

New Zealand.



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1933, No. 11.

Title.	AN ACT to provide for the Establishment in New Zealand of a Bank to be called the Reserve Bank of New Zealand, to define its Powers, Functions, and Duties, and to make such Consequential Amendments of the Law relating to Banking as may be necessary or advisable in view of the Establishment of the Reserve Bank. <i>[27th November, 1933.]</i>
Short Title.	1. This Act may be cited as the Reserve Bank of New Zealand Act, 1933.
Interpretation.	2. In this Act, unless the context otherwise requires,— “Bank”, when used otherwise than with reference to the Reserve Bank, has the same meaning as in the Banking Act, 1908: “Bank-note” or “note” has the same meaning as in the Banking Act, 1908: “Board of Directors” or “Board” means the Board of Directors of the Reserve Bank: “Demand liabilities” in relation to any bank means all liabilities of that bank which, when

such liabilities are created, are made payable within thirty days or are made subject to less than thirty days' notice before payment :

“ Reserve balance ” in relation to any bank means the balance for the time being maintained by that bank in the Reserve Bank :

“ Reserve Bank ” or “ the Bank ” means the Reserve Bank of New Zealand established under this Act :

“ Sterling ” means moneys that for the time being are legal tender in the United Kingdom :

“ Time liabilities ” in relation to any bank means the liabilities of that bank which, when such liabilities are created, are made payable after thirty days or are made subject to not less than thirty days' notice before payment.

PART I.

ESTABLISHMENT AND FUNCTIONS OF THE RESERVE BANK OF NEW ZEALAND.

3. (1) There shall be established in New Zealand in accordance with this Act a bank to be called the Reserve Bank of New Zealand, which shall be a body corporate limited by shares in accordance with this Act.

Provision for establishment of Reserve Bank.

(2) The Bank shall have its Head Office in the City of Wellington, in the Dominion of New Zealand, and may establish such branches and agencies and appoint such agents in New Zealand as in its discretion it thinks fit, and may also, if it thinks fit, appoint agents elsewhere than in New Zealand.

(3) The general conduct of the business of the Bank shall be entrusted to a Board of Directors constituted in accordance with the provisions of Part II of this Act.

4. (1) Any contract which, if made between private persons, must be by deed, shall, when made by the Bank, be in writing under the common seal of the Bank.

Contracts of Reserve Bank.

(2) Any contract which, if made between private persons, must be in writing signed by the parties to be charged therewith, may, when made by the Bank, be in writing signed by any person acting on behalf of and under the express or implied authority of the Bank.

(3) Any contract which, if made between private persons, may be made verbally without writing, may, when made by the Bank, be made verbally without writing by any person acting on behalf of and under the express or implied authority of the Bank.

Rules of
Reserve Bank.

5. (1) Unless and until altered in accordance with the provisions of the next succeeding subsection, the rules set out in the First Schedule hereto shall be the rules of the Reserve Bank, and shall be observed by the Bank in the conduct of its affairs.

(2) The Board may from time to time, with the approval of the Governor-General in Council and with the concurrence of the shareholders expressed at a general meeting of shareholders, but not otherwise, amend any of the rules in the First Schedule hereto or make such additional rules in relation to the conduct of the affairs of the Reserve Bank as it thinks fit :

Provided that the authority conferred by this subsection to amend the rules or to make additional rules shall not be exercised so as to conflict with any of the provisions of this Act contained elsewhere than in the said First Schedule.

Capital of
Reserve Bank.

6. (1) The original capital of the Reserve Bank shall be five hundred thousand pounds, in shares of five pounds each, which shall be offered by the Minister of Finance at par for public subscription in New Zealand, and shall be allotted by him in such manner as he may in his discretion determine to British subjects who are ordinarily resident in New Zealand or who, having been so resident, may at the time of allotment be temporarily out of New Zealand for the purposes of their business or for other sufficient reason :

Provided that not more than five hundred shares shall be allotted to any one person, whether in his own right or on behalf of any other person or persons.

(2) The sum of one pound, or such greater amount as the Minister of Finance may determine, shall be payable on application for every share, and the balance shall be paid in one or more instalments within such period thereafter, not exceeding twelve months, as may be fixed by the said Minister in that behalf.

(3) The liability of every shareholder shall be limited to the amount (if any) for the time being unpaid on the shares held by him.

(4) In the event of any of the shares not being subscribed for by the public within three months after the date of offer, the Minister of Finance shall subscribe for such shares, but shall again offer them for subscription by the public at par, as soon as, in the opinion of the Board of Directors, it is desirable so to do, having regard to the prevailing financial and other relevant conditions.

(5) Notwithstanding anything in the last preceding subsection, the Minister of Finance may subscribe for any shares in the Reserve Bank at any time before the expiration of the period of three months therein referred to. All shares subscribed for by the Minister in accordance with this subsection shall be disposed of by him in accordance with the last preceding subsection.

(6) The Minister of Finance shall not be entitled to vote at any meeting of the shareholders of the Bank by virtue of his being the holder of any shares pursuant to this section.

7. After the full amount of the capital of the Reserve Bank has been subscribed, the Minister of Finance shall give public notice of the fact of such subscription in the *Gazette* and in such other manner as he thinks fit, and on a date to be specified by the Minister by such notice in the *Gazette* the shareholders of the Reserve Bank shall become a body corporate, with perpetual succession and a common seal, and shall be capable of holding real and personal property, of suing and being sued, and of doing and suffering all such other acts and things as bodies corporate may lawfully do and suffer.

Bank to come into existence when capital subscribed.

8. Subject to the approval of the Minister of Finance, the capital of the Bank may from time to time be increased pursuant to a resolution passed at a general meeting of shareholders.

Increase of capital.

9. (1) The Reserve Bank shall be entitled to commence business on, but not before, the date on which it becomes entitled, pursuant to section fifteen of this Act, to the right to issue bank-notes in New Zealand.

Commencement of business.

(2) Nothing herein shall be construed to prohibit or restrict the Bank from entering into contracts or doing any other act or thing that may be necessary or advisable to enable it effectively to commence its business on the date referred to in the last preceding subsection.

£1,000,000 to be paid into Bank's General Reserve Fund.

10. (1) On or before the date on which the Bank becomes entitled to commence business as provided in the last preceding section, the Minister of Finance shall, subject to the provisions of the next succeeding subsection, pay into the General Reserve Fund of the Bank the sum of one million pounds, which shall not be recoverable except in the event of the winding-up of the Bank.

(2) If, on the date of such payment to the General Reserve Fund, the Minister of Finance is the holder of any shares of the Reserve Bank in accordance with the provisions of section six hereof, the amount then payable into the General Reserve Fund shall be reduced by the par value of the shares so held.

(3) On the subsequent sale of the said shares to the public pursuant to the said section six, the net proceeds of such sale shall, without further authority or appropriation than this section, be paid by the Minister into the General Reserve Fund of the Bank.

Moneys payable to Bank by Minister may be paid in cash or Government securities.

11. Any payments required to be made to the Reserve Bank by the Minister of Finance under any of the foregoing provisions of this Act may be made without further authority than this section out of any balances in the Public Account, and shall be regarded as investments, without interest, of such balances made under section thirty-nine of the Public Revenues Act, 1926, or the Minister may, in his discretion, meet such payments wholly or in part by delivery to the Bank of Government securities of a face value equivalent to the amount of such payments and bearing interest at the then current nominal rate offered for new issues in New Zealand of Government securities. The Minister is hereby empowered to create and issue Government securities, for the purposes contemplated by this section, under and subject to the provisions of the New Zealand Loans Act, 1932.

Business of the Reserve Bank.

General object and purposes of Reserve Bank.

12. It shall be the primary duty of the Reserve Bank to exercise control, within the limits of the powers conferred on it by this Act, over monetary circulation and credit in New Zealand, to the end that the economic welfare of the Dominion may be promoted and maintained.

Particular powers of Reserve Bank.

13. (1) As from the date on which the Reserve Bank is entitled to commence business, as provided in section

nine hereof, it shall be lawful for the Bank to do all or any of the following things, namely:—

- (a) Make and issue bank-notes in accordance with the provisions of this Act:

Provided that the Bank shall not issue any such bank-notes unless the form, denomination, design, and material thereof have been approved by the Minister of Finance:

- (b) Buy and sell gold and silver coin or bullion:
 (c) Accept money on deposit or on current account:
 (d) Discount, rediscount, buy, and sell bills of exchange, promissory notes, and other documents arising out of *bona fide* commercial transactions, bearing two or more good signatures and maturing within one hundred and twenty days after the date of their acquisition by the Bank:
 (e) Discount, rediscount, buy, and sell bills of exchange, promissory notes, and other documents arising out of *bona fide* transactions in relation to the production, marketing, and sale of live-stock and primary products (hereinafter in this Act referred to as agricultural bills) bearing two or more good signatures and maturing within six months after the date of their acquisition by the Bank:

Provided that the total value of agricultural bills held by the Bank at any one time shall not exceed forty per centum of the total value of all internal bills, promissory notes, and other similar documents then held by the Bank:

- (f) Discount, rediscount, buy, and sell Treasury bills of any Government, or bills issued by any local authority or public body in the United Kingdom or in New Zealand or other part of the British dominions, and in every such case maturing within three months after the date of their acquisition by the Bank:
 (g) Grant advances for fixed periods, not exceeding three months, against—
 (i) Gold coin or bullion, or documents relating to the shipment thereof:
 (ii) Securities issued by the New Zealand Government or by any local authority or public body in New Zealand or such other

marketable securities having a ready sale in New Zealand as may from time to time be approved for the purpose by the Board :

(iii) Any such bills of exchange, promissory notes, or other documents as are referred to in paragraphs (d), (e), and (f) of this subsection :

(iv) One-name promissory notes of any bank carrying on the business of banking in New Zealand, with a maturity not exceeding fifteen days, and covered by any collateral security which the Reserve Bank is empowered to discount, or to accept as security for a loan or advance :

- (h) Buy and sell New Zealand Government securities or securities of the Government of the United Kingdom, but so that the amount of the securities so held with an unexpired currency of more than three months shall not at any time within the period of four years immediately succeeding the date on which the Bank has become entitled to commence business exceed an amount equal to twice the paid-up capital of the Bank and its reserves, and shall not at any time thereafter exceed the paid-up capital of the Bank and its reserves :
- (i) Buy and sell currencies of any country other than New Zealand :
- (j) Undertake the issue and management of New Zealand Government loans and the loans of any local authority or public body in New Zealand ; but it shall not be lawful for the Reserve Bank to underwrite any such loan :
- (k) Keep a register of inscribed stock on behalf of any local authority or public body having authority to issue inscribed stock :
- (l) Organize a clearing system :
- (m) Act as correspondent for any bank carrying on business outside New Zealand or act as the agent of any Reserve Bank or Central Bank or other bank or institution fulfilling the functions of a Reserve Bank :
- (n) Do any other banking business incidental to or consequential upon the provisions of this Act and not prohibited by this Act.

(2) The Bank shall at all times make public the minimum rate at which it is prepared to discount or rediscount bills.

14. It shall not be lawful for the Bank to—

(a) Issue bank-notes of a denomination less than ten shillings, except with the authority of the Governor-General in Council :

Restrictions upon the conduct of business by the Bank.

