

# Supplementary Order Paper

## HOUSE OF REPRESENTATIVES

Friday, the 13th Day of November 1970

BUILDING SOCIETIES AMENDMENT BILL

### *Proposed Amendments*

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

*Clause 2, subclause (2):* To omit this subclause, and substitute the following subclause:

(2) The said section 2 is hereby further amended by inserting in subsection (1), in their appropriate alphabetical order, the following definitions:

“‘Local authority securities’ means debentures, stock, or other securities issued by any local authority within the meaning of Part I of the Local Authorities Loans Act 1956, whether by virtue of section 2 of that Act or of any Order in Council thereunder or by virtue of any other Act:

“‘New Zealand Government securities’ means securities issued by the Government of New Zealand that are registered in a register kept in New Zealand pursuant to the New Zealand Loans Act 1953:”.

*New clause 3A:* To insert, after *clause 3*, the following clause:

**3A. Investment and banking of surplus funds—**(1) Section 55 of the principal Act is hereby amended by repealing paragraph (c) of subsection (1), and substituting the following paragraph:

“(c) In local authority securities; or”.

(2) The said section 55 is hereby further amended by omitting from subsection (3) the words “any investment made before the commencement of this Act under section 27 of the Building Societies Act 1908”, and substituting the words “any investment lawfully made before the commencement of the Building Societies Amendment Act 1970”.

*Clause 4:* To omit this clause, and substitute the following clause:

4. **Societies to hold certain public securities**—The principal Act is hereby amended by inserting in Part IV, after section 55, the following section:

“55A. (1) For the purposes of this section—

“‘Assets’, in relation to any society, means the net total of the society’s assets, as ascertained in accordance with subsection (3) of section 2 of this Act, after deducting—

“(a) The sum of \$50,000; and

“(b) The amount of any fictitious assets, within the meaning of any regulations for the time being in force under this Act relating to the society’s balance sheet; and

“(c) In the case of a terminating society, the total of all amounts for the time being on deposit with any permanent society; and

“(d) In the case of an authorised society within the meaning of section 57 of this Act, an amount equal to the total of all savings bank deposits (within the meaning of that section) for the time being held by it:

“‘Base year’, in relation to any society, means the financial year of that society first ending after the commencement of this section:

“‘Qualifying public securities’ means New Zealand Government securities and local authority securities for the time being held by a society, after deducting the amount, if any, of local authority securities held in excess of 2 percent of its assets and, in the case of an authorised society within the meaning of section 57 of this Act, the minimum amount of New Zealand Government securities required to be held pursuant to subsection (7) of that section:

“‘Ratio deficit’, where the qualifying public securities held by a society are less than 5 percent of its assets, means the percentage which is the difference between 5 percent and the percentage of assets which are held in qualifying public securities.

“(2) Subject to the provisions of this section, every society shall at all times hold at least 5 percent of its assets for the time being in qualifying public securities, of which New Zealand Government securities shall comprise at least 3 percent of its assets.

“(3) Every society that has a ratio deficit at the end of the base year shall, by the end of each of its 5 financial years immediately following the base year, adjust its investments in qualifying public securities so that its ratio deficit will be not greater than the ratio deficit at the end of the base year reduced by one-fifth for each financial year ending after the base year.

“(4) Notwithstanding anything in this section, if at any time, in the opinion of the Minister, the financial stability of any society is for any reason endangered, that society may reduce the percentage of qualifying public securities which it is required to hold under this section to such lower percentage, and on such terms and conditions, as the Minister may from time to time approve in writing.

“(5) New Zealand Government securities held by a society pursuant to subsection (7) of section 57 of this Act shall not be deemed to be securities held in compliance with this section; and New Zealand Government securities held pursuant to this section shall not be deemed to be securities held in compliance with the said subsection (7).

“(6) If a society contravenes any provision of this section that is applicable to it, the society, and every officer of the society who is in default, shall be guilty of an offence against this Act.”

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#### EXPLANATORY NOTE

*Clause 2, subclause (2)*: This amendment rewrites the subclause so as to include a definition of “local authority securities”. These are referred to in the proposed *clauses 3A and 4*.

*New clause 3A*: Section 55 (1) of the principal Act authorises a society to invest its surplus funds in various ways, including (paragraph (c)) securities of a local authority or public body that are authorised trustee investments.

*Subclause (1)* of the proposed new clause substitutes a new paragraph (c) referring simply to local authority securities (as defined in the proposed amendment to *clause 2 (2)*). The practical effect is the same as in the existing law.

*Subclause (2)* of the proposed new clause is a consequential amendment to preserve existing investments.

*Clause 4*: This clause of the Bill is omitted, and replaced by a new clause under which a building society is to hold at least 5 percent of its assets (as defined in the proposed new section 55A (1)) in qualifying public securities (as so defined), of which New Zealand Government securities are to comprise at least 3 percent of its assets. If at the end of the financial year first ending after the commencement of the new section a society holds less than 5 percent of its assets in qualifying public securities it is to adjust its investments in such securities in each of the 5 succeeding financial years so that the full ratio is held by the end of the fifth year. The Minister may at any time approve a reduction in the required percentage if in his opinion the society’s financial stability is for any reason endangered. As in the case of the existing clause in the Bill, savings bank deposits held by an authorised society under section 57 of the principal Act are not to be taken into account for the purposes of the new requirements.

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