



THE FINANCIAL SERVICES REGULATIONS 1982

DAVID BEATTIE, Governor-General

ORDER IN COUNCIL

At the Government House at Wellington this 22nd day of June 1982

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

PURSUANT to the Economic Stabilisation Act 1948, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

ANALYSIS

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REGULATIONS

1. Title—These regulations may be cited as the Financial Services Regulations 1982.

2. Commencement and expiry—(1) These regulations shall come into force on the 23rd day of June 1982.

(2) These regulations shall continue in force until the close of the 22nd day of June 1983, and shall then expire.

3. Interpretation—(1) In these regulations, unless the context otherwise requires,—

“Commerce Commission” means the Commerce Commission constituted by the Commerce Act 1975:

“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 services” means—

(a) The lending of money or granting of credit or the making of arrangements for the lending of money or granting of credit:

(b) The depositing of money with any person:

(c) The guaranteeing of the repayment of any money lent or credit granted:

(d) The provision of life insurance, life assurance, or life reinsurance:

(e) Services provided in respect of the acceptance of deposits or banking:

(f) The buying, whether as principal or agent, of any credit instrument from any person:

(g) The discounting, whether as principal or agent, of any credit instrument:

(h) The provision of credit under any hire purchase agreement or under any contract under which a person bails or agrees to bail goods (whether or not with an option to purchase):

“Hire purchase agreement” has the meaning given to it by section 2 of the Hire Purchase Act 1971 except that, for the purposes of these regulations,—

(a) That term includes an agreement made otherwise than at retail; and

(b) The exclusion effected by paragraph (b) of the definition of that term does not apply:

“New financial service”, in relation to a financial service provided or to be provided by a supplier of services, means a financial service of a kind not previously provided by him:

“Price”, in relation to the performance of any financial service, includes—

(a) Every valuable consideration whatsoever, whether direct or indirect; and

(b) Any consideration which in effect relates to the performance of any financial service, although ostensibly relating to any other matter or thing; and

(c) The amount of any discount paid or given on the sale or purchase of any credit instrument; and

(d) Any interest charges:

“Reserve Bank” means the Reserve Bank of New Zealand constituted under the Reserve Bank of New Zealand Act 1964:

“Supplier” means any person who provides financial services.

(2) For the purposes of these regulations, the amount any company has out on loan is deemed to include the amounts that any related companies have out on loan.

(3) For the purposes of these regulations, where one company holds more than half in nominal value of the equity share capital of another company, those companies are deemed to be related companies.

(4) For the purposes of these regulations, where a company holds more than half in nominal value of the equity share capital of each of 2 or more companies, each of those companies, including the first-mentioned company, are deemed to be related to each of the others.

4. Administration of regulations—Any powers or functions which the Minister of Trade and Industry may exercise under the Act for the purposes of these regulations shall be exercised by the Minister of Finance.

5. Notification, in relation to financial services, of proposed increases in prices or of proposed prices—(1) Before any supplier who, at the end of the supplier's immediately preceding financial year, had outstanding on loan more than \$100,000 increases the price of any financial service provided by that supplier in New Zealand or provides any new financial service in New Zealand, that supplier shall forward to the Reserve Bank a notice in writing stating—

- (a) In the case of an increase in the price of a financial service, the reasons for the price increase and itemised details of the financial figures on which the calculation or the price increase is based; or
- (b) In the case of a new financial service, the price of the service and itemised details of the financial figures on which the price is based.

(2) Where the Reserve Bank does not, within 28 days after receiving a notice pursuant to subclause (1) of this regulation, notify the supplier that the Reserve Bank objects to the proposed price increase or, in the case of a new financial service, the price, the supplier may increase the price to the extent so notified or, in the case of a new financial service, charge the price so notified; but, if the Reserve Bank so objects within that period, the supplier shall not increase that price except to the extent approved by the Reserve Bank or, in the case of a new financial service, shall not charge for that service a price that is higher than the price fixed or approved by the Reserve Bank.

(3) In considering any proposed increase in the price of any financial service or, in the case of a new financial service, its price,—

- (a) The Reserve Bank shall, in addition to such matters as it is empowered or required to have regard to by any other Act, have regard to the economic policies of the Government which, in relation to the economic stability of New Zealand, are transmitted in writing from time to time to the Reserve Bank by the Minister of Finance; and
- (b) The Reserve Bank shall, if it thinks fit, take into account—
 - (i) The profits of the supplier in relation to the shareholders' funds of, or as the case may be, to the equity capital invested by the proprietor or partners in, the whole of the supplier's business (or, if the Reserve Bank thinks fit, any particular section of it); or
 - (ii) The assets employed in, or the annual sales of, the whole of the supplier's business (or, if the Reserve Bank thinks fit, any particular section of it); and
- (c) The Reserve Bank shall, if it thinks fit, take into account the extent to which the profits of the supplier in relation to the items mentioned in subparagraphs (i) and (ii) of paragraph (b) of this subclause could be limited without the financial stability and economic viability of his business (or, if the Reserve Bank thinks fit, of any particular section of it) being affected.

(4) Subject to regulation 7 of these regulations, any decision of the Reserve Bank on any such notification shall be final and conclusive until revoked or amended by the Reserve Bank.

(5) For the purposes of this regulation, any price offered to and accepted by a supplier of a financial service shall be deemed to have been determined by the supplier.

(6) Any notification under this regulation shall be in such form as the Reserve Bank requires or approves.

6. Review of prices of financial services—(1) Notwithstanding anything in these regulations, the Reserve Bank may at any time of its own motion or at the request of the Minister of Finance, inquire into the prices charged for any financial services by any supplier or suppliers of financial services.

