

HOUSE OF REPRESENTATIVES

Supplementary Order Paper

Tuesday, the 24th Day of July 1973

RESERVE BANK OF NEW ZEALAND AMENDMENT BILL

Proposed Amendments

Hon. Mr ROWLING, in Committee, to move the following amendments:

Clause 1, subclause (3): To omit the words "1st day of August 1973" in line 4 on page 2, and substitute the words "1st day of September 1973".

Clause 2, subclause (1): To omit the definition of the expression "financial institution", and substitute the following definitions:

"'Credit instrument' means any agreement (whether in writing or not) acknowledging an obligation to pay a sum or sums of money on demand or at any future time or times:

"'Financial institution' means any person (including a body of persons, whether incorporated or not) who in the course of business—

"(a) Borrows money or accepts deposits (whether on demand or for a fixed term) or receives credit (other than normal trade credit) or sells any credit instrument; and also

"(b) Lends money or grants credit (other than normal trade credit) or buys or discounts any credit instrument;—

and, without limiting the generality of the foregoing provisions of this definition, includes—

"(c) Any person (including a body of persons, whether incorporated or not) who acts as agent or intermediary in any of the transactions aforesaid; and

"(d) Any trustee savings bank established under the Trustee Savings Banks Act 1948; and

"(e) Any private savings bank as defined in section 2 of the Private Savings Banks Act 1964; and

"(f) Any life insurance company, being a company, as defined in section 2 of the Life Insurance Act 1908; and includes any branch, division, or office of any such company; and

“(g) Any building society as defined in section 2 of the Building Societies Act 1965; and

“(h) Any specified person or class of persons (including a body or bodies of persons, whether incorporated or not) who in the course of business borrow or lend money or buy, sell, or otherwise deal in any credit instrument and is or are declared by the Governor-General, by Order in Council, to be a financial institution or institutions for the purposes of this Act:

“‘Trade credit’ means credit given or, as the case may require, received in the course of business in relation to the sale or purchase of goods or the provision of services.”

Clause 4, subclause (1): To omit subsections (1) to (3) of the proposed new section 6, and substitute the following subsections:

“(1) There shall be an executive committee of the Bank, consisting of the Governor, the Deputy Governor, the Secretary to the Treasury, and one other director designated by the Bank with the approval of the Minister:

“Provided that should any appointed director of the Reserve Bank be for the time being also a director of the Bank of New Zealand, that director shall, so long as he remains a director of the Bank of New Zealand, be deemed to be the director designated by the Reserve Bank with the approval of the Minister to be a member of the executive committee.

“(2) In the absence from any meeting of the executive committee of the director designated by the Reserve Bank, another appointed director nominated by the Bank with the approval of the Minister to be the deputy of the designated director may attend the meeting in his place, and while so attending shall be deemed to be a member of the committee.

To omit from subsection (7) of the proposed new section 6 the words “nominated by the Minister” in line 3 on page 4, and substitute the words “designated by the Bank”.

Clause 4, subclause (2): To omit this subclause.

Clause 7, subclause (1): To omit from subsection (2) (b) (ii) of the proposed new section 26 the word “and” in line 36 on page 6, and substitute the word “or”.

To add to subsection (2) (b) of the proposed new section 26 the following subparagraph:

“(iii) From which the New Zealand dollar has been permitted to depart by more than the permissible limits agreed to under the rules of the Fund; and

Clause 9: To insert in subsection (4) of the proposed new section 34A, after the words “financial institutions” in line 19 on page 9, the words “(other than trading banks)”.

Clause 10: To insert in subsection (1) of the proposed section 34B, after the words “financial institution” in line 36 and also after the words “financial institution” in line 37, the words “(other than a trading bank)”.

Clause 12, subclause (1): To insert, after the words "subsection (1)" in lines 13 and 14, the words "(except in paragraph (a))".

To insert, after this subclause, the following subclause:

(1A) Section 35 of the principal Act is hereby further amended by repealing paragraph (a) of subsection (1), and substituting the following paragraph:

"(a) The trading bank or financial institution has failed to comply with any provision of this Act, or of any regulations or Order in Council made thereunder, or of any regulations or Order in Council which continue in force as if made under this Act pursuant to subsection (6) of section 14 of the Reserve Bank of New Zealand Amendment Act 1973, or of any notice, direction, or requirement given or imposed under such provision; or".