(b) Engage in trade, or otherwise have a direct interest in any commercial, industrial, or similar undertaking :

(c) Purchase its own shares or the shares of any other bank in New Zealand or elsewhere (except shares of the Bank for International Settlements) or grant loans on the security of any shares that the Bank is hereby prohibited from purchasing :

(d) Make unsecured loans or advances :

(e) Purchase or make advances on the security of real property, except so far as may be required to enable the Bank to conduct its business :

Provided that in the event of any claims of the Bank being in the opinion of the Board endangered, the Bank may secure itself on any real property of the debtor and may acquire such property, which shall, however, be resold as soon as practicable thereafter :

(f) Pay interest on any moneys deposited with the Reserve Bank by any other bank pursuant to section forty-five hereof, or, except as hereinafter provided in this paragraph, pay interest on any other moneys placed on deposit or on current account with the Bank :

Provided that the Bank may pay interest to the New Zealand Government on Government funds held by the Bank outside New Zealand, at a rate lower by not less than one-half per centum per annum than the average rate earned by the Bank on all short-term funds held by it outside New Zealand :

(g) Allow the renewal of maturing bills of exchange, promissory notes, or other similar documents, purchased or discounted by or pledged to the Bank :

Provided that in exceptional circumstances the Board of Directors may by resolution authorize not more than one renewal of any such bill, promissory note, or document as aforesaid:

- (h) Draw or accept bills payable otherwise than on demand:
- (i) Grant accommodation, either directly or indirectly, to the Treasury, or to any incorporated Department of State, or to any local authority or public body, by way of discounts, loans, advances, overdrafts, or otherwise, in excess of one-half of the revenue or estimated revenue for the year in the case of the Treasury, or one-fourth of their respective revenues or estimated revenues for the year in the case of any other Department of State, or of any local authority or public body as aforesaid:

Provided that nothing in this paragraph shall be construed to confer on the Treasury, or on any such Department of State, or on any local authority or public body, power to borrow moneys by way of bank overdraft or otherwise howsoever; or to extend any existing power.

Issue of Bank-notes by Reserve Bank.

Issue of bank-
notes by
Reserve Bank.

15. (1) On and after a date to be fixed by the Governor-General by Proclamation, being not earlier than six months after the publication of such Proclamation in the *Gazette*, the Reserve Bank shall have the right to issue bank-notes in New Zealand, and thereupon the authority of every other bank to issue bank-notes in New Zealand or to reissue the bank-notes of such bank in New Zealand shall cease and determine, anything to the contrary in any Act or in the charter of any such bank notwithstanding. On and after the date herein referred to the banks shall redeem their outstanding notes only in Reserve Bank notes or in subsidiary coin to the extent to which such coin is for the time being legal tender in New Zealand. A Proclamation shall not be issued under this section so as to take effect before at least seventy-five per centum of the capital of the Bank has been paid up.

(2) On the date proclaimed by the Governor-General in accordance with the last preceding subsection, or within such time thereafter as may be prescribed by the Governor-General in the same or in a later Proclamation, every bank carrying on business in New Zealand shall transfer to the Reserve Bank, in exchange for the equivalent value of bank-notes of the Reserve Bank, or for credit with that bank, all gold coin or bullion then held by it on its own account.

(3) For the purposes of the last preceding subsection the equivalent value of gold coin in bank-notes shall be the nominal value of such coin and the equivalent value of gold bullion in bank-notes shall be an amount computed at the price of three pounds seventeen shillings and tenpence halfpenny an ounce of the standard gold content (meaning thereby gold containing eleven-twelfths fine gold) of such bullion.

(4) Any profits that may be derived by the Reserve Bank from the sale of gold coin and bullion transferred to it by any bank pursuant to the foregoing provisions of this section shall be credited to the Public Account.

(5) On the expiration of a period of two years after the date when the right of issuing bank-notes has become vested in the Reserve Bank in accordance with the foregoing provisions of this section, every other bank then carrying on business in New Zealand shall pay over to the Reserve Bank an amount equal to the value of its then outstanding notes issued or payable in New Zealand, and its liability in respect of such notes to the holders thereof shall thereupon be determined, and shall be deemed to have been assumed by the Reserve Bank.

(6) Any bank-note, whether issued by the Reserve Bank or any other bank, that is not presented for payment within forty years from the first day of April following the date of its issue, in the case of a bank-note issued by the Reserve Bank, or within forty years after the assumption by the Reserve Bank of liability in respect thereof, in the case of any other bank-note, shall on the expiration of that period be deemed not to be in circulation, and an amount equal to the value thereof shall thereupon be paid by the Reserve Bank into the Public Account to the credit of the Consolidated Fund as if such amount were unclaimed moneys within the

meaning of the Unclaimed Moneys Act, 1908, and shall be dealt with as provided in that Act.

Provisions for conversion of Reserve Bank notes.

16. (1) On presentation at the Head Office of the Reserve Bank in Wellington of notes of the Bank to any amount not less than five thousand pounds, it shall be the duty of the Bank, in accordance with this section, to give in exchange for such notes sterling for immediate delivery in London.

(2) On presentation at the Head Office of the Reserve Bank in Wellington of gold or of sterling for immediate delivery in London, in either case to an amount not less than five thousand pounds, it shall be the duty of the Bank, in accordance with this section, to give notes of the Bank in exchange therefor.

(3) When the Bank pursuant to this section gives sterling in exchange for its notes, or gives notes in exchange for sterling or gold, the rate at which the exchange is effected shall be fixed by the Bank.

Bank to maintain reserves in accordance with this section.

17. (1) Except as provided in the next succeeding section, it shall be the duty of the Bank at all times to maintain a minimum reserve of not less than twenty-five per centum of the aggregate amount of its notes in circulation and other demand liabilities.

(2) For the purposes of this section the term "reserve" includes only—

(a) Gold coin and bullion in the unrestricted ownership of the Bank :

(b) Sterling exchange, comprising—

(i) Deposits at the Bank of England :

(ii) British Treasury bills with an unexpired currency of not more than three months :

(iii) Bills of exchange payable in London, bearing at least two good signatures, with an unexpired currency of not more than three months :

(c) Net gold exchange (as hereinafter defined in this paragraph) in the unrestricted ownership of the Bank, if such exchange is on a country the currency of which by law and in fact is convertible on demand at a fixed price into exportable gold. For the purposes of this paragraph the expression "net gold exchange" means—

(i) Balances standing to the credit of the Bank at the central bank of the country of origin of the currency in question :

(ii) Bills of exchange payable in a gold currency, maturing within three months, and bearing at least two good signatures :

less any liabilities of the Bank in currencies other than New Zealand currency.

