

BANK OF NEW ZEALAND BILL.

EXPLANATORY MEMORANDUM.

BEFORE the passing of the Bank of New Zealand Act, 1913, the Government had no share in the profits of the Bank beyond the preference rights of its then holding of 75,000 preference shares, fully paid up, of £6 13s. 4d. each, totalling £500,000 (named the A shares in the Act of 1913). The ordinary shareholders held 150,000 shares, then paid up to £3 6s. 8d., and since fully paid up to £6 13s. 4d., and now totalling £1,000,000.

The Government's A preference shares were created under the Bank of New Zealand Act of 1903, which provided that the dividends thereon should increase in certain proportions when dividends on the ordinary shares exceeded 5 per cent., but so that the maximum dividend on the A shares should be 10 per cent.

Preference shares of that nature do not confer an interest increasing with the prosperity of the Bank, and do not create any absolute share in the assets and reserve funds so long as the Bank continues to exist, beyond the security of such assets and funds for the capital of the preference shares.

In 1913 the Bank desired to call up the uncalled capital on the 150,000 ordinary shares, and to create further capital by the creation and issue of new shares. Legislation was necessary for the purpose, and the advantages then gained for the Government were that of the new issue authorized by the Act of 1913 the Government should be entitled to take up one out of every three issued. The Government's new shares had preference over ordinary shares as to capital, and are called "B preference," but the "B preference" in all other respects rank for dividend and for share in the assets with the ordinary shares.

The new shares issued under the Act of 1913 were 37,500 B preference shares, totalling £250,000 to the Government, and 75,000 ordinary shares totalling £500,000 to the shareholders.

As the result of the Act of 1913 the Government then obtained its present actual beneficial holding in the assets and future of the Bank of 37,500 shares, as against 225,000 shares held by the ordinary shareholders. That is to say, the Government holds one-seventh of the total of such shares and the shareholders six-sevenths.

But every future increase in the capital will effect an increase of the direct interest and share of the Government in the Bank, if the principle of the Act of 1913 be adhered to, and if of every three new shares the Government takes one. The Government's proportionate share of the whole beneficial interest will be thereby gradually increased. On the other hand, an increase of capital involves a less dividend upon each share, and the result might be to reduce below 10 per cent. the dividend on the A preference shares.

The Bank's Reserve Fund as shown on its last balance-sheet amounts to £2,500,000, and the Bank desires to capitalize £1,125,000 of that reserve by the issue of shares fully paid up. It also desires to make all its shares of the nominal value of £1 each instead of £6 13s. 4d.

There is no objection on business principles to either such proposal, and the Bank offers to the Government the following advantages:—

- (1.) The dividend on the A preference shares shall be henceforth a fixed preferential dividend of 10 per cent.
- (2.) Out of the new 1,125,000 shares of £1 each to be issued there shall be added £375,000 to the Government's B preference present holding of £250,000—that is, one-third of the whole of the new issue. The Government's proportionate share of the whole beneficial interest being thereby increased from one-seventh to more than one-fifth.
- (3.) But the Government is at present entitled to only one-seventh of the Reserve Funds, and would therefore actually be entitled to only a little more than 160,700 of the shares to be paid up in full out of the Reserve Fund. The adjustment of the position which allots to the Government nearly 215,000 more shares than its actual quota has been arrived at by two provisions: Firstly, that the sum distributed in dividends in any year (exclusive of 10 per cent. on the A preference shares) shall up to £306,250 be divided, one-seventh to the Government and six-sevenths to the ordinary shareholders, *which is exactly what the Government would receive if this Bill did not pass*; and secondly, that any amount distributed above that sum shall be divided, one-third to the Government and two-thirds to the ordinary shareholders. The second provision is a substantial benefit to the Government in comparison with its present share in the divisible profits.

Right Hon. Mr. Massey.

BANK OF NEW ZEALAND.

ANALYSIS.