Clause 12, subclause (2): To omit the proviso to the proposed new subsection (5) of section 35 of the principal Act, and substitute the following proviso:

"Provided that nothing in this section shall authorise the inspection of any book or accounts containing information that will reveal the identity or affairs of any particular customer or require the furnishing of information with respect to the identity or affairs of any particular customer."

EXPLANATORY NOTE

Clause 1, subclause (3): This amendment alters the date of commencement.

Clause 2, subclause (1): These amendments replace the proposed definition of "financial institution" with definitions of "credit instrument", "financial institution", and "trade credit", the effect of the new definitions being as follows:

"Credit instrument": This definition is inserted for the purposes of the new definition of "financial institution" where that term is used.

"Financial institution": The new definition extends to persons who accept money on deposit or receive credit (other than normal trade credit) or sell credit instruments and also grant credit (other than normal trade credit) or buy or discount credit instruments. The definition also extends to persons who act as agent or intermediary in transactions referred to in the definition.

"Trade credit": This definition is inserted for the purposes of the new definition of "financial institution" where that term is used.

Clause 4, subclause (1): The effect of these amendments is as follows:

- (a) The director of the Bank who is to be a member of the executive committee is to be designated by the Bank with the approval of the Minister, instead of being appointed by the Minister.
- (b) If any appointed director of the Bank is also a director of the Bank of New Zealand, he is to be deemed to be the director designated by the Reserve Bank to be a member of the executive committee. The provision that the designated director is, by virtue of holding that office, to be deemed to be a director of the Bank of New Zealand is omitted.
- (c) The deputy of the designated director is to be nominated by the Bank with the approval of the Minister, instead of being nominated by the Minister.

Clause 4, subclause (2): This amendment is consequential on the proposed amendment to subclause (1), which makes it unnecessary to amend the Bank of New Zealand Act 1945.

Clause 7, subclause (1): This amendment is consequential on the next amendment adding subparagraph (iii) to subsection (2) (b).

The proposed subparagraph (iii) enables the Minister to fix a basic rate of exchange between the New Zealand dollar and any other currency in cases where the New Zealand dollar has been allowed to float in relation to currencies that have retained their par values.

Clause 9: The effect of this amendment is to exclude trading banks from the operation of the new section 34A (4), which authorises the Governor-General in Council to fix rates of interest to be paid to or by financial institutions. The Reserve Bank has appropriate power to control trading bank interest rates under section 34 of the principal Act.

Clause 10: The effect of this amendment is to exclude trading banks from the operation of the new section 34B (1), which empowers the Reserve Bank to require financial institutions to supply to the Bank returns or information relating to the assets and liabilities of their businesses. Trading banks are already required to make monthly returns to the Reserve Bank under section 31 of the principal Act.

Clause 12, subclause (1): This amendment is consequential on the proposed new subclause (1A).

Clause 12, new subclause (1A): This subclause re-enacts in an amended form section 35 (1) (a) of the principal Act, the effect of the new provisions being that the Reserve Bank may authorise any of its officers to inspect the books of any trading bank or other financial institution which in the opinion of the Reserve Bank has failed to comply with any provision of the principal Act or any regulations or Order in Council thereunder or any notice, direction, or requirement under any such provision (the existing provisions extended to financial institutions and to Orders in Council), or with any provision of any regulations or Order in Council that under *clause 14 (6)* continue in force as if made under the principal Act, or of any notice, direction, or requirement thereunder.

Clause 12, subclause (2): This amendment replaces the proviso to the proposed new section 35 (5) of the principal Act, which provides that the section does not authorise the inspection of any book or accounts containing information which, in accordance with accepted banking practice, a banker is not obliged to disclose without the consent of the customer concerned.

The new proviso is more specific and provides that the section does not authorise the inspection of any book or accounts that will reveal the identity or affairs of any particular customer or require the disclosure of any information that will reveal the identity or affairs of any particular customer. The new proviso follows the wording of section 31 (6) of the principal Act, which under the present section 35 (5) applies to the inspection of books and accounts and the supply of information under section 35.
