

# INTRODUCTION COPY

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## RESERVE BANK OF NEW ZEALAND AMENDMENT

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### ANALYSIS

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### A BILL INTITULED

5 **An Act to provide for the formulation and implementation of monetary policy, provide for prudential supervision of registered banks, require professional qualification of Bank management, to restore the Government banking business mandate, and to amend the Reserve Bank of New Zealand Act 1989 and the Public Finance Act 1989**

BE IT ENACTED by the Parliament of New Zealand as follows:

10 **1. Short Title and commencement**—(1) This Act may be cited as the Reserve Bank of New Zealand Amendment Act 1991, and shall be read together with and deemed part of the Reserve Bank of New Zealand Act 1989\* (in this Act referred to as the principal Act).

15 (2) This Act shall come into force on the 1st day of July 1991.

**2. Act to bind the Crown**—This Act shall bind the Crown.

**3. Functions of Bank**—(1) Section 8 of the principal Act is hereby repealed and the following section substituted:

\*1989, No. 157  
Amendment 1990, No. 96

“8. (1) The functions of the Bank, in addition to that set out in section 7 of this Act, shall be—

“(a) To formulate and implement monetary policy directed to the economic objective of achieving and maintaining a stable and effective monetary system: 5

“(b) To undertake the prudential supervision of financial institutions as defined in section 2 of this Act:

“(c) To provide lending facilities only in circumstances of last resort to registered banks within the meaning of that term under section 2 of this Act: 10

“(d) To advise the Minister on all matters consistent with stable monetary policy, banking credit, and foreign exchange which shall be directed to the maintenance and promotion of economic, environmental, and social welfare in New Zealand, having regard to the desirability of promoting the highest level of production, economic development, and employment, at the lowest possible rate of price inflation and within the confines of the balance of payments. 15 20

“(2) The Bank shall, as directed by the Minister, regulate and control on behalf of the Crown—

“(a) Money, banking, banking transactions, any class of transactions of financial institutions, credit, currency, and the borrowing and lending of money: 25

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

“(c) Foreign exchange, and foreign exchange transactions.”

**4. Repeal of monetary policy requirements—**Sections 9 to 13 of the principal Act are hereby repealed. 30

**5. Reserve Bank to have regard to Government policy—**(1) In the exercise and performance of its powers and functions, the Reserve Bank shall have regard to the general policy of the Government in relation to the formulation and implementation of monetary policy, and shall comply with any written direction given to it by the Minister relating to that policy. 35

(2) As soon as practicable after giving a direction under subsection (1) of this section, the Minister shall publish a copy of it in the *Gazette* and lay a copy of it before the House of Representatives. 40

5 **6. Revocation of policy targets and funding agreements**—All or any policy targets and funding agreements made between the Minister and the Governor pursuant to sections 9 and 159 respectively of the principal Act before the commencement of this Act are hereby revoked.

**7. Monetary policy**—The principal Act is hereby amended by omitting, before section 8, the heading “*Monetary Policy*”, and substituting the heading “*Economic Policy*”.

10 **8. Lender of last resort facilities**—The principal Act is hereby amended by repealing section 31 and substituting the following section:

“**31. Bank to act as lender of last resort**—The Bank shall, where necessary, act as lender of last resort—

15 “(a) By loaning moneys to registered banks (to be called for the purposes of this Act “the liquidity rate”) at an interest rate above current market rates for a period not exceeding three months against specified collateral valued in accordance with the scope for realising those assets:

20 “(b) By making other loans, at current market rates above the liquidity rate as defined by paragraph (a) of this section and on other specified terms, necessary to maintain confidence in the financial system.”

25 **9. Government banking business**—(1) Subject to the provisions of the Public Finance Act 1989, the Government shall entrust the Bank, and the Bank shall undertake, all the money, remittance, exchange, and banking transactions of the Government.

30 (2) The Bank shall appoint such agents as may be required to enable it to perform its duties under this section.

(3) No charge shall be made by the Bank against the Government for the services of the Bank or its agents under this section.