<p>Title. Preamble. 1. Short Title. 2. Interpretation. 3. No further guaranteed stock to be issued. 4. Transfer from Reserve Fund to Capital Account. 5. Cancellation of existing capital. 6. Date on which cancellation to take effect. 7. Issue of shares in lieu of cancelled capital. 8. Classification of shares. 9. Issue of preference A shares. 10. Issue of preference B shares. 11. Issue of ordinary shares. 12. Power to create further capital with consent of Minister of Finance. 13. Distribution of profits.</p>	<p>14. Directors' qualification altered. 15. Directors' term of office increased. 16. Remuneration of Directors increased. 17. Limitation of number of votes exercisable by proxy removed. 18. Maximum number of shares allowed to be held by one proprietor and maximum number of votes exercisable by one proprietor altered. Adjournment of general meetings. Requisitions for special general meetings. Quorum for general meetings. 19. Extension of powers of Auditor and Assistant Auditor. Salary of Assistant Auditor. 20. Transfers of fully paid shares. 21. Deed of settlement amended. 22. Previous enactments amended. Schedule.</p>
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A BILL INTITULED

AN ACT to make Further Provision respecting the Bank of New Zealand. Title.

WHEREAS the Bank of New Zealand was constituted a body Preamble.
 5 corporate by the New Zealand Bank Act, 1861: And whereas by the effect of that Act and of subsequent legislation the Bank's present authorized capital consists of stock to the extent of one million pounds sterling authorized to be issued under section three of the Bank of New Zealand Act, 1913; A preference shares of the
 10 nominal amount of five hundred thousand pounds authorized to be issued under section nine of the Bank of New Zealand Act, 1903; B preference shares of the nominal amount of one million pounds authorized to be issued under section five of the Bank of New Zealand Act, 1913; old ordinary shares of the nominal amount of
 15 one million pounds issued prior to the passing of the Bank of New Zealand Act, 1913; and new ordinary shares of the nominal amount of two million pounds authorized to be issued under section five of such last-mentioned Act, making the total authorized capital of the Bank the sum of five million five hundred thousand pounds: And
 20 whereas only part of the said authorized capital has been issued—namely, stock authorized under section three of the Bank of New Zealand Act, 1913, five hundred and twenty-nine thousand nine

hundred and eighty-eight pounds ten shillings and sixpence; A preference shares issued under section nine of the Bank of New Zealand Act, 1903, five hundred thousand pounds; B preference shares issued under section five of the Bank of New Zealand Act, 1913, two hundred and fifty thousand pounds; old ordinary shares, one million 5 pounds; new ordinary shares, five hundred thousand pounds; making the total issued capital of the Bank two million seven hundred and seventy-nine thousand nine hundred and eighty-eight pounds ten shillings and sixpence: And whereas the whole of the issued capital of the Bank has been called up and there is no 10 uncalled liability on the shares which have been issued: And whereas the Reserve Fund of the Bank now amounts to the sum of two million five hundred thousand pounds, and the transfer of portion of such Reserve Fund to Capital Account will not in any way prejudice the Bank's financial position: And whereas it is desirable that the 15 denomination of all the shares in the Bank's capital should be altered from six pounds thirteen shillings and fourpence to one pound for the sake of convenience and in order that the ordinary shares may be more suitable for investors of small means: And whereas the A preference shares and B preference shares have certain preferential 20 rights attaching thereto which it is desirable to protect and extend:

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

Short Title.

Interpretation.