18. (1) At the request in writing of the Board the Minister of Finance may suspend the requirements of the last preceding section as to the maintenance by the Bank of a minimum reserve. Such suspension shall be for such period, not exceeding thirty days, as may be specified by the said Minister, but, at the further request in writing of the Board, may be extended from time to time for further periods not exceeding fifteen days at any one time.

Provisions as to maintenance of reserve may be suspended.

(2) If and whenever the reserve maintained by the Bank falls below the amount prescribed by the last preceding section (whether or not the requirements of that section have been suspended in accordance with the foregoing provisions of this section) the Bank shall be liable to pay to the Consolidated Fund a graduated tax computed on the amount of the deficiency as follows :—

(a) When the reserve is less than twenty-five per centum but is not less than twenty per centum of the aggregate of the notes in circulation and other demand liabilities of the Bank, the tax shall be computed at the rate of one per centum per annum of the deficiency :

(b) When the reserve is less than twenty per centum of the aggregate of the notes in circulation and other demand liabilities of the Bank as aforesaid, the tax shall be computed at the rate of one per centum per annum of the deficiency, increased by one and one-half per centum per annum in respect of every two and one-half per centum or part thereof by which the reserve falls below twenty per centum of such aggregate.

(3) All moneys payable to the Consolidated Fund pursuant to this section shall be recoverable from the Bank as a debt due to the Crown.

Bank to increase minimum discount rate if reserve falls below the prescribed requirements.

19. If and whenever the reserve maintained by the Bank falls below the amount prescribed by section seventeen hereof (whether or not the requirements of that section have been suspended), the Bank shall immediately add to its minimum current discount rate a percentage not less than the rate of the graduated tax referred to in the last preceding section :

Provided that the Minister of Finance may by writing under his hand suspend, in whole or in part and subject to such conditions as he thinks fit, the obligation imposed on the Bank by the foregoing provisions of this section. Any direction or authority given by the Minister for the purposes of this section may be at any time in like manner varied or revoked.

Bank-notes to be legal tender in accordance with this section.

20. The tender of a note of the Bank, expressed to be payable on demand, shall be a legal tender to the amount expressed in such note at all times while the Bank continues to pay its notes in accordance with the provisions of section sixteen hereof.

New Zealand Government Accounts to be kept with Reserve Bank.

Public Account and other Government accounts to be kept at Reserve Bank.

21. (1) In this section the term "Government accounts" means the Public Account, and all accounts for the time being subject to Part X of the Public Revenues Act, 1926, but does not include any Imprest Account or other subsidiary account.

(2) Within twelve months after the date on which the Reserve Bank is entitled to commence business, as provided in section nine hereof, all Government accounts shall be transferred to the Reserve Bank :

Provided that the Minister of Finance, with the concurrence of the Board, may, with respect to all Government accounts or with respect to any one or more specified accounts, extend for such further period as he thinks fit, not exceeding six months, the time within which the transfer of those accounts to the Reserve Bank is required to be completed.

(3) The Bank shall after their transfer pursuant to this section keep such Government accounts, and shall receive all payments made to the credit thereof, and shall make all disbursements therefrom. In particular, and without limiting the foregoing provisions of this subsection, it shall be the duty of the Government to

entrust to the Bank, and of the Bank to undertake or arrange, all the money, remittance, exchange, and banking transactions of the Government. No charge shall be made by the Bank for its services to the Government under this section.

(4) On the date on which any Government account is transferred to the Reserve Bank as aforesaid the provisions of any Act requiring the payment into any bank, whether specified or not, of any moneys payable to the credit of that account shall be deemed to be amended by the substitution in relation to such account of references to the Reserve Bank for the references therein to any other bank, whether specified therein by name or not.

22. The Reserve Bank if and when required by the Minister of Finance so to do shall keep the New Zealand Register of Inscribed Stock, and shall act as agent for the Treasury in the payment of interest and principal and generally in respect of the management of the public debt.

Reserve Bank may be required to manage public debt.

PART II.

MANAGEMENT OF THE RESERVE BANK.

23. (1) There shall be a Board of Directors of the Bank, consisting of a Governor, a Deputy Governor, and seven other members, to be from time to time appointed or elected and to hold office in accordance with the following provisions of this Part of this Act.

Constitution of Board of Directors.

(2) In addition to the members hereinbefore provided for, the Secretary to the Treasury shall, by virtue of his office, be a member of the Board, but shall not be entitled to vote at any meeting of the Board.

(3) The Board shall be charged with the general conduct of the business of the Bank, and, in particular, but without limiting the general authority hereby conferred, shall have power, subject to the special conditions, if any, imposed by this Act, to deal with the following matters :—

- (a) Rates of discount and interest :
- (b) The general conditions and limits of the various categories of authorized business :
- (c) The internal regulation of the Bank :
- (d) The opening and closing of branches and agencies :

- (e) The organization of a clearing-house :
- (f) The approval of balance-sheets and of profit and loss accounts for presentation to general meetings :
- (g) The purchase and sale of real property required for the business of the Bank :
- (h) The form, denomination, design, and material of bank-notes ; and also their manufacture, custody, issue, redemption, retirement, and cancellation.

Qualifications
of Governor
and Deputy
Governor of
Bank.

24. The Governor and the Deputy Governor of the Bank shall be persons possessed of actual banking experience. While holding office as Governor and as Deputy Governor respectively they shall be required to devote the whole of their time to the duties of their respective offices, and, in particular, they shall not engage in any business on their own account or act as directors of any business or hold any interest in any other bank, whether in New Zealand or elsewhere.

Appointment or
election of
Governor and
Deputy
Governor.

