

RESERVE BANK OF NEW ZEALAND AMENDMENT BILL

EXPLANATORY NOTE

1. By section 10 of the Reserve Bank of New Zealand Amendment Act, 1936, the general function of the Reserve Bank is declared to be to give effect to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance, and for this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the section requires the Bank to regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of overseas funds derived from exports.

2. *Clause 2* of this Bill adds to these functions by making the Bank responsible for taking such steps within the limits of its powers as the Bank deems necessary or desirable to promote and safeguard a stable internal price level and the highest degree of production, trade, and employment that can be achieved by monetary action.

3. Section 2 of the Reserve Bank of New Zealand Amendment Act, 1939, required the Reserve Bank to have regard to the representations of the Minister of Finance, and to give effect to any decision of the Government conveyed to the Governor in writing by the Minister of Finance.

4. The purpose of *clause 3* of this Bill is to free the Reserve Bank from the direct control of the Government, by repealing section 2 of the 1939 Act, and to provide instead that the Bank shall give effect to any resolution of the House of Representatives in relation to the Bank's functions or business.

5. *Clause 4* of this Bill requires the Reserve Bank to maintain reserves sufficient to provide a reasonable margin for contingencies, taking into account prospective receipts and disbursements of overseas funds, and having regard to the internal economic position. *Subclause (2)* amends the definition of "reserve" so as to include any overseas currency which is freely convertible into sterling. *Clause 4* replaces and repeals the existing provisions that required the Reserve Bank to maintain a minimum reserve of not less than 25 per cent. of the total amount of its notes in circulation and other demand liabilities, but gave the Minister of Finance power to vary or suspend this requirement.

Right Hon. Mr. Holland

RESERVE BANK OF NEW ZEALAND
AMENDMENT

ANALYSIS

Title.	3. Reserve Bank to give effect to resolutions of House of Representatives. Repeal.
1. Short Title.	4. Amending provisions as to maintenance of reserve. Repeal.
2. Reserve Bank to take steps to stabilize internal price level.	

A BILL INTITULED

AN ACT to Amend the Reserve Bank of New Zealand Act, 1933. 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 Reserve Bank of New Zealand Amendment Act, 1950, and shall be read together with and deemed part of the Reserve Bank of New Zealand Act, 1933 (hereinafter referred to as the principal Act). Short Title.
1933, No. 11

2. Section ten of the Reserve Bank of New Zealand Amendment Act, 1936, is hereby amended by adding to subsection one the words " and shall do all such things within the limits of its powers as it deems necessary or desirable to promote and safeguard a stable internal price level and the highest degree of production, trade, and employment that can be achieved by monetary action ". Reserve Bank
to take steps
to stabilize
internal
price level.
1936, No. 1

Reserve Bank
to give effect
to resolutions
of House of
Representatives.

Repeal.
1939, No. 41

Amending
provisions as
to maintenance
of reserve.

3. (1) In the exercise of their functions and powers under the principal Act the Governor and the Board of Directors shall give effect to any resolution of the House of Representatives in respect of any functions or business of the Reserve Bank.

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(2) Section two of the Reserve Bank of New Zealand Amendment Act, 1939, is hereby repealed.

4. (1) Section seventeen of the principal Act is hereby amended by repealing subsection one, and substituting the following subsection:—

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“(1) It shall be the duty of the Bank to maintain reserves which, in the opinion of the Board of Directors, will provide a reasonable margin for contingencies, after taking into account prospective receipts and disbursements of overseas funds, and having regard to the economic position within New Zealand.”

(2) Section seventeen is hereby further amended by inserting in subsection two, after paragraph (c), the following paragraph:—

“(d) Balances standing to the credit of the Bank at the central bank of any country the currency of which is freely convertible into sterling:”

(3) The Second Schedule to the principal Act is hereby amended by adding to the reference to reserve in the column relating to the assets of the Bank the following paragraph:—

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“(d) Other exchange.”

(4) The Second Schedule to the principal Act is hereby further amended by omitting the words “Proportion of reserve (No. 8 less No. 6) to notes and other demand liabilities: per cent.”

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Repeal.
Ibid.

(5) Section four of the Reserve Bank of New Zealand Amendment Act, 1939, is hereby repealed.