1. This Act may be cited as the Bank of New Zealand Act, 1920. 25

2. In this Act, if not inconsistent with the context,—

“Bank” means the Bank of New Zealand constituted a body corporate under the New Zealand Bank Act, 1861:

“Deed of settlement” means the deed of settlement of the Bank referred to in the New Zealand Bank Act, 1861, as 30 such deed now stands altered and amended:

“Directors” means the Board of Directors of the Bank:

“Guaranteed stock” means the stock authorized to be issued under section three of the Bank of New Zealand Act, 1913:

“A preference shares” means the shares issued under section 35 nine of the Bank of New Zealand Act, 1903:

“B preference shares” means the preference shares issued under section five of the Bank of New Zealand Act, 1913:

“Old ordinary shares” means the ordinary shares of the Bank issued prior to the passing of the Bank of New Zealand 40 Act, 1913:

“New ordinary shares” means the ordinary shares of the Bank issued under section five of the Bank of New Zealand Act, 1913.

3. No further guaranteed stock shall be issued by the Bank 45 beyond the amount which is now outstanding.

4. The Directors shall transfer the sum of one million one hundred and twenty-five thousand pounds from the Bank's Reserve Fund to its Capital Account.

5. (1.) The Directors shall cancel the whole of the existing 50 capital of the Bank, except such guaranteed stock as is outstanding at the date of the passing of this Act.

No further guaranteed stock to be issued.

Transfer from Reserve Fund to Capital Account.

Cancellation of existing capital.

(2.) Such cancellation shall not relieve any person of any liability for unpaid calls or interest thereon.

6. The cancellation provided for in the *last preceding* section shall take effect as from such date as shall be provided in that behalf in the resolution of the Directors affecting such cancellation.

Date on which cancellation to take effect.

7. In lieu of such cancelled capital the Directors shall issue three million three hundred and seventy-five thousand shares of one pound each, credited as fully paid up, and on which there shall be no liability whatever.

Issue of shares in lieu of cancelled capital.

8. Such new shares shall be divided into classes as follows :—

Classification of shares.

(a.) Five hundred thousand shares to be called preference A shares ;

(b.) Six hundred and twenty-five thousand shares to be called preference B shares ; and

(c.) Two million two hundred and fifty thousand shares to be called ordinary shares.

9. (1.) His Majesty the King as the holder of the A preference shares shall be entitled to have issued to His Majesty in lieu thereof the said five hundred thousand preference A shares of one pound each.

Issue of preference A shares.

(2.) With respect to the preference A shares the following provisions shall apply :—

(a.) They shall be issued as on the date fixed by the Directors under section *six* of this Act, and the scrip certificates therefor shall on that day be delivered to the Minister of Finance in exchange for the scrip certificates for the A preference shares, which shall be surrendered to the Bank and cancelled, and the Minister of Finance may from time to time exercise in the name of His Majesty all His Majesty's rights and powers as proprietor of the shares :

(b.) They shall confer no right to vote by post, or to convene, vote at, or otherwise take part in any meeting of the proprietors of the Bank :

(c.) In respect of capital they shall rank in priority to preference B and ordinary shares :

(d.) In respect of dividends they shall carry a fixed preferential but non-cumulative dividend of *ten* pounds per centum per annum as provided by section *thirteen* hereof :

(e.) Subject as aforesaid they shall confer the same rights and privileges as ordinary shares.

(3.) Section ten of the Bank of New Zealand Act, 1903, and section eight of the Bank of New Zealand Act, 1913, are hereby repealed.

10. (1.) His Majesty the King as the holder of the B preference shares shall be entitled to have issued to His Majesty in lieu thereof the said six hundred and twenty-five thousand preference B shares of one pound each.

Issue of preference B shares.

(2.) With respect to the preference B shares the following provisions shall apply :—

(a.) They shall be issued as on the date fixed by the Directors under section *six* of this Act, and the scrip certificates

therefor shall on that day be delivered to the Minister of Finance in exchange for the scrip certificates for the B preference shares, which shall be surrendered to the Bank and cancelled, and the Minister of Finance may from time to time exercise in the name of His Majesty all His Majesty's rights and powers as proprietor of the shares : 5

(b.) The preference B shares shall in respect of capital rank next after the preference A shares, but in priority to all other shares :

(c.) The preference B shares shall rank for dividend as provided by section *thirteen* hereof : 10

(d.) Whilst held by His Majesty such preference B shares shall confer no right to vote by post, or to convene, vote at, or otherwise take part in any meeting of the proprietors of the Bank : 15

(e.) Subject as aforesaid they shall confer the same rights and privileges as ordinary shares.

