

*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 September, 1926.*

*Hon. Mr. Downie Stewart.*

## BANK OF NEW ZEALAND.

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### A BILL INTITULED

AN ACT to provide for the Increase of the Capital of the Bank of New Zealand and to make Further Provision respecting the said Bank. Title.

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

1. This Act may be cited as the Bank of New Zealand Act, 1926. Short Title.
2. In this Act, if not inconsistent with the context,— Interpretation.
  - “Bank” means the Bank of New Zealand constituted a body corporate under the New Zealand Bank Act, 1861: 10
  - “Deed of settlement” means the deed of settlement of the Bank referred to in the New Zealand Bank Act, 1861, as such deed now stands altered and amended:
  - “Directors” means the Board of Directors of the Bank, and
  - “Board” means the said Board of Directors of the Bank: 15
  - “Preference A shares” means the preference A shares issued pursuant to the Bank of New Zealand Act, 1920:

“Preference B shares” means the preference B shares issued pursuant to the Bank of New Zealand Act, 1920 :

“Ordinary shares” means the ordinary shares issued pursuant to the Bank of New Zealand Act, 1920.

Increase of capital.

3. (1.) The Directors may by resolution increase the capital of the Bank by the creation of one million four hundred and six thousand two hundred and fifty shares of one pound each, the liability on which shall be limited to such sum. 5

(2.) The Directors, with the approval of the Minister of Finance and the sanction of the holders of ordinary shares obtained in manner hereinafter provided, may from time to time, by resolution, further increase the capital of the Bank by the creation of additional shares of one pound each, limited as to liability in manner aforesaid. 10

Classification of new shares.

4. All shares created pursuant to this Act shall be called long-term mortgage shares, and shall be divided into two classes, and such classes shall be called C long-term mortgage shares and D long-term mortgage shares respectively. 15

Relative proportions.

5. Such long-term mortgage shares shall be created in the proportion of one C share to two D shares, and the said two classes shall be allotted in the like proportions as near as may be. 20

Crown's prior right to subscribe.

6. (1.) His Majesty the King, through the Minister of Finance, shall have the prior right of subscribing for C shares.

(2.) The Minister of Finance is hereby empowered to acquire on behalf of His Majesty all or any of the said C shares from time to time available for subscription, and to create and issue debentures, inscribed stock, or other securities of the Government of the Dominion for the purpose of raising the moneys necessary for the acquisition of such shares, and all such securities shall be subject to the provisions of the New Zealand Loans Act, 1908, and its amendments. 25

Ordinary shareholders' prior rights.

7. The holders of ordinary shares shall have the prior right of subscribing for D shares in proportion as near as may be to their holdings. 30

Disposal of unsubscribed shares.

8. Shares of either of the said classes not subscribed for in terms of the prior rights aforesaid may be allotted by the Directors as they think fit at not less than par.

Terms of issue and dates of payment of calls.

9. The terms of issue and dates of payment of calls shall be the same for both classes of the said long-term mortgage shares, and, subject to the provisions of the deed of settlement, shall be fixed by the Directors. 35

Dividend.

10. The holders of such long-term mortgage shares shall be entitled to a fixed preferential but non-cumulative dividend at the rate of six per centum per annum in the case of C shares and seven and a half per centum per annum in the case of D shares, and in either case on the amount for the time being paid up on their shares. 40

How dividend to be payable.

11. Such dividend shall be payable half-yearly, and a proportionate amount only shall be paid in respect of any capital paid up during the currency of any half-year. 45

How each class of shares is to rank for dividend and in a winding-up.

12. (1.) As between the C shares and the D shares the former shall be preferred to the latter both as to capital and dividend.

(2.) Both the said classes of shares shall rank for dividend and in a winding-up after the preference A shares, but in priority to the preference B and ordinary shares. 50

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 shall be distributed as follows:—

Distribution of profits.

5 (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:

10 (b.) Any balance after providing for the dividend upon the preference A shares shall be applied, firstly, in payment to the holders of the said C shares of the fixed preferential non-cumulative dividend of six per centum per annum as hereinbefore provided, and, secondly, in payment to the holders of the said D shares of the fixed preferential non-cumulative dividend of seven and a half per centum per annum as hereinbefore provided:

15 (c.) 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, and if such residue exceeds the said sum of three hundred and 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.

