

*Hon. Mr. Bathgate.*

## BANK OF ISSUE.

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### A BILL INTITULED

AN ACT for the Establishment of a State Bank of Issue for the Colony of New Zealand, and for the better Regulation of Banking in the said Colony. Title.

5 WHEREAS it is expedient to make provision for the issue of a national currency in the Colony of New Zealand, and for the regulation of banking in the said colony: Preamble.

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

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1. The Short Title of this Act is "The Bank of Issue Act, 1885." Short Title.
  2. The Governor in Council is hereby authorised to establish a bank in the colony, to be called "The State Bank of Issue," for the Governor may establish bank.

- purposes of conducting the financial business of the colony, and of supplying a paper currency, to appoint a manager, Comptroller of the Currency, and other officers, and to make all necessary rules and regulations for the proper management and working thereof. All such rules shall be published in the *Gazette* and reported to Parliament at the sitting of the session next ensuing after being made, and shall have the force of law if not varied, amended, or altered during the said session of Parliament. 5
- Rules to be gazetted.
- Bank incorporated. 3. The said bank shall be a body corporate under the name of "The New Zealand State Bank of Issue," and by that name may sue and be sued, and, as a corporation, shall have perpetual succession and a common seal. 10
- Officers to give security. 4. Every officer in the said bank shall, before entering on his duties, and from time to time, if required, give sufficient security for good behaviour in his office for such sum as the Governor may direct; such security may be real or personal, or by a company, as the Governor may find expedient. 15
- Chief office to be at seat of Government. 5. The chief office shall be established at such place as may be the seat of the General Government for the time, or elsewhere, as may be deemed by the Governor in Council to be most expedient, and branches and agencies may be established wherever it may be found expedient to do so. 20
- Agent-General to be Agent in London. 6. The Agent-General shall act as agent for the bank in London, under such instructions and regulations as may be fixed by the Governor in Council. 25
- Business of bank, how managed in England. 7. The Bank of England shall be the bank in London for managing the business of the State bank there.
- Bank to issue notes. 8. The bank shall issue circulating notes of various denominations, but not of less value than one pound sterling, in exchange for specie, bullion, drafts on London, or Government debentures or stock, or in payment of salaries, wages, and other debts due and payable by the Government in the colony in terms of any Appropriation Act. 30
- Issue, how regulated. 9. No note to be issued or reissued for circulation shall be made for the payment of less than the sum of one pound, and every such note shall be expressed to be for payment of a sum in pounds sterling, without any fractional part of a pound. 35
- Legal tender. 10. A tender of any such note or notes shall be a legal tender to the amount expressed in such note or notes, and shall be taken to be valid as a tender to such amount for all sums above two pounds on all occasions on which any tender of money may be legally made. 40
- Clearing-houses. 11. It shall be lawful for the Governor by Proclamation to establish one or more general clearing-houses, having subsidiary local clearing-rooms for the effecting at one or more places of the daily exchanges between the several banks carrying on business within the colony, and for payment at the same places of the balances resulting from such exchanges, and to appoint regulations for the conduct of the business thereof, and for the election of officers, and payment of expenses thereof; and all the associations, companies, and corporations carrying on the business of banking within the colony shall be members of the clearing-house, and each shall contribute annually a portion of the expenses of the establishment rateably according to the amount of the 45 50