Issue of ordinary shares.

11. (1.) The holder of each old ordinary share and new ordinary share of six pounds thirteen shillings and fourpence as at the date of the taking effect of the Directors' resolution cancelling the said existing capital shall be entitled to have issued to him ten ordinary shares of one pound each of the said two million two hundred and fifty thousand ordinary shares for each such share of six pounds thirteen shillings and fourpence so held by him. The scrip for each such share of six pounds thirteen shillings and fourpence shall be surrendered to the Bank for cancellation, or the loss or destruction thereof proved to the satisfaction of the Directors, before the scrip for the new shares issued in lieu thereof is delivered to the person entitled. If at the date of cancellation there is any money owing for calls or interest in respect of any cancelled shares, such calls and interest, and any interest thereafter accruing in respect of such calls, shall become a first and paramount charge upon the shares issued in lieu of the cancelled shares in respect of which such money was owing, and upon all dividends accruing on the shares so issued, and such charge may be enforced by forfeiture or sale of the shares charged in manner provided by the deed of settlement with respect to shares charged with the debts and engagements of the proprietor. Until such charge is vacated the proprietor of the shares charged shall not be allowed to attend or vote at any meeting of proprietors or to receive any dividend or exercise any other right or privilege attaching to the shares charged. 20 25 30 35 40

(2.) Subject to the provisions of this Act the ordinary shares shall confer the same rights as the shares in lieu whereof they shall be issued, and the provisions of the deed of settlement relating to transfers and transmission, forfeiture, lien, and otherwise shall apply to such shares. 45

Power to create further capital with consent of Minister of Finance.

12. (1.) Notwithstanding anything in the deed of settlement, or any Act or law to the contrary, the Directors are hereby empowered to raise, with the consent of the Minister of Finance, new capital for the Bank to an amount not exceeding two million two hundred and fifty thousand pounds sterling by the creation and issue of a further seven hundred and fifty thousand preference B shares of one pound 50

each and a further one million five hundred thousand ordinary shares of one pound each, upon all of which there shall be no further liability in any event whatever.

5 (2.) Such shares may be created either at one and the same time or at different times, but in no case shall any number of preference B shares be created without the simultaneous creation of twice that number of ordinary shares, nor shall any number of ordinary shares be created without the simultaneous creation of half that number of preference B shares.

10 (3.) The preference B shares and ordinary shares created under this section shall rank equally with the preference B shares and ordinary shares respectively created under sections *seven* and *eight* of this Act.

15 (4.) The preference B shares and ordinary shares created under this section shall be offered for subscription at such times, in such amounts, on such terms and conditions, and at such premiums (if any) as the Directors, with the approval of the Minister of Finance, may prescribe and not otherwise, subject, however, to the following conditions:—

20 (a.) Preference B shares and ordinary shares shall be offered for subscription simultaneously in the proportion of one preference B share to two ordinary shares:

25 (b.) The terms of issue, premiums (if any), and dates of payment of calls shall be the same for all preference B shares and ordinary shares which are so simultaneously offered for subscription. The whole amount of every share so created, including any premium payable in respect thereof, shall be called up forthwith after the issue thereof, but may be made payable by instalments.

30 (5.) When any shares have been so simultaneously offered for subscription His Majesty shall have a first option of purchasing the whole or any of the preference B shares so offered, and this option may be exercised by the Minister of Finance on behalf of His Majesty at any time within the period prescribed in that behalf by
35 the Directors, with the approval of the Minister of Finance, as aforesaid.