20 (2.) In the month of December in each year the Directors may pay on the respective classes of shares in the Bank's capital such interim dividend on account of the next forthcoming dividend as in their judgment the position of the Bank justifies.

25 (3.) All dividends payable to His Majesty under this section shall be paid into the Public Account.

30 (4.) Section thirteen of the Bank of New Zealand Act, 1920, is hereby repealed.

35 14. The holders of the long-term mortgage shares created in pursuance of this Act shall, as such, have no right to be present or represented at any meeting of the proprietors of the Bank, and no voting-rights whether in general meeting or by postal ballot or otherwise howsoever, and no right to requisition for special general meetings.

Long-term mortgage shareholders to have no voting-rights.

40 15. (1.) The new share capital created pursuant to this Act may be cancelled by a resolution passed at an ordinary or special general meeting and confirmed by a postal ballot as hereinafter provided, but no such cancellation shall take effect until all debentures or debenture stock issued pursuant to this Act are or is redeemed, unless funds sufficient for redemption thereof have been first deposited with the Public Trustee. Upon the passing of a resolution for cancellation by an ordinary or special general meeting, it shall be the duty of the Directors to take a postal ballot of the holders of ordinary shares as hereinafter provided, and, if such resolution be confirmed by such

Cancellation of long-term mortgage share capital.

postal ballot, to give effect to the same as soon as funds can be made available.

(2.) In the event of such cancellation the holders of the share capital so cancelled shall be entitled to be paid, in such instalments as the Directors may determine, the par value of their respective holdings of such capital, with interest until payment at six per centum per annum in the case of C shares and seven and a half per centum per annum in the case of D shares, from the first day of April preceding such cancellation, less any interim dividend paid between the said preceding first day of April and the date of cancellation, and together with any dividend in respect of the preceding year which but for such cancellation would have been payable to such holders and which at the date of such cancellation may not have been paid.

(3.) Repayment of capital to the holders of shares so cancelled shall be made not later than five years after the date of such cancellation, and holders of such shares may enforce such repayment by action of debt.

Auditor's consent  
to transfers of new  
shares not required.

16. 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 long-term mortgage shares.

Deed of settlement  
to apply to special  
shares.

17. Subject to the express provisions of this Act, the provisions of the deed of settlement as to calls, interest on calls, forfeiture, and lien transfer and transmission and otherwise, shall, so far as the same may be applicable, apply to the shares authorized to be created under this Act as well as to the shares in the Bank existing at the passing of this Act.

Postal voting  
provided for.

18. (1.) The sanction of the holders of ordinary shares to an increase of capital pursuant to subsection *two* of section *three* of this Act, and the confirmation of a resolution for the cancellation of capital pursuant to subsection *one* of section *fifteen* of this Act, shall be obtained by means of a postal ballot in manner hereinafter provided, and for the purposes of such ballot each holder of ordinary shares shall have one vote for every share held by him at the date when the voting-papers shall be despatched by the Returning Officer as hereinafter provided, which date shall be deemed to be the date appearing upon such voting-papers as the date of issue thereof:

Provided always that no voter shall be entitled to more than two thousand votes in respect of his holding.

(2.) For the purposes of such postal ballot the Directors shall by resolution appoint a Returning Officer and fix a day on or before which voting-papers must be returned to the Returning Officer, and such Returning Officer shall cause to be forwarded by post to the holders of ordinary shares a voting-paper on which shall be printed particulars of the proposed increase or cancellation of capital, and thereunder the words "I approve," and also the words "I do not approve," and a statement as to the date fixed by the Directors for the return of the voting-papers, and such instructions (if any) as the Returning Officer may consider proper as to the method of voting.

(3.) The voter shall delete the words "I do not approve" if the voter approves of the proposal, and shall delete the words "I approve" if the voter disapproves of the proposal.

(4.) The voter, if a corporation, shall affix its common seal to the voting-paper, and otherwise shall sign the voting-paper in his own proper handwriting and not by attorney or agent.

5 (5.) The voter shall then return the voting-paper by post or otherwise, enclosed in a sealed envelope addressed to the Returning Officer at the Head Office of the Bank, so that it shall reach such office not later than the day fixed by the Directors as hereinbefore provided.