25. (1) The first Governor and Deputy Governor shall be appointed by the Governor-General in Council for a term of seven years and may be so appointed at any time after the commencement of this Act, and whether before or after the date of the incorporation of the Bank.

(2) On the expiry of the term of office of the first Governor and Deputy Governor respectively, or on the vacation of their office, by death or resignation or otherwise, before the time fixed for the expiry of such term, and thereafter from time to time as occasion may require, the Governor and Deputy Governor shall be appointed by the Governor-General in Council on the recommendation of the Board of Directors, each such officer to hold office, subject to the provisions of this Act, for a term of seven years.

(3) The Governor and Deputy Governor respectively shall, on the expiry of their term of office, be eligible for reappointment.

Remuneration
of Governor
and Deputy
Governor.

26. (1) The Governor and the Deputy Governor of the Bank shall be respectively entitled to receive out of the funds of the Bank such salary and allowances as may from time to time be fixed in that behalf by the Governor-General in Council. The amount of any such salary or allowances shall not be computed by reference to the earnings of the Bank, nor shall the Governor or

Deputy Governor of the Bank be remunerated wholly or partly by any form of commission.

(2) Notwithstanding anything in the foregoing provisions of this section, all moneys payable as salary or allowances to the Governor or the Deputy Governor before the date on which the Bank is entitled to commence business shall be paid without further appropriation than this section out of the Consolidated Fund and shall be recoverable from the Bank as a debt due to the Crown at any time after the Bank has become entitled to commence business.

27. (1) The Governor of the Bank shall, on behalf of the Board of Directors, be in permanent control of the administration of the assets and general business of the Bank, with authority to act and to give decisions in all matters which are not by this Act or by the rules of the Bank specifically reserved to the Board or to the general meeting of shareholders.

Duties of
Governor and
Deputy
Governor.

(2) In the event of the absence or incapacity of the Governor, from whatever cause arising, the Deputy Governor shall have and may exercise all the powers and functions of the Governor. The Governor may also at any time delegate to the Deputy Governor such of his powers and functions as he thinks fit.

(3) The fact that the Deputy Governor exercises any such powers or functions shall be conclusive proof of his authority so to do, and no person shall be concerned to inquire whether the occasion for his exercising the same has arisen or has ceased.

(4) In the event of the Governor and the Deputy Governor both being prevented from carrying out their duties, the Board of Directors shall appoint one of the other members of the Board or an officer of the Reserve Bank to act as the Governor of the Bank for the time being:

Provided that in the event of the absence from duty or other disability of the Governor and the Deputy Governor extending over a period exceeding one month, no person shall, after the expiration of one month, be appointed to act or continue to act as the Governor of the Bank except with the approval of the Governor-General in Council.

(5) Any officer of the Reserve Bank who is appointed pursuant to this section to act as the Governor of the Bank shall while so acting be deemed to be a member of

the Board with all the powers and functions of the Governor.

Three members of Board to be appointed as State directors.

28. (1) Three members of the Board of Directors (hereinafter referred to as State directors) shall from time to time be appointed by the Governor-General in Council.

(2) Of the State directors first appointed under this section, one shall retire on the thirty-first day of July, nineteen hundred and thirty-six, one shall retire on the thirty-first day of July, nineteen hundred and thirty-eight, and the third shall retire on the thirty-first day of July, nineteen hundred and forty. The member so to retire in any year shall be determined by the Board by ballot.

(3) Except as hereinbefore provided in this section, every State director shall be appointed for a term of five years.

(4) If any State director dies or resigns or otherwise vacates his office before the expiry of the term for which he was appointed the Governor-General in Council shall appoint a suitable person in his stead, who shall hold office for the unexpired period of the term of office of the director so vacating his office.

(5) Any person retiring from office as a State director in accordance with this section may, unless expressly disqualified by this Act, be reappointed.

Four members of the Board to be shareholders' directors.

29. (1) Four members of the Board of Directors (hereinafter referred to as shareholders' directors) shall be appointed or elected in accordance with this section.

(2) Of the shareholders' directors, two shall be persons who are or have been actively engaged in primary industry, and two shall be persons who are or have been actively engaged in industrial or commercial pursuits.

(3) No person who is not a shareholder for the time being qualified to vote at general meetings of shareholders shall be appointed or elected as a shareholders' director.

(4) The first shareholders' directors shall be appointed by the Governor-General in Council to hold office in accordance with this section; and thereafter the shareholders' directors shall be elected for a period of five years by the shareholders at a general meeting.

(5) Of the shareholders' directors appointed by the Governor-General as hereinbefore provided, one shall retire on the thirtieth day of June in each year, the

member to retire in any year being determined by the Board by ballot. The first retirement under this section shall take place on the thirtieth day of June, nineteen hundred and thirty-six.

(6) Every person retiring from office as a shareholders' director shall, unless expressly disqualified by this Act, be eligible for election or re-election.

30. If any shareholders' director dies or resigns, or otherwise vacates his office before the expiry of the term for which he was appointed or elected, the remaining members of the Board shall appoint a qualified person as his substitute, to hold office until the next ordinary general meeting, when a member shall be elected by the shareholders to hold office as a director for the unexpired period of the term of office of the director so vacating his office.

Casual vacancies in office of shareholders' directors.

31. Not more than one member of the Board shall at any time be a director of any other bank carrying on business in New Zealand or elsewhere, but the acts of the Board shall not be invalidated by a breach of the provisions of this subsection. Any person who becomes a member of the Board in contravention of this section or who, being a member of the Board, becomes a director of any other bank in contravention of this section, may be removed by the Governor-General in Council from his office as a member of the Board.

Directors of Reserve Bank not to act as directors of any other bank.

32. (1) No person shall be appointed or elected, or shall continue to hold office as a member of the Board, whether as Governor, or Deputy Governor, or otherwise, who—

General qualifications of directors, including Governor and Deputy Governor.

