of a bank whose business is taken over by the Dominion under the provisions of this Act, and at the date of the taking-over of the assets and liabilities of the banks the balances of each account shall be clearly shown and brought forward on to the new books as is ordinary commercial procedure in connection with
 30 starting a new firm in on an old firm's business.

Set of account books to be provided.

35 14. (1.) The business of lending money in small sums or large sums shall become the sole monopoly of the Dominion at the date of the commencement of this Act. Persons having money to invest on mortgage shall place it with any branch of the State Bank, and
 suitable investment shall be found for moneys so placed.

Deposits to be received.

(2.) The proposed rate of interest to be paid on any given transaction shall be communicated to the investor, and such investor need not accept the interest proposed to be given unless he or she chooses to do so.

40 (3.) Loans in small sums from *two* pounds upwards may be made to workers of good character and in regular employment on suitable security being placed with the Chief Banking Officer, but loans not exceeding *five* pounds shall be made to workers on an order made
 45 against his wages for the weekly repayment of amounts not exceeding *five* shillings.

15. The business of pawnbroking is hereby abolished.

Pawnbroking abolished.

50 16. The Chief Banking Officer shall act as an investing agent for persons desiring to invest moneys in matters other than the loaning of moneys, and that officer shall furnish in good faith to such prospective investor such information as will enable the investor to judge as to whether the investment is sound or not, but the Chief Banking Officer shall assume no liability, either personal or on behalf of the State, for the correctness of the information supplied.

Further duties of the Chief Banking Officer.

No competition
allowed.

17. No private person or body of persons may act as investments agents after the coming into operation of the provisions of this Act.

Officers.

18. The Chief Banking Officer shall be the General Manager of State Banking appointed by the Governor in Council, and the members of the Land Purchase Board shall represent the State on the Banking Board, and three other members of the Banking Board shall be elected by the members of the Associated Chambers of Commerce of the Dominion. 5

Duration of term of
office.

19. The elected members of the Banking Board shall hold office for three years, the first members elected holding office for three years from the date of the passing of this Act, and may then offer themselves for re-election. 10

President of the
Board to possess
casting-vote.

20. The Chief Banking Officer shall be the President of the Board, and he shall place his recommendations before the Board from time to time on all matters connected with the business of State banking, and he shall not proceed to put into operations anything affecting the welfare of the State Banks until he has received the sanction of the members of the Board by a majority vote of the members of the Banking Board. The Chief Banking Officer to have the casting-vote when there is an even division of voting on any matter by the members of the Banking Board. 15 20

First meeting of
Board; staffing of
branches.

21. The Board shall be called together not less than one month from the date of the passing of this Act, and the Chief Banking Officer shall place before the Board his recommendations in connection with staffing the State Banks and other matters necessary to prepare for and to pursue the business of State banking. 25

Powers vested in
Chief Banking
Officer regarding
business of other
banks.

22. The general provisions of this Act are applied to all banks now trading within the Dominion, but the Chief Banking Officer may, in his discretion, vary the general provisions of this Act in so far as may be necessary to meet the cases of those banks who only have branches within the Dominion. Those deemed only to have branches within the Dominion are the Union Bank of Australia, Bank of New South Wales, and Bank of Australasia; and in case of each of those banks the Chief Banking Officer shall only require asset security as against the liabilities of each of those banks as will, in his discretion, be deemed to protect the State from possible loss. The other banks—the Bank of New Zealand and the National Bank—are to come under the full provisions of this Act, and any branches of either of these banks either in Australia, Great Britain or elsewhere, shall be taken over along with the main banks as provided herein. 30 35 40