10 (6.) All voting-papers shall immediately on receipt be placed by the Returning Officer unopened in a ballot-box, which he shall keep locked, and the key of which he shall retain in his custody.

(7.) No voting-paper shall have any effect unless it is signed or sealed as hereinbefore provided, and arrives at the Head Office of the Bank not later than the time hereinbefore fixed for its arrival, or if both the alternatives submitted thereon are deleted or if neither is deleted.

15 (8.) The Directors shall, before the last day upon which voting-papers may be returned to the Returning Officer, appoint two scrutineers, who shall be proprietors or officers of the Bank, to attend the examination of the voting-papers to be made by the Returning Officer. The Returning Officer shall give notice to the scrutineers so appointed of the  
20 time and place when and where he will examine the voting-papers, and shall permit such scrutineers to be present at such examination. At such time and place the Returning Officer shall open the ballot-box, examine the voting-papers, and make a list of the persons who have voted, and whether they have voted for or against the proposal. Such list shall  
25 be signed by the Returning Officer and such of the scrutineers as shall desire to sign the same. The Returning Officer shall then make up upon such list the result of the voting, and report such result to the Chairman of the Board forthwith, and the result shall be announced at the next ensuing meeting of the Board, and conveyed to the proprietors  
30 by circular as soon thereafter as practicable.

(9.) The provisions of clauses forty-seven, forty-eight, and forty-nine of the deed of settlement, relating to the retention, availability, and subsequent destruction of the list and voting-papers, and relating to addresses of proprietors and the conclusive effect of the Returning  
35 Officer's statement as to the posting of the voting-papers, shall apply to the taking of a ballot under the provisions of this section.

(10.) The sanction of the holders of ordinary shares to an increase in capital pursuant to subsection *two* of section *three* of this Act, or the confirmation of a resolution for cancellation of capital pursuant  
40 to subsection *one* of section *fifteen* of this Act, shall be deemed to have been given if not less than two-thirds of the valid votes cast are in the affirmative.

19. (1.) The Directors may from time to time borrow money on behalf of the Bank by the issue of debentures or debenture stock having  
45 a currency not exceeding thirty-seven years, and on such terms and conditions, and at such rates of interest, as the Directors may determine.

Special borrowing-powers.

(2.) The amount of debentures and debenture stock outstanding at any time shall not be greater than three times the amount of the capital paid up upon the shares created pursuant to this Act.

50 (3.) All debentures and debenture stock issued under the authority of this Act shall rank *pari passu*, and shall be secured by way of floating charge upon the fund established as hereinafter provided, and upon

the investments representing the same, and such charge shall crystallize upon default in payment of principal or interest due to any debenture or debenture-stock holder or upon the Bank suspending payment.

Trustees may invest on debentures and debenture stock.

20. It shall be lawful for a trustee as defined by the Trustee Act, 1908, unless expressly forbidden by the instrument (if any) expressly creating the trust, to invest any trust funds in his hands in debentures or debenture stock issued under this Act. 5

Fund established for long-term loans.

21. (1.) The proceeds of the issue of shares created pursuant to this Act and of debentures or debenture stock issued pursuant to this Act shall constitute a fund to be called "the Long-term Mortgage Fund," which shall, subject as hereinafter appears, be utilized by the Directors solely for the purpose of making advances in the name of the Bank on first mortgage of freehold or leasehold lands in New Zealand, and all repayments and recoveries of principal moneys so advanced shall belong to the said fund and be available for relending accordingly. 10 15

(2.) The term of any such mortgage shall not be more than thirty-seven years, and the principal sum shall be repayable by such instalments as the Directors may prescribe.