- (a) Is not a British subject by birth ; or
- (b) Is or becomes a member of either House of Parliament ; or
- (c) Is employed as a servant of the Crown in any Department of State ; or
- (d) Is employed in the service of any other bank, or, except as permitted by section thirty-one hereof, is a director of any other bank ; or
- (e) Being a bankrupt within the meaning of the Bankruptcy Act, 1908, has not obtained an order of discharge under that Act.

(2) If any member of the Board becomes in the opinion of the Board permanently incapable of performing his duties, he may be removed from office by

resolution of the Board approved by the Governor-General in Council.

(3) Nothing in this section shall apply to the Secretary to the Treasury in his capacity as an *ex officio* member of the Board.

Fees and expenses of members of Board.

33. The directors, other than the Governor and the Deputy Governor, shall be entitled to receive such fees and such allowances in respect of their expenses as may be determined by the Board and sanctioned at a general meeting of shareholders :

Provided that the aggregate amount of fees paid to the directors under this section shall not exceed four thousand pounds in any year.

Executive Committee of Board of Directors.

Constitution and functions of executive committee.

34. (1) There shall be an executive committee of the Board, consisting of the Governor, the Deputy Governor, and not less than one other member acting as such by direction of the Board or, in the absence of such direction, acting with the concurrence of the Governor.

(2) The committee shall be competent to deal with any matter within the competence of the Board, but every decision of the committee shall be submitted to the Board for confirmation at its next meeting :

Provided that the committee shall have authority to alter the rate of discount only in cases of urgency.

(3) The executive committee shall act as a discount committee, and shall deal with discounts and credit limits within the general authority given by the Board, and shall also deal with such other matters as the Board of Directors may determine.

(4) The executive committee shall keep full minutes of its proceedings, which shall be submitted to the Board at its next meeting.

PART III.

ACCOUNTS, PROFITS, AUDITS, AND RETURNS.

Financial year.

35. The financial year of the Bank shall end on the thirty-first day of March.

Distribution of profits.

36. After such provision as the Board thinks proper has been made for bad and doubtful debts, depreciation in assets, superannuation or retiring-allowances for the staff, and all such other matters as are usually provided

for by banks, and after payment out of the net profits of a cumulative dividend of five per centum per annum on the paid-up capital, the surplus for each financial year shall be applied as follows :—

- (a) So long as the General Reserve Fund of the Bank is less than the paid-up capital of the Bank, one-half of the surplus shall be allocated to that fund, and the residue shall be paid into the Public Account to the credit of the Consolidated Fund.
- (b) If the General Reserve Fund is not less than the paid-up capital of the Bank, but is less than twice the paid-up capital, one-tenth of the surplus shall be allocated to that fund, and the residue shall be paid into the Public Account to the credit of the Consolidated Fund.
- (c) If the General Reserve Fund is not less than twice the paid-up capital of the Bank, the whole amount of the surplus shall be paid into the Public Account to the credit of the Consolidated Fund.

37. (1) The Bank shall as soon as practicable after the close of business on Monday of each week make up and transmit to the Treasury a statement of its assets and liabilities as at the close of business on that day.

Bank to furnish periodical statements of assets and liabilities.

(2) Such statement shall be in the form in the Second Schedule hereto.

(3) A copy of every such statement shall be forthwith published in the *Gazette*.

38. (1) Within three months after the close of each financial year the Bank shall also transmit to the Treasury a copy of its accounts for the year, signed by the Governor, the Deputy Governor, and the Chief Accountant of the Bank and certified by the auditors.

Bank to furnish certified copy of annual accounts.

(2) A copy of the accounts so signed and certified shall be forthwith published in the *Gazette* and, if Parliament is then sitting, shall, within fourteen days after the receipt thereof by the Treasury, be laid before Parliament, or, if Parliament is not sitting, shall be laid before Parliament within fourteen days after the commencement of the next ensuing session thereof.

39. The Bank shall also, within sixty days after the close of each financial year, transmit to the Treasury

Annual return of shareholders.

a list of the names and addresses of the shareholders of the Bank as at the close of the year, and of the number of shares then held by each shareholder.

Penalties for failure to furnish accounts, &c.

40. (1) If the Bank fails to comply with any of the requirements of the three last preceding sections, it shall be liable to a fine of five hundred pounds.

(2) Every director or officer of the Bank or other person who verifies any statement, account, or list required to be furnished to the Treasury pursuant to the said sections, or who is concerned in delivering or transmitting the same to the Treasury, knowing the same to be false in any material particular, commits an offence and is liable to a fine of one hundred pounds.

Appointment of auditors.

41. (1) The Minister of Finance shall appoint two qualified accountants to be the first auditors of the Bank, who shall hold office as such until the first ordinary general meeting.

(2) Thereafter, two auditors shall be appointed annually at a general meeting of shareholders.

(3) No director or officer of the Bank shall during his tenure of office as such be qualified for appointment or to hold office as an auditor of the Bank, and no other person shall be qualified for any such appointment who would not be qualified for appointment as auditor of a company incorporated under the Companies Act, 1908, or any Act that may hereafter be passed in substitution for that Act.

PART IV.

LIQUIDATION

Bank not to be dissolved except pursuant to statute.

Compulsory liquidation.

42. The Bank shall not be at any time dissolved except pursuant to an Act of Parliament passed in that behalf.

43. Subject to the provisions of the last preceding section, the business of the Bank shall be wound up and the Bank shall be dissolved—

(a) In the event of the determination at any time of the right of the Bank to issue bank-notes in New Zealand:

(b) If the Bank has suspended payment of any of its liabilities, without being able to give *vis major* as a cause therefor:

(c) If the Bank has lost more than half of its paid-up capital.

44. In the event of the winding-up of the bank and the realization of its assets, any surplus of assets over liabilities (not including its liability to shareholders in respect of shares held by them) shall be divided between the shareholders and the Government, in the proportion of one-third to the shareholders and two-thirds to the Government.

Distribution of assets in event of winding-up.

PART V.

OBLIGATIONS OF OTHER BANKS IN RELATION TO RESERVE BANK.

Banks to maintain Balances with Reserve Bank.

45. (1) As from a day to be appointed in that behalf by the Governor-General in Council, being not later than twelve months after the day on which the Reserve Bank becomes entitled, pursuant to section nine hereof, to commence business, all other banks for the time being carrying on business in New Zealand shall be required at all times to maintain balances in the Reserve Bank in accordance with this section.

Other banks to maintain deposits with Reserve Bank in accordance with this section.

(2) The balance so to be maintained in the Reserve Bank by any bank as aforesaid during any period shall be not less than the aggregate of seven per centum of its demand liabilities in New Zealand, other than bank-notes, and three per centum of its time liabilities in New Zealand, as shown in the last preceding monthly return furnished by that bank in accordance with the next succeeding section.

(3) Deposits with the Reserve Bank made by any bank in accordance with this section shall be made in gold or in sterling, or in notes of the Reserve Bank, or, with the consent of the Board given as to the whole or any part of such deposit, in any Government or other securities in which the Reserve Bank is authorized by this Act to invest its funds.

(4) If any bank knowingly makes default in complying with the requirements of this section it shall be liable to a fine equal to ten per centum per annum of the amount of the deficiency for each day on which there is

a deficiency in the amount of the balance maintained by it with the Reserve Bank, and, except with the approval of the Board of the Reserve Bank, it shall not be lawful for such bank while any such deficiency exists to make any loan or to pay any dividend.

Monthly Returns.

Banks carrying on business in New Zealand to furnish monthly returns to Reserve Bank.

46. (1) A return made up to the close of business on the last Monday of every month, and signed by the manager and the accountant of the bank, or signed by other principal officers of the bank acting on their behalf, shall be sent by every bank for the time being carrying on business in New Zealand (other than the Reserve Bank) to the Head Office of the Reserve Bank at Wellington, within twenty-one days after such day, setting forth—

- (a) The amount of the demand liabilities of the bank in New Zealand :
- (b) The amount of the time liabilities of the bank in New Zealand :
- (c) The amount of the demand liabilities of the bank elsewhere than in New Zealand incurred in respect of its New Zealand business :
- (d) The amount of the time liabilities of the bank elsewhere than in New Zealand incurred in respect of its New Zealand business :
- (e) The reserve balances held in the Reserve Bank :
- (f) The overseas assets of the bank, in respect of its New Zealand business, held—
 - (i) In London ; and
 - (ii) Elsewhere than in London :
- (g) The amounts separately of gold coin and bullion and of subsidiary coin held by the bank in New Zealand :
- (h) The total amount of its advances and discounts in New Zealand :
- (i) The amount of Reserve Bank notes held by it :
- (j) The amount (if any) of the bank's own notes issued in or payable in New Zealand, and in circulation.

(2) A summary of the monthly returns, in a form to be approved by the Minister of Finance, shall be forthwith sent to the Treasury by the Reserve Bank for publication in the *Gazette*.

(3) If any bank makes default in complying with the foregoing requirements of this section, or any of them, it shall be liable to a fine of one hundred pounds for every day during which such default continues.

(4) If it appears from any monthly return that any bank has failed to maintain a balance in the Reserve Bank in accordance with the requirements of section forty-five hereof, it shall be competent for the Reserve Bank to call upon that bank to make such returns in addition to the returns required by this section as in the circumstances it deems necessary.

(5) If in any case the Reserve Bank thinks fit, it may require any other bank to maintain with it a balance proportionate to its demand and time liabilities as disclosed in any return furnished under the last preceding subsection in lieu of its liabilities as disclosed in the monthly return furnished under subsection one of this section, and such bank shall thereupon be under an obligation to maintain such balance accordingly.

(6) If the Reserve Bank has reason to believe or suspect that any bank has made a return that is incorrect in any material particular, or if any such bank fails to make a return when required so to do either by this Act or by the Reserve Bank acting under the authority of this Act, or if for any other reason it is in the opinion of the Board desirable in the public interest that an inspection be made, the Reserve Bank may authorize any officer of the Bank to make such inspection of the books and accounts of that bank as it may consider necessary.

(7) If any person, without lawful justification or excuse, the proof whereof shall lie on him, hinders, obstructs, or delays any person authorized by the Reserve Bank to make any inspection for the purposes of the last preceding subsection, in the conduct of such inspection, he shall be guilty of an offence and be liable on summary conviction to a fine of one hundred pounds.

PART VI.

MISCELLANEOUS.

47. (1) An ordinary general meeting of shareholders shall be convened by the Board once in every year, and shall be held not later than the thirty-first day of July in any year.

General meetings and voting rights of shareholders.

(2) Except as provided in section six hereof, every shareholder of the Bank who is a British subject ordinarily resident in New Zealand, and no other person, shall be entitled to vote at general meetings of the shareholders of the Bank.

(3) Every such shareholder shall at any such meeting be entitled to one vote for every share of which he has been the registered proprietor for not less than six months immediately preceding the date of the meeting :

Provided that no shareholder shall be entitled to more than five hundred votes under this subsection.

Provision for voting by proxy.

48. Every shareholder shall be entitled to transfer his right of voting at any general meeting to any other shareholder as his proxy :

Provided that no person shall be entitled at any time to exercise more than five hundred votes, whether in his own right or as proxy, or shall be competent to receive proxies purporting to authorize him to exercise more than five hundred votes in the aggregate, taking into account the number of votes to which he is entitled in respect of the shares held by him.

Recovery of fines imposed by this Act.

49. Except with respect to offences made punishable on summary conviction, all fines imposed by this Act shall be recoverable only by action in the Supreme Court in the manner prescribed by the Crown Suits Act, 1908 : and no action therefor shall lie unless the same is commenced within two years after the time the offence is alleged to have been committed

Trustees may subscribe for or purchase shares of Reserve Bank.

50. It shall be lawful for a trustee, unless expressly forbidden by the instrument (if any) creating the trust, to invest any trust funds in the purchase of shares in the Reserve Bank, or to subscribe for any such shares :

Provided that no trustee shall be qualified to hold more than five hundred shares, either for the same or for different beneficiaries.

This Act to prevail over Banking Acts in event of conflict.

51. In the event of any conflict between this Act and the provisions of the Banking Act, 1908, or of any other Act relating to any bank or to the business of banking, the provisions of this Act shall prevail.

General exemption from taxation.

52. The Reserve Bank shall be exempt from public taxation (not including local rates) to the same extent as the Crown.

SCHEDULES.

Schedules.

FIRST SCHEDULE.

RULES OF THE RESERVE BANK OF NEW ZEALAND.

General Meetings of Shareholders.

1. (1) All matters to be discussed at the ordinary general meeting must be placed on the agenda.

(2) Motions to be proposed by shareholders must be communicated to the Board not later than thirty days before the date of the ordinary general meeting, accompanied by a statement of the arguments in support of them.

2. The ordinary general meeting shall deal with the following matters:—

(a) The annual accounts and the report of the Board :

(b) Appropriations to the General Reserve Fund, and to the special reserve funds, if any :

(c) The declaration of annual dividends :

(d) The election of directors and of auditors :

(e) The fees and allowances of the Board and of the auditors :

(f) Any proposals for the amendment of the rules :

(g) Any other matters of which notice has been duly given in accordance with the rules.

3. (1) Extraordinary general meetings shall be held as often as may be required, and shall be convened by the Board.

(2) The Board may convene an extraordinary general meeting whenever it thinks fit so to do, and shall convene such a meeting on the request in writing of shareholders, who, being qualified to vote at meetings of shareholders, represent at least one-quarter of the subscribed capital. Every such request shall be accompanied by the motions to be proposed, and by a statement of the arguments in support of them.

(3) An extraordinary general meeting convened at the request of shareholders as aforesaid shall be held within thirty days after the date when such request is received by the Board.

4. (1) Notice to attend a general meeting (whether ordinary or extraordinary) shall be forwarded to every shareholder by letter, addressed to him at his address appearing on the register of shareholders, and shall be despatched from the Head Office not later than twenty-one days before the date of the meeting. Every such notice shall specify—

(a) The day and hour of the meeting :

(b) The place of the meeting :

(c) The agenda.

(2) In the case of the ordinary general meeting, the notice must be accompanied by a copy of the annual accounts and report.

(3) Notice of the time and place of the ordinary general meeting shall be published, at least twenty-one days before the date of such meeting, in the *Gazette* and also in such one or more newspapers as the Board may determine.

5. (1) At every general meeting of shareholders the Governor of the Bank, if present, shall be the chairman, and, in the absence of the Governor, the Deputy Governor shall be the chairman.

(2) In the event of the absence from any meeting of both the Governor and the Deputy Governor, the shareholders present shall elect another member of the Board to be the chairman of that meeting.

(3) At any general meeting the chairman shall not have a deliberative vote, but in the event of an equality of votes, he shall have a casting vote.

6. Except where otherwise provided, resolutions shall be adopted by a majority of the valid votes given by shareholders personally or by proxy.

7. Decisions of a general meeting of shareholders shall be binding upon all the shareholders of the Bank, whether present at that meeting or not.

Proceedings of Board of Directors.

8. (1) The Governor or Deputy Governor shall summon meetings of the Board of Directors as often as may be required, but not less frequently than once a month.

(2) The Governor shall also summon a special meeting of the Board at the request in writing of three or more of the members.

9. At all meetings of the Board the Governor or, in his absence the Deputy Governor, shall be the chairman.

10. (1) At meetings of the Board five members, of whom the Governor or Deputy Governor shall be one, shall form a quorum, and no business shall be transacted at any such meeting unless a quorum is present thereat.

(2) In the absence from any meeting of the Board of the Secretary to the Treasury any officer of his Department having authority to act in his place during his absence from office may attend such meeting in his stead, and while so attending shall be deemed to be a member of the Board.

(3) The fact that any such officer so attends and acts shall be conclusive proof of his authority so to do.

(4) The chairman of the Board shall have a deliberative vote, and, in the case of an equality of votes, shall have a casting vote also.

(5) Decisions of the Board on any proposal shall be in accordance with a majority of the valid votes given thereon.

Shares.

11. (1) The shares of the Bank shall be registered and transferable in the books of the Bank.

(2) The Bank shall decline to accept—

(a) Any transfer of shares except to a British subject who is ordinarily resident in New Zealand or who, having been so resident, is at the time of transfer temporarily out of New Zealand for the purposes of his business or for other sufficient reason; and

(b) Any transfer of shares that would increase the holding of any person beyond 500 shares.

(3) The Bank shall also be entitled, without assigning any reason, to decline to accept any person whomsoever as the transferee of any share.

12. Any premium obtained on any issue or sale of shares shall be added to the General Reserve Fund or to a special reserve fund of the bank.

Accounts and Reports.

13. Copies of the annual accounts and report shall be available for shareholders at the offices of the Bank.

SECOND SCHEDULE.

STATEMENT OF ASSETS AND LIABILITIES OF RESERVE BANK OF NEW ZEALAND.

<i>Liabilities.</i>	<i>Assets.</i>
1. Paid-up capital.	8. Reserve—
2. General Reserve Fund.	(a) Gold.
3. Bank-notes.	(b) Sterling exchange.
4. Demand liabilities—	(c) Gold exchange.
(a) State.	9. Subsidiary coin.
(b) Banks.	10. Discounts—
(c) Other.	(a) Commercial and agri-
5. Time deposits.	cultural bills.
6. Liabilities in currencies other	(b) Treasury and local-body
than New Zealand currency.	bills.
7. Other liabilities.	11. Advances—
	(a) To the State or State
	undertakings.
	(b) To other public autho-
	rities.
	(c) Other.
	12. Investments.
	13. Bank buildings.
	14. Other assets.

Proportion of reserve (No. 8 less No. 6) to notes and other demand liabilities : per cent