

SUGGESTED POINTS FOR INCORPORATION IN NEW ZEALAND BANK LAW.

1. *Foundation*.—There shall be constituted, under the name of “The Reserve Bank of New Zealand” (hereinafter referred to as the bank), a company limited by shares, which shall be governed by the statutes contained in the annexed Schedule A.

2. *Capital*.—The original capital of the bank shall be £500,000, in fully-paid shares of £5 each, all of which shall be offered by the New Zealand Government for public subscription in New Zealand. In the event of any of the capital not being subscribed by the public within three months of the date of issue, the New Zealand Government shall take up such capital, but shall offer it for subscription by the public at par so soon as, in the opinion of the Board of Directors of the bank, market conditions permit.

3. *Reserve*.—The sum of £1,000,000 shall be paid by the Treasury to the bank and shall be utilized in the first instance to take up any shares in the original capital of the bank for which the public shall not have subscribed, the balance being paid into the General Reserve Fund of the bank. Subsequently the amount, if any, utilized in the purchase of shares shall be paid to the General Reserve Fund as and when the shares are sold in accordance with section 2 of this Act.

4. *Issue of Notes*.—The bank shall have the sole right to issue notes in New Zealand for a period of twenty-five years from the commencement of this Act: Provided that for a period of six months from the commencement of this Act, or such longer period as may elapse before the bank is in a position to issue its notes in substitution for the notes in circulation of other banks, the banks issuing notes in New Zealand at the commencement of this Act may continue to issue notes under the provisions of the several laws then in force.

As soon as the bank has notified the Treasury that it is in a position to issue notes, the other banks shall, on a date to be fixed by Proclamation in the *Gazette* (which shall not be more than one month after the receipt of such notification) cease to issue or reissue notes, other than Reserve Bank notes, and shall redeem any of their notes outstanding with Reserve Bank notes.

5. *Transfer of Gold Coin and Bullion*.—As from such date as the Reserve Bank may decide, all banks transacting business in New Zealand shall pay over to the Reserve Bank in exchange for Reserve Bank notes or for credit at the Reserve Bank all gold coin or bullion held by them in New Zealand.

6. *Minimum Cash Reserves to be maintained by the other Banks against Deposits*.—Every bank transacting business in New Zealand shall be required, as from the establishment of the bank, to maintain balances in the Reserve Bank equal to at least 7 per cent. of its demand liabilities in New Zealand, other than notes, and 3 per cent. of its time liabilities to the public in New Zealand, as shown in the last preceding monthly return rendered under section 7 of this Act. When it appears from any monthly return that any bank has failed to maintain such reserve balance, it shall be competent for the Reserve Bank to call for such further return or make such inspection of the books and accounts of the bank in default as may be necessary to ascertain the amount of the deficiency and the period during which it continued, and the bank so in default shall incur a penalty recoverable by action in a competent Court at the rate of 10 per cent. per annum on the amount of the deficiency for each day that it continued. No bank may at any time make new loans or pay dividends unless and until the reserve balance required under this section is restored.

7. *Monthly Return*.—A return made up to the date of the close of business at the end of every month, and signed by the manager and the accountant of every bank which transacts business in New Zealand, or by other principal officers acting on their behalf, shall be sent to the Reserve Bank, Wellington, by such bank within twenty-one days after such date, showing—

- (a) The amount of the demand and time liabilities of the bank in New Zealand;
- (b) The amount of the demand and time liabilities of the bank in foreign exchange;
- (c) The reserve balances held in the Reserve Bank of New Zealand;
- (d) Foreign assets of the bank;
- (e) The gold and subsidiary coin held in New Zealand;
- (f) The total amount of its advances and discounts in New Zealand;
- (g) The amount of Reserve Bank notes held;
- (h) The amount, if any, of the bank's own notes issued in or payable in New Zealand and in circulation;

and the bank shall cause a summary of such monthly return for each bank to be sent to the Treasury for publication in the *Gazette*.

If any bank fails to comply in any respect with the requirements of this section it shall incur a penalty, recoverable by action in a competent Court, of £10 for each day during which it is in default.

8. *Provisions of this Act in relation to other Laws*.—The provisions of this Act shall be in addition to and not in substitution for any provisions of any other law relating to currency or banking, and if the provisions of such other law are in conflict with or inconsistent with the provisions of this Act the provisions of this Act shall prevail.