(2) Where after investigation pursuant to subclause (1) of this regulation, the Reserve Bank is of the opinion, on such evidence as it considers sufficient and in relation to such considerations as it thinks relevant, that the price or the proposed price for any financial service is excessive, the Bank may report its opinion to the Minister of Finance with such recommendations as the Reserve Bank thinks fit.

7. Appeals—(1) Any supplier of a financial service who is dissatisfied with any decision or requirement of the Reserve Bank made or imposed under any provision of regulation 5 of these regulations may appeal, within a period not later than 28 days after being notified in writing of that decision or requirement, to the Commerce Commission by giving to that Commission a written notice of appeal.

(2) The Commerce Commission may determine any appeal under this regulation in such manner as it thinks fit, and its determination shall be final:

Provided that the Commerce Commission shall have regard to all matters that the Reserve Bank is required to take into account in making its determination that is the subject of the appeal.

(3) Unless the Commerce Commission otherwise directs, the decision or requirement appealed against shall remain in force pending determination of the appeal.

8. Prohibited transactions—No person shall—

- (a) Enter into any transaction, or make any contract or arrangement, purporting to do, whether presently or at some future time or upon the happening of any event or contingency, anything that contravenes or will contravene the provisions of these regulations; or
- (b) Enter into any transaction, or make any contract or arrangement, whether orally or in writing, or do anything, for the purpose of or having the effect of, in any way, whether directly or indirectly, defeating, evading, or preventing the operation of these regulations in any respect.

9. Reserve Bank may determine alternative method of compliance—(1) On the application by any financial enterprise or supplier or on its own motion, the Reserve Bank may, where it considers that it would be impracticable or unreasonable for any supplier, or any class or classes of suppliers to comply with any provision of subclause (1) or subclause (2)

of regulation 5 of these regulations, dispense with that provision in relation to the supplier or class or classes of suppliers, and determine an alternative basis upon which the supplier or class or classes of suppliers shall give the notifications required for the purpose of subclause (1) or subclause (2) of regulation 5 of these regulations.

(2) The Reserve Bank may at any time revoke any dispensation granted under subclause (1) of this regulation or amend or revoke any determination made under that subclause.

10. Exemption in respect of deposits with trading banks or financial institutions—Nothing in regulation 5 of these regulations applies in respect of the increase in the price of a financial service or the provision of a new financial service if—

- (a) The financial service consists of the depositing of money with a trading bank or financial institution (as defined in section 2 of the Reserve Bank of New Zealand Act 1964); and
- (b) A direction under section 34 of the Reserve Bank of New Zealand Act 1964 or an Order in Council under section 34A of that Act affects the rate of interest that may be paid by that trading bank or financial institution in respect of the money.

11. Offences—Without limiting the provisions of section 18 of the Economic Stabilisation Act 1948, every person commits an offence against these regulations, and is liable accordingly to the penalties specified in subsection (3) of that section, who—

- (a) Being a supplier of a financial service, contravenes subclause (1) or subclause (2) of regulation 5 of these regulations; or
- (b) Contravenes regulation 8 of these regulations.

12. Acts not affected—Except as provided in the proviso to regulation 7 (2) of these regulations, nothing in these regulations shall affect—

- (a) Any power exercisable by the Examiner of Commercial Practices or by the Commerce Commission or any duty imposed on any person under the Commerce Act 1975; or
- (b) Any power exercisable by any person under the Reserve Bank of New Zealand Act 1964 or any duty imposed on any person under that Act.

13. Revocations—The following regulations are hereby revoked, namely—

- (a) The Financial Services Regulations 1979*;
- (b) The Financial Services Regulations 1979, Amendment No. 1†;
- (c) The Financial Services Regulations 1979, Amendment No. 2‡;
- (d) The Financial Services Regulations 1979, Amendment No. 3§.

P. G. MILLEN,
Clerk of the Executive Council.

*S.R. 1979/75
†S.R. 1981/145
‡S.R. 1981/318
§S.R. 1982/33

EXPLANATORY NOTE

This note is not part of the regulations, but is intended to indicate their general effect.

These regulations, which come into force on 23 June 1982, replace the Financial Services Regulations 1979.

The general effect of these regulations is—

- (a) To do away with the distinction between financial services and specified financial services:
- (b) To expand the range of financial services to which the regulations apply:
- (c) To require any supplier of financial services who, at the end of the supplier's immediately preceding financial year, had outstanding on loan more than \$100,000 to notify, to the Reserve Bank, proposed increases in the price of financial services. (Under the replaced regulations that obligation was imposed on a financial enterprise who employed in his business funds of \$2,000,000 or more.) Suppliers who propose to institute new financial services are required to notify the proposed price to the Reserve Bank. *Regulation 5* provides that such increases may be implemented and such proposed prices may be charged if the Reserve Bank does not object within 28 days of the receipt of the notification, but, if the Bank objects, the supplier may not increase that price except to the extent approved by the Reserve Bank or, in the case of a new financial service, may not charge a price that is higher than the price fixed or approved by the Reserve Bank:
- (d) To allow an appeal to the Commerce Commission against decisions made by the Reserve Bank under regulation 5 of the regulations:
- (e) To enable the prices of financial services to be reviewed by the Reserve Bank:
- (f) To confer, by the new regulation 10, an exemption from regulation 5:
- (g) To amend the definitions of the terms "financial services" and "price".

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 23 June 1982.

These regulations are administered in the Reserve Bank of New Zealand.