(3.) The amount of any such advance shall not exceed two-thirds of the value of the security in the case of freeholds, or one-half the value of the lessee's interest in the case of leaseholds, as certified in either case by a valuer appointed by the Directors. 20

(4.) The rate of interest on such advances shall not exceed six per centum per annum, except with the consent of the Governor-General in Council, which may be general or limited to a single transaction, or to any class or classes of transactions, or for a limited period : 25

Provided, nevertheless, that the instrument of mortgage may provide for a penalty in respect of any instalment of principal or interest which may not be paid by due date or within a specified time thereafter, and such penalty shall be recoverable by the Bank in full, any rule of law or equity to the contrary notwithstanding, but such penalty shall not exceed one-tenth of the instalment in respect of which it is payable, and the Directors may remit any such penalty if they think fit. 30

(5.) The aggregate amount of such advances outstanding at any time shall not exceed the amount of the paid up long-term mortgage capital, together with the debentures or debenture stock issued pursuant to this Act and for the time being outstanding, and any amount for the time being on transfer from the ordinary funds of the Bank as provided by the *next succeeding* section. 35 40

Temporary transfers from ordinary funds to special loan fund, and vice versa.

22. (1.) From time to time the Directors may transfer from the ordinary funds of the Bank to the Long-term Mortgage Fund authorized to be created by this Act such moneys as the Directors think fit, and such moneys from time to time re-transfer. The aggregate amount of such transfers outstanding at any time shall not exceed five hundred thousand pounds. 45

(2.) Any portion of the Long-term Mortgage Fund aforesaid which may not be immediately required for loans on mortgage may be transferred to the ordinary funds of the Bank, and as between the said Long-term Mortgage Fund and the ordinary funds of the Bank shall bear 50

interest at a rate not less than that for the time being allowed by the Bank on fixed deposits for three months.

23. The Directors may, if they think fit, establish out of the ordinary profits of the Bank earned after the passing of this Act a Special Reserve Fund to provide for losses (if any) incurred in respect of loans made out of the Long-term Mortgage Fund.

Special reserve to provide for losses.

24. Section sixteen of the Bank of New Zealand Act, 1920, is hereby amended by omitting from subsection one thereof the words "five thousand," and substituting therefor the words "six thousand five hundred."

Section 16 of the Bank of New Zealand Act, 1920, amended.

25. After the thirty-first day of March, nineteen hundred and twenty-seven, the half-yearly meetings of proprietors heretofore held in the month of December in each year shall no longer be held.

Half-yearly meetings of proprietors abolished.

26. (1.) After the thirty-first day of March, nineteen hundred and twenty-seven, the modifications hereinafter provided shall take effect concerning the election of Directors by proprietors.

Procedure for election of Directors modified.

(2.) In the case of an ordinary vacancy the notice of candidature must be given not later than the thirtieth day of September preceding the occurrence of the vacancy, and the voting-papers must reach the Head Office of the Bank, by post or otherwise, not later than the tenth day of February preceding the occurrence of the vacancy, and the result of the voting shall be reported by the Returning Officer to the Chairman of the Board not later than the last day of the said month of February, and the Chairman shall forthwith announce the result of the voting to the holders of ordinary shares. Should there be only one candidate for an ordinary vacancy he shall be deemed to be duly appointed on the expiration of the period allowed for the giving of notice of candidature.

(3.) In the case of a casual vacancy the Board shall publish notice thereof in the *Gazette*, and the notice of candidature must be given not later than sixty days after the publication, or, if published more than once, after the first publication of the same, and the voting-papers must reach the Head Office of the Bank, by post or otherwise, not later than one hundred and twenty days after the last day for the reception of notices of candidature, and the result of the voting must be reported by the Returning Officer to the Chairman of the Board within twenty days after the expiration of the said period of one hundred and twenty days, and the Chairman shall forthwith announce the result of the voting to the holders of ordinary shares.

(4.) If a decision by lot is required by reason of an equality of votes, such decision shall be made at the first meeting of the Board after the result of the meeting is reported to the Chairman, and during the drawing of lots the respective candidates affected shall be entitled to be present or represented by their scrutineers.

(5.) Should a Director due to retire by rotation die or otherwise vacate office during the last year of his term the following provisions shall apply:—

(a.) If the vacancy so arising occurs on or before the thirtieth day of September, the Board shall publish notice thereof, and the election of a successor shall proceed as provided for casual vacancies. But in such case the new Director's term of office shall continue until the expiration of three years

after the date on which the vacating Director's term would have expired by effluxion of time had the casual vacancy not occurred :

(b.) If the vacancy so arising occurs after the thirtieth day of September, and if the Director so vacating office shall not have given due notice of candidature for re-election, the election shall proceed as for an ordinary vacancy ; or if only one candidate shall have given due notice of candidature, that candidate shall be deemed duly elected to fill an ordinary vacancy :

(c.) If the vacancy so arising occurs after the thirtieth day of September, and if the Director so vacating office shall have given due notice of candidature for re-election, any election then pending shall be abandoned and an election shall proceed as for a casual vacancy, and the new Director's term of office shall continue until the expiration of three years after the date on which the vacating Director's term would have expired by effluxion of time had the casual vacancy not occurred.