(6.) Subject to the option so conferred upon His Majesty in respect of the preference B shares, the whole of the shares so simultaneously offered for subscription, whether preference B shares
40 or ordinary shares, shall be offered to the holders other than His Majesty of any shares in the Bank in proportion as near as may be to the number of shares held by them, and any such holder shall be entitled to purchase the whole or any of the shares so offered to him at any time within the period prescribed in that behalf by the
45 Directors, with the approval of the Minister of Finance, as aforesaid.

(7.) Subject as aforesaid the shares so offered for subscription may be sold to the general public of New Zealand or elsewhere.

(8.) If any share so offered for subscription as aforesaid is not
50 subscribed for in accordance with any of the foregoing provisions within the period prescribed in that behalf by the Directors, with the approval of the Minister of Finance, as aforesaid, the offer thereof shall lapse, and the shares shall become available for subsequent

issue, at such times and on such conditions as may be determined upon by the Directors, with the approval of the Minister of Finance, without the simultaneous issue of a further proportionate number of preference B shares or of ordinary shares as the case may be.

(9.) The Minister of Finance is hereby empowered to purchase on behalf of His Majesty all or any of the preference B shares from time to time offered to His Majesty as aforesaid at a price not greater than one hundred per centum above the nominal value of such shares. The Minister of Finance is hereby empowered to create and issue debentures, inscribed stock, or other securities of the Government of the Dominion for the purpose of raising the moneys necessary to effect such purchase, and all such securities shall be subject to the provisions of the New Zealand Loans Act, 1908, as if issued in pursuance of that Act.

(10.) Sections five, six, and seven of the Bank of New Zealand Act, 1913, are hereby repealed.

Distribution of profits.

13. (1.) Notwithstanding anything in the deed of settlement, or any Act or law to the contrary, the profits of the Bank recommended by the Directors for distribution to the shareholders in respect of each year's operations, commencing with the year ending the thirty-first day of March, nineteen hundred and *twenty-one*, shall be distributed as follows:—

(a.) The first fifty thousand pounds shall be paid to His Majesty the King, or other the holder, as a fixed preferential but non-cumulative dividend upon the preference A shares.

(b.) The residue of such annual profits up to the sum of three hundred and six thousand two hundred and fifty pounds shall be paid to the holders of the preference B shares and ordinary shares in the proportion of *one-seventh* part thereof to His Majesty the King, or other the holders, of the preference B shares, and *six-sevenths* part thereof to and amongst the holders of ordinary shares.

(c.) If the profits in any year so recommended for distribution amount to over three hundred and fifty-six thousand two hundred and fifty pounds the excess shall be distributed to His Majesty the King, or other the holder, of the preference B shares and to the holders of the ordinary shares in the proportion of *one-third* to His Majesty the King, or other the holder of the preference B shares, and *two-thirds* to and amongst the holders of ordinary shares.

(2.) Nothing contained in subsection *one* of this section shall affect the power of the Directors to pay interim dividends.

(3.) All dividends payable to His Majesty under this section shall be paid into the Public Account, and shall form part of the Consolidated Fund.

Directors' qualification altered.

14. From and after the issue of the ordinary shares by this Act authorized to be issued the qualification of a Director elected by the shareholders of the Bank shall be the holding of one thousand of such ordinary shares.

Directors' term of office increased.

15. (1.) The ordinary term of office of any Director hereafter appointed by the Governor-General in Council or elected by the

proprietors shall be *three* years, and in every third year there shall be no retirements by effluxion of time, the first year in which there shall be no such retirements being the year nineteen hundred and twenty-*three*.

5 (2.) In computing the length of office in the case of a Director appointed or elected to any casual vacancy there shall be included the period of office of his predecessor or predecessors.

Remuneration of Directors increased.

16. (1.) The remuneration of the Directors whilst they hold office shall be at the rate of five thousand pounds per year, to be divided amongst them during such year in such shares as are fixed by resolution of the Board of Directors to be passed as early in the year as is practicable.

(2.) In addition each Director shall be entitled to such travelling-expenses as he is now entitled to receive.