35 **10. Registered banks to make returns to Reserve Bank**—(1) The principal Act is hereby amended by inserting after section 80, the following heading and section:

“*Regulation of Banking*

40 “**80A. Registered bank returns**—(1) Every registered bank shall send to the Head Office of the Reserve Bank at Wellington a weekly and a monthly return of its principal liabilities and

assets made up to the close of business on the appointed day and signed by two of the principal officers of the bank to which the return relates.

“(2) Every such return shall be in the form in Schedule A1 to this Act, and shall be prepared in accordance with the directions specified in that form and with such instructions not inconsistent with these directions, as may from time to time be given by the Reserve Bank by notice in writing to the registered banks:

“Provided that, without limiting the provisions of the Acts Interpretation Act 1924, minor variations in the form and in the directions specified therein, recommended by the Reserve Bank after consultation with the registered banks and approved by the Minister, shall not vitiate the form or the returns made thereby so long as the form retains its essential nature as a weekly or, as the case may be, monthly statement of principal liabilities and assets.

“(3) A summary of the weekly returns or, as the case may be, monthly returns made under this section in a form to be determined from time to time by the Reserve Bank and approved by the Minister, shall be sent forthwith by the Reserve Bank to the Minister, and to the Treasury for publication in the *Gazette*. Any such summary may disclose any information supplied in the weekly or monthly returns by particular registered banks.

“(4) The Reserve Bank may from time to time by notice in writing to registered banks require them to supply to the Head Office of the Reserve Bank at Wellington, in addition to the weekly and monthly returns, such other returns or information relating to their New Zealand business as may be specified in the notice and as may reasonably be ascertained by the registered banks from their records; and may from the information so obtained prepare and publish such statements as the Bank thinks fit; but no such statement shall disclose any information so supplied by any particular registered bank unless—

“(a) The same information has been supplied by that bank in a weekly or monthly return made by that bank under subsection (2) of this section; or

“(b) That bank has agreed to the disclosure.

“(5) No registered bank shall be required under this section to furnish any information with respect to the identity or affairs of any particular customer.

“(6) If, without lawful justification or excuse, any registered bank—

“(a) Fails to comply in any respect with any of the provisions of this section or of any requirements of the Reserve Bank thereunder; or

5 “(b) Makes any return or statement or furnishes any information, required to be made or furnished by or under this section, which is incorrect in any material particular—

that bank commits an offence against this Act.”

10 (2) The principal Act is hereby amended by inserting, before the First Schedule, the Schedule set out in the Schedule to this Act.

**11. Professional qualifications of Bank management—**  
Section 54 of the principal Act is hereby amended by adding the following subsections:

15 “(5) The Governor, the Deputy Governor, the Deputy Chief Executive and each non-executive director of the Bank shall have professional qualifications or experience conducive to the proper discharge of their duties under the Act.

20 “(6) No director of a financial institution shall be a member of the Board.”

**12. Consequential amendments to Public Finance Act**

25 **1989—**(1) Section 18 (1) of the Public Finance Act 1989 is hereby amended by omitting the words “at such bank or banks as the Minister may direct”, and substituting the words “at the Reserve Bank of New Zealand”.

(2) Section 19 of the Public Finance Act 1989 is hereby amended by omitting the words “at such bank or banks as the Minister or Treasury may direct”, and substituting the words “at the Reserve Bank of New Zealand”.

30 (3) Section 24 (1) of the Public Finance Act 1989 is hereby amended by omitting the words “at any bank”, and substituting the words “at the Reserve Bank of New Zealand”.

35 (4) Section 26 (1) of the Public Finance Act 1989 is hereby amended by omitting the words “at such bank or banks as may be agreed between the Treasury and the Office concerned”, and substituting “at the Reserve Bank of New Zealand”.