(6.) Should there be only one candidate for a casual vacancy, he shall be deemed to be duly appointed on the expiration of the period allowed for the giving of notice of candidature.

(7.) In the event of no candidate giving notice of candidature or of an election for any other reason being ineffective, the Board may appoint some qualified person to fill the vacancy, and such appointment shall have the same effect in all respects as an election by proprietors.

(8.) Pending an election to fill a vacancy already existing, the Board may temporarily fill such vacancy.

(9.) Voting-papers must bear the actual signature of the voter, or in the case of a corporation, its common seal, and the signature of an attorney or agent shall not be sufficient.

Bank authorized to lend on mortgage.

27. Notwithstanding anything to the contrary contained in the deed of settlement or in any enactment, the Directors shall have power to make loans on mortgage of real or leasehold property with or without collateral security.

Special provision as to maximum holdings of shares.

28. The provisions of the deed of settlement imposing a maximum in respect of the number of shares in the capital of the Bank which may be held by one proprietor shall not apply to the long-term mortgage shares created pursuant to this Act, and such last-mentioned shares shall not be taken into account in computing any proprietor's holding for the purposes of such maximum.

Bank authorized to provide residences for its officers.

29. Notwithstanding anything to the contrary contained in the deed of settlement or any enactment, it shall be lawful for the Directors, on behalf of the Bank, to purchase in fee-simple, or for any less estate, or take upon lease, residences for its officers, or to purchase or otherwise acquire land on any tenure, and build thereon residences for its officers, and also at any time or times thereafter to sell, let, demise, exchange, or otherwise dispose of such lands and residences in such manner as they may think most advisable, and to cause the same to be assured and conveyed accordingly.

30. On the death of one of two or more co-owners of a share or shares in the capital of the Bank, the Bank shall be entitled to recognize the surviving co-owner or co-owners of the said share or shares as the only person or persons entitled to the said share or shares, and may register any transfer executed by such survivor or survivors without incurring any responsibility to the personal representatives of the deceased co-owner, but nothing herein contained shall affect the rights of the personal representatives of the deceased co-owner and the surviving co-owner or co-owners *inter se*, or extinguish any lien which the Bank may have upon the said share or shares, or extinguish any rights which the Bank may have against the estate of the deceased co-owner or against his personal representatives, and the Bank may at its discretion refuse to sanction any transfer from such surviving co-owner or co-owners unless the concurrence of the personal representatives of the deceased co-owner be obtained.

Transmission of shares held in co-ownership.

31. 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.

Deed of settlement amended.

32. In the quarterly abstracts delivered by the Bank of New Zealand to the Minister of Finance or his appointee, in terms of paragraph (b) of section eleven and section thirteen of the Banking Act, 1908, there shall be added under the heading "Liabilities" :—

Additional particulars to be contained in quarterly abstracts.

Transfers from Long-term Mortgage Department .. £ . and under the heading "Assets" :—

25 Transfers to Long-term Mortgage Department .. £ .

To each of such quarterly abstracts there shall be appended a supplementary statement in the form in the Schedule hereto, showing the average amount during the quarter of the assets and liabilities of the Long-term Mortgage Fund, such supplementary statement to be signed by the persons who verify the accompanying quarterly abstract.

SCHEDULE.

BANK RETURN (SUPPLEMENTARY).

STATEMENT of the Average Amount of Liabilities and Assets of the Long-term Mortgage Department of the Bank of New Zealand during the Quarter ended .

Liabilities.	—	Assets.	—
	£		£
Capital .. .. .		Loans .. .. .	
Debentures and debenture stock .. .. .		Transfers to bank .. .. .	
Transfers from bank .. .. .		Other assets .. .. .	
Other liabilities .. .. .			