- capital, whether share capital or deposits, used by it in its business. Any association, or bank, or banking company making default in payment of a balance due the clearing-house shall be deemed insolvent, and the Governor shall forthwith appoint a Receiver to wind up the
- 5 affairs of such defaulting association, or bank, or banking company.
12. The State bank shall be the central clearing-house, and shall keep accounts for the banks who are members of the clearing-house, against which they may draw in payment of final balance of exchange.
- 10 13. The banks shall be allowed at the rate of two and a half per centum on the monthly balances at their respective credits in account with the State bank.
14. No draft on such accounts shall be for less value than fifty pounds.
- 15 15. It shall not be lawful for any banker or banking company, or any corporate body or company, or person to issue in the colony circulating notes for the payment of money to the bearer on demand.
16. Any person, company, or corporation acting contrary to the prohibition in the previous section upon conviction shall forfeit for
- 20 every such offence the sum of fifty pounds, and every circulating note so issued shall be, and the same is hereby declared to be, absolutely void and of no effect.
17. Any bank which holds the Bank of Issue's circulating notes may, whenever it has an excess of specie and notes above twenty-five
- 25 per centum of its liabilities, present such proportion of the said notes as may exceed one-half of its total cash reserves at the Bank of Issue for redemption within twenty-one days, and the manager of the said Bank of Issue shall forthwith intimate the presentation to the Comptroller of the Currency, who shall thereupon redeem the notes
- 30 by paying the amount of the same in specie or by draft on the Bank of England at thirty days' sight at par, as to him shall appear expedient; and the said Comptroller shall have full power to dispose of the debentures held by the Bank of Issue, either temporarily or absolutely at such place as he may deem suitable for the purpose of redeeming the
- 35 notes presented, or for procuring a supply of specie if required, to be kept on hand in terms of any law or regulation in force for the time being.
18. Every association, or bank, or banking company carrying on business within the colony shall always hold, as nearly as may be
- 40 practicable, one-half at least of its cash reserves in the notes of the State Bank of Issue, and the proportion of such reserves held in the said notes shall never be less than forty per centum thereof.
19. Weekly, quarterly, and yearly returns showing the amount of notes in circulation, duly verified, shall be published in the *Gazette*
- 45 in such form as the Governor may appoint.
20. The ultimate payment in cash of all notes to be issued or reissued from the said State bank shall be charged and chargeable upon the general revenue of the Colony of New Zealand.
21. The specie and bullion to be from time to time received in
- 50 exchange for notes shall be applied and disposed of in manner following:—
- (1.) So much shall be kept on hand as may be required to meet the convenience of the public;

State bank to be central clearing-house.

Interest on credits balance.

Limit of draft.

State bank only to issue notes.

Penalty.

Redemption of State bank-notes.

Banks to keep State notes equal to one-half reserves.

Returns to be published in *Gazette*.

Liability of the colony.

Specie and bullion, how applied.

- (2.) So much as may be necessary to be exchanged for debentures issued under the authority of Parliament;
- (3.) So much as may be required by the bank to maintain a credit with the Bank of England.

The residue may be placed or invested on good and sufficient security, at three months' notice at least, by or under the direction of the Governor. A portion may be invested on mortgage of real estate repayable by way of annuity. 5

Foreign bank to set aside portion of capital for use in colony.

22. Every foreign bank or banking company carrying on business within the colony shall set aside a definite portion of its capital for use within the colony, and shall report to the manager of the State Bank the amount so applied; and it shall not be lawful for such bank or banking company to withdraw such amount from the colony without previous intimation to the said manager, and the said withdrawal shall be advertised, and it shall not be lawful thereafter for the said bank or banking company to continue to transact banking business in the colony. 10 15

Monthly returns to be published.

23. Every bank carrying on business within the colony shall make and forward to the Colonial Treasurer monthly returns in terms of the *First* Schedule annexed hereto, with such additional particulars thereto as may from time to time be ordered by the Governor, and shall also publish half-yearly balance-sheets showing the amount of profit or loss during the half-year; and the said account shall, in the case of foreign banks, have reference only to the business transacted within the colony. Copies of each balance-sheet to be forwarded within thirty days after the close of the half-year to the Colonial Treasurer. 20 25

"The Companies Act, 1882," to apply.

24. Every bank within the colony shall be subject to the operation of "The Companies Act, 1882," Part IV., regulating the winding-up of companies and associations, and the proportion of its capital in use in the colony and all its assets within the colony shall be subject to a preferential claim on the part of creditors within the colony. 30

Examiners may be appointed.

25. The Governor may appoint a suitable person or persons to make an examination once at least in each year of the affairs of every bank or corporation in the colony, receiving deposits from the public to be used in its business, who shall not be a shareholder in any such bank or corporation, or have an interest or be an officer in any bank or corporation, and who shall have power to make a thorough examination into all the affairs of such bank or corporation, to call for all necessary books, papers, and accounts, and to examine any of the officers and agents thereof on oath, and shall make a full and detailed report of the condition of the bank or corporation to the Comptroller of the Currency. An abstract of the report shall be published as soon as possible after examination in the *Gazette*. The fees and travelling charges payable to such examiners shall be fixed by the Governor, and paid by the banks and corporations examined. 35 40 45

Manager of bank shall be appointed Comptroller of the Currency.

26. The Manager of the State Bank of Issue shall also be appointed Comptroller of the Currency, who shall report annually to the General Assembly at the commencement of the first session after the close of the financial year— 50

- (1.) Upon the state and condition of all the banks within the colony, with abstracts of their statutory returns and comparative statements of the three preceding years.

(2.) The amount of securities held by the State bank, and the amount of circulating notes outstanding.

(3.) Any amendment to the laws relative to banking by which the system may be improved and the security of shareholders and depositors may be increased.

