

RESERVE BANK OF NEW ZEALAND AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill amends the Reserve Bank of New Zealand Act 1933 so as to affirm the right of the Crown to control currency and credit in the public interest, and to define more fully the powers and duties of the Reserve Bank.

Clause 2: Subsection (1) of the new section 12 inserted by this clause declares that it is the sovereign right of the Crown to control currency and credit.

Subsection (2) of the new section provides that for the purpose of giving effect to subsection (1) the Minister may from time to time communicate to the Bank the monetary policy of the Government, which is to be directed to the maintenance and promotion of economic and social welfare in New Zealand having regard to the matters set out in the subsection. The wording of the subsection is adapted from the last part of section 10 (1) of the Reserve Bank of New Zealand Amendment Act 1936.

Clause 3: Subclause (1) of this clause inserts a new section 12A, which restates the general functions of the Reserve Bank, and is in substitution for section 10 of the Reserve Bank Amendment Act 1936.

Subsection (1) of the new section re-enacts, with a minor modification, the first part of section 10 (1) of the 1936 Act.

Subsection (2) of the new section empowers the Bank, on behalf of the Government, to regulate and control money, banking, credit, and currency, rates of interest in respect of such classes of transactions as may be prescribed, the transfer of money to or from New Zealand, and the disposal of proceeds of the sale of New Zealand products held overseas.

Subsection (3) of the new section imposes a duty on the Bank to act as adviser to the Government on monetary matters, to keep the Government informed of the measures adopted or to be adopted to give effect to the Government's monetary policy, to have regard to representations made by the Minister, and to give effect to any decision of the Government conveyed to it by the Minister.

Subsections (4) and (5) of the new section re-enact the provisions of section 10 (2) and (3) of the 1936 Act, relating to regulations for the purpose of enabling the Bank to fulfil its functions.

Subclause (2) repeals section 10 of the 1936 Act (as amended in 1950).

Subclause (3) repeals section 3 of the Reserve Bank of New Zealand Amendment Act 1950, under which the Bank is required to give effect to any resolution of the House of Representatives.

The clause is generally in accord with recommendations made in the Report of the Royal Commission on Monetary, Banking, and Credit Systems, issued in 1956.

Clause 4: Subclause (1) provides that the relationship between New Zealand currency and sterling may be determined by the Minister of Finance after consultation with the Governor of the Bank. *Subclause (2)* is a consequential amendment.

Clause 5 inserts a new section 45A relating to the control of bank credit and interest rates. The Bank is empowered, where it is satisfied that it is necessary or expedient in the public interest to do so, to give directions to trading banks as to the policy to be followed in relation to advances, discounts, investments, and rates of interest.

Hon. Mr Nordmeyer

RESERVE BANK OF NEW ZEALAND AMENDMENT

ANALYSIS

Title	3. General functions of Reserve Bank
1. Short Title	4. Fixing of relationship between New Zealand currency and sterling
2. Right of Crown to control currency and credit	5. Control of bank credit and interest rates

A BILL INTITULED

An Act to amend the Reserve Bank of New Zealand Act 1933 so as to affirm the sovereign right of the Crown to control currency and credit in the public interest, and to define more fully the powers and duties of the Reserve Bank of New Zealand

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

10 **1. Short Title**—This Act may be cited as the Reserve Bank of New Zealand Amendment Act 1960, 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).

15 **2. Right of Crown to control currency and credit**—The principal Act, as amended by section 10 of the Reserve Bank of New Zealand Amendment Act 1936, is hereby further amended by inserting, before section 13, the following section:

“12. (1) It is hereby declared that it is the sovereign right of the Crown to control currency and credit.

“(2) For the purpose of giving effect to the provisions of subsection (1) of this section, but without limiting the generality of that subsection, the Minister of Finance may from time to time communicate to the Reserve Bank the monetary policy of the Government, which shall be directed to the maintenance and promotion of economic and social welfare in New Zealand having regard to the desirability of promoting the highest degree of production, trade, and employment and of maintaining a stable internal price level.”

3. General functions of Reserve Bank—(1) The principal Act is hereby further amended by inserting, after section 12 (as inserted by section 2 of this Act), the following section:

“12A. (1) It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect to the monetary policy of the Government, as communicated to the Bank from time to time by the Minister of Finance.

“(2) The Bank may, on behalf of the Government, regulate and control—

“(a) Money, banking, credit, and currency:

“(b) Rates of interest in respect of such classes of transactions as may from time to time be prescribed:

“(c) The transfer of money to or from New Zealand, and the disposal of money that is derived from the sale of any New Zealand products and is for the time being held overseas.

“(3) It shall be the duty of the Bank—

“(a) To advise the Government on matters relating to monetary policy, banking, and exchange:

“(b) To keep the Government informed with regard to the measures adopted or proposed to be adopted by the Bank to give effect to the monetary policy of the Government:

“(c) To have regard to any representations that may be made by the Minister of Finance in respect of any functions or business of the Bank, and to give effect to any decision of the Government in relation thereto conveyed to the Governor in writing by the Minister of Finance.

“(4) For the purpose of enabling the Reserve Bank to fulfil its functions the Governor-General may from time to time by Order in Council make all such regulations, not inconsistent with this Act, as he considers necessary, and may
5 prescribe therein such penalties as he thinks fit for the breach of any such regulations, not exceeding in any case a fine of one thousand pounds for any offence or, in the case of a continuing offence, not exceeding a fine of five hundred pounds for every day on which the offence is committed or
10 has continued.

“(5) All regulations made under the authority of this section shall be laid before Parliament.”

(2) Section 12^A of the principal Act, as enacted by subsection (1) of this section, is in substitution for section 10
15 of the Reserve Bank of New Zealand Amendment Act 1936, and that section and section 2 of the Reserve Bank of New Zealand Amendment Act 1950 are hereby repealed.

(3) Section 3 of the Reserve Bank of New Zealand Amendment Act 1950 is hereby repealed.

20 **4. Fixing of relationship between New Zealand currency and sterling**—(1) Section 16 of the principal Act is hereby amended by omitting from subsection (3) the words “pursuant to this section”, and by adding to that subsection the following proviso:

25 “Provided that the relationship between New Zealand currency and sterling for immediate delivery in London may from time to time be determined by the Minister of Finance after consultation with the Governor of the Bank.”

(2) Section 4 of the Finance Act 1934 is hereby amended
30 by omitting the words “by the Reserve Bank”, wherever those words occur in the preamble to that section and in subsections (1) and (2) thereof.

5. Control of bank credit and interest rates—The principal Act is hereby further amended by inserting, after section 45,
35 the following heading and section:

“Control of Bank Credit and Interest Rates

“45A. (1) Where the Bank is satisfied that it is necessary or expedient in the public interest to do so, it may from time to time give directions to other banks for the time being
40 carrying on business in New Zealand as to the policy to be followed in relation to advances, discounts, and investments,

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and in relation to rates of interest payable to or by such banks, and, without limiting the generality of the foregoing provisions of this subsection, as to—

- “(a) The aggregate amounts of advances, discounts, and investments for the time being deemed appropriate: 5
 - “(b) The classes of advances and discounts that should be encouraged or restricted or rejected, and the classes of investments that should be made or held:
 - “(c) The rates of discount chargeable by such banks: 10
 - “(d) The rates of interest to be paid to or by such banks— and it shall be the duty of every such bank to comply with every such direction.
- “(2) Nothing in this section shall—
- “(a) Authorise the Bank to require any other bank to disclose the identity of any particular customer: 15
 - “(b) Affect the validity or enforceability, as between any bank and any other person, of any transaction.”