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## SCHEDULE

Section 10

"SCHEDULE A1

Section 80A

WEEKLY OR MONTHLY\* RETURN TO BE MADE BY REGISTERED BANKS

\*Delete as appropriate

**Balance Sheet Items**  
(Note 1)  
(as at week or month end)

<b>LIABILITIES:</b>	<i>NZ \$ Million to One Decimal Point</i>
1. NEW ZEALAND DOLLAR FUNDING (including all deposits and other borrowings) from Note (2)	
(i) New Zealand Residents (Note 3) .. .. .	.....
(ii) Non-Residents .. .. .	.....
(iii) Subtotal .. .. .	.....
2. FOREIGN CURRENCY FUNDING from Note (4)	
(i) New Zealand Residents (Note 3) .. .. .	.....
(ii) Non-Residents .. .. .	.....
(iii) Subtotal .. .. .	.....
3. FUNDING FROM ASSOCIATES (Note 5) (included in items 1 and 2) .. .. .	.....
4. UNUSED COMMITTED BORROWING LINES AND STANDBY FACILITIES AVAILABLE TO RETURNING INSTITUTIONS .. .. .	.....
5. <b>TOTAL LIABILITIES</b> (Note 6) Sum of items 1 and 2	
<b>ASSETS:</b> (nominal)	<i>NZ \$ Million to One Decimal Point</i>
NEW ZEALAND GOVERNMENT STOCK AND TREASURY BILLS .. .. .	.....
7. (i) NEW ZEALAND CURRENCY (Notes and Coin) .. .. .	.....
(ii) BALANCES WITH THE RESERVE BANK (Exclude Reserve Bank Bills) .. .. .	.....
8. NEW ZEALAND DOLLAR CLAIMS (including all loans and deposits other than those in 6 and 7 above) (Note 21)	
(i) New Zealand Residents .. .. .	.....
(ii) Non-Residents .. .. .	.....
(iii) Subtotal .. .. .	.....
9. FOREIGN CURRENCY CLAIMS (Note 4)	
(i) New Zealand Residents .. .. .	.....
(ii) Non-Residents .. .. .	.....
(iii) Subtotal .. .. .	.....
10. FOREIGN CURRENCY FIXED ASSETS and EQUITY INVESTMENTS .. .. .	.....
11. SHARES (in New Zealand companies) (ordinary capital, mandatorily convertible and non-redeemable preference shares only) (Note 7) .. .. .	.....
12. FIXED ASSETS (in New Zealand) .. .. .	.....
FIGURES FOR ITEM 13 NEED ONLY BE SUPPLIED FOR THE END OF MARCH, JUNE, SEPTEMBER AND DECEMBER	
13. <b>TOTAL ASSETS</b> (Note 8) Sum of items 6, 7, 8, 9, 10, 11, and 12 .. .. .	.....

SCHEDULE—*continued*

“SCHEDULE A1—*continued*”

WEEKLY OR MONTHLY\* RETURN TO BE MADE BY REGISTERED BANKS—  
*continued*

**NOTES**

1. Book values to be supplied. Each December please specify in an appendage the basis of valuation adopted from the making of return figures of liabilities and assets.

2. (i) Banks should include inter-bank funds. Include holdings of Reserve Bank bills with New Zealand Dollar claims.

(ii) Reporting institutions should not include contingent liabilities arising from bill acceptances on behalf of clients, and ‘own funding’ bills purchased by the institution.

3. For the purposes of this return, ‘resident in New Zealand’ has the same meaning as that used in current New Zealand income tax practice.

4. Include foreign currency items only.

5. (i) Companies or organisations and individuals associated with each other are:

—any two entities which consist substantially of the same shareholders or are under the control of the same persons;

—any company which holds 20 percent or more of the paid-up capital of another company (the associated).

A subsidiary is an associate.

(ii) Include in item 3 funding from associates.

6. Exclude contingencies.

7. Shares convertible to cash, or with a cash option should be classified under item 8.

8. (i) Credit ‘card’ statistics should be incorporated into assets, and into this return generally.

(ii) Financial assets which may appear to have not been allotted a classification, such as securities issued by a Government trading organisation (Housing Corporation for example) and local authorities’ securities, should be classified under item 8, or under item 9 if denoted in foreign currencies.

(iii) Buy-backs and similar agreements are to be regarded as the creation of new financial instruments similar to collateralised loans, etc., and not as transfers of existing financial instruments.

*Stock and Station Agents* stocks may be classified under item 5.

*Finance Companies* should incorporate their lending under items 8 and 9 net of unearned income.

*Banks* should exclude inter-branch accounts within New Zealand.”