15 (3.) This section shall be deemed to have been in operation as from the thirty-first day of March, nineteen hundred and *twenty*.

Limitation of number of votes exercisable by proxy removed.

17. Notwithstanding anything in the deed of settlement, or any Act or law to the contrary, a person appointed to act as proxy shall be entitled, without any limitation whatever, to exercise by virtue of his proxies as many votes as his appointors might in the aggregate have exercised.

18. From and after the date fixed under the provisions of section *six* of this Act—

Maximum number of shares allowed to be held by one proprietor and maximum number of votes exercisable by one proprietor altered.

25 (a.) The number of shares in the capital of the Bank that may be held by one proprietor shall be increased from six thousand to sixty thousand :

(b.) The maximum number of votes exercisable by one proprietor shall be increased from two hundred to two thousand :

30 (c.) The number of votes to be held by proprietors requiring the adjournment of a general meeting shall be increased from thirty to three hundred :

Adjournment of general meeting.

(d.) The number of shares to be held by proprietors requisitioning for a special general meeting shall be increased from three thousand to thirty thousand ; .

Requisitions for special general meetings.

35 (e.) The number of shares requisite to constitute a quorum at a meeting of proprietors shall be increased from one thousand to ten thousand.

Quorum for general meetings.

19. (1.) The Auditor or Assistant Auditor appointed by the Governor-General under section thirteen of the Bank of New Zealand Share Guarantee Act, 1894, and section fifteen of the Bank of New Zealand and Banking Act Amendment Act, 1898, shall, if instructed by the Minister of Finance, upon the request of the Directors, visit and inspect any branch or agency of the Bank in the United Kingdom, and shall report in writing to the Minister of Finance and to the Directors on the result of such visit and inspection, and for the purposes of such inspection the said Auditor shall have the same powers as he possesses respecting the business of the Bank outside the United Kingdom.

Extension of powers of Auditor and Assistant Auditor.

50 (2.) The limitation of one thousand pounds per annum upon the salary or remuneration of such Assistant Auditor imposed by the deed of settlement and section fifteen of the Bank of New Zealand and Banking Act Amendment Act, 1898, is hereby repealed.

Salary of Assistant Auditor.

(3.) This section shall not be construed to limit the powers of the Auditor appointed by the High Commissioner in respect of the business of the Bank within the United Kingdom.

Transfer of fully paid shares.

20. The authority required by section sixteen of the Bank of New Zealand and Banking Act Amendment Act, 1898, and by the corresponding provision in the deed of settlement, shall not be necessary in the case of a transfer of shares upon which there is no liability.

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Deed of settlement amended.

21. The deed of settlement shall be deemed to be amended in all respects so as to make the same conform to the provisions of this Act.

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Previous enactments amended.

22. The enactments mentioned in the Schedule hereto are hereby amended in the manner indicated in that Schedule.

Schedule.

SCHEDULE.

ENACTMENTS AMENDED.

Title of Enactment.	Nature of Amendment.
1861 (Local and Personal), No. 1 —The New Zealand Bank Act, 1861	<p>Section 4: By omitting the words "Colony of New Zealand," and substituting the words "Dominion of New Zealand and with the consent of the Minister of Finance at any place outside of the Dominion of New Zealand."</p> <p>Section 6: By omitting the last part thereof commencing with the words "which shall for the time being be held by the said Corporation," and substituting the words "which shall for the time being be held by the said Corporation within the Dominion of New Zealand or within the United Kingdom nor three times the amount of the coin for the time being held by the said Corporation within the said Dominion."</p> <p>Section 13: By adding at the end thereof the words "or within the United Kingdom."</p> <p>Section 15: By inserting, before the words "shall be deemed and be taken to be public securities within the meaning of this Act," the words "and any similar securities issued or public debt contracted or guaranteed by the Government of the United Kingdom or of the Commonwealth of Australia or of any State of that Commonwealth."</p>