(4.) The total expenses incurred under this Act, with a nominal return of officers employed, and their remuneration respectively.

27. The sections of "The Forgery Act, 1867," or of any Act or criminal code passed in lieu thereof, as to forging bank notes and as to making and engraving plates for bank notes or bills, shall apply to the bank established under this Act.

"The Forgery Act, 1867," to apply.

28. Every person who shall mutilate, cut, deface, disfigure, or perforate with holes, or shall unite or connect together, or do any other thing to any bank bill, draft, note, or other evidence of debt, so as to make it unfit to be reissued by said bank, shall, upon conviction, forfeit to the bank the sum of twenty pounds, to be recovered in any Court of summary jurisdiction.

Penalty for mutilating.

29. Every officer, agent, or servant of the bank who shall embezzle, abstract, or wilfully misapply any of the funds, moneys, bullion, credits, or securities, belonging to the bank or in its custody, or shall, without authority, issue or put in circulation any of the notes of the bank, or shall, without authority, issue or put forth any certificate of deposit, draw any order or bill of exchange, make any acceptance, assign any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or shall make any false or deceptive entry or statement, in any book, account, statement, return, report, or other document respecting the affairs of the bank, shall be deemed guilty of a misdemeanour, and upon conviction thereof shall be punished by imprisonment for not less than years nor more than years; and any such officer, agent, or servant preparing, signing, approving, or concurring in such false or deceptive entry or statement, or using the same with intent to deceive or mislead any party, shall be held to have wilfully made such false or deceptive entry or statement, and shall further be responsible for all damages sustained by such party in consequence thereof.

Penalty for embezzlement, &c.

30. Every officer of the bank who shall unlawfully sign or countersign any of the circulating notes, or otherwise act contrary to or in violation of the rules and regulations relative to the signing and delivery of the circulating notes in force for the time being, shall be guilty of a high misdemeanour, and on conviction thereof shall be punished by fine not exceeding double the amount so signed and delivered, and imprisonment not less than one year and not exceeding ten years, and shall thereafter be disqualified from any employment in the public service.

Officers acting in violation of rules liable to penalty.

SCHEDULE.

Schedule.

RETURN of the Liabilities and Assets of the on the day of 18 Capital authorized, £ Capital subscribed, £ Capital paid up, £ Amount of reserve, £ Amount of capital, whether share or reserve, in use in the colony, £

		Liabilities.		£	s.	d.
Government deposits—						
Payable on demand						
After notice or on fixed day						
Other deposits on demand—						
1. By persons in the colony ...						
2. By persons out of the colony ...						
Other deposits not on demand—						
1. By persons in the colony ...						
2. By persons out of the colony ...						
Credit balances in accounts current						
Due to other banks in the colony						
Due to agencies of the bank, or to other banks or agencies in other colonies or in foreign countries						
Due to agencies of the bank, or to other banks or agencies in the United Kingdom						
Liabilities not included under foregoing heads						
Assets.						
Specie	...	...	...			
Bullion	...	...	...			
Notes of Bank of Issue	...	...	...			
Cheques and bills of other banks in the colony	...	...	...			
Balances due by other banks in the colony	...	...	...			
Balances due from agencies of the bank, or from other banks in the colony or in foreign countries	...	...	...			
Balances due from agencies of the bank or from other banks in the United Kingdom	...	...	...			
New Zealand Government debentures or stock	...	...	...			
British or foreign public securities other than New Zealand loans or advances to the Government of New Zealand	...	...	...			
Loans to municipal corporations...	...	...	...			
Bills discounted	...	...	...			
Bills overdue, not specially secured	...	...	...			
Other current loans and advances	...	...	...			
Overdue debts not specially secured	...	...	...			
Notes, bills, and debts overdue, secured	...	...	...			
Real estate	...	...	...			
Bank premises	...	...	...			
Mortgages on real estate	...	...	...			
Advances on lien of wool or other produce	...	...	...			
Other assets not included under the foregoing heads	...	...	...			

AGGREGATE amount of Loans to, and Liabilities, direct or indirect, of Directors and Firms in Partnerships, in which they or any of them have any interest.

Average amount of specie held during the month ...  
 Average amount of notes held during the month ...

I declare that the above return has been prepared under my directions, and is correct according to the books of the bank.

A. B., Chief Accountant,

We declare that the foregoing return is made up from the books of the bank, and that, to the best of our knowledge and belief, it is correct, and shows truly and clearly the financial position of the bank.

C. D., General Manager.

E. F., Chairman of Directors.

[Or, where there is no Colonial Board, the Chief Inspector].