



**THE CENTRAL BANK OF
SOLOMON ISLANDS
(AMENDMENT) ACT 1985**

(No. 7 of 1985)

ARRANGEMENT OF SECTION

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THE CENTRAL BANK OF SOLOMON ISLANDS (AMENDMENT) ACT 1985

(No. 7 of 1985)

Passed by the National Parliament this ninth day of September 1985.

This printed impression has been carefully compared by me with the Bill passed by Parliament and found by me to be a true and correct copy of the said Bill.

J. M. Tuhaike

Clerk to the National Parliament

Assented to in Her Majesty's name and on Her Majesty's behalf this twenty-ninth day of October 1985.

B. Devesi

Governor-General

Date of commencement: see section 1.

AN ACT to amend the Central Bank of Solomon Islands Act, No. 4 of 1976, so as to provide the Central Bank with more effective powers of supervision of financial institutions in the interest of the national economy and to deal with other matters connected therewith or incidental thereto.

ENACTED by the National Parliament of Solomon Islands.

Short title
and com-
mencement.

1. (1) This Act may be cited as the Central Bank of Solomon Islands (Amendment) Act 1985 and shall come into operation on such date as the Minister may, by notice published in the Gazette appoint.

(2) The provisions contained in section 13 of this Act shall be deemed to have come into operation on 1 January 1983 and applies to the financial year 1983 and years subsequent thereafter.

Amendment
of section
2 of Act
No. 4 of
1976

2. Section 2 of the Central Bank of Solomon Islands Act 1976 (hereinafter referred to as the principal Act) is hereby amended as follows -

- (a) by deleting the definition of "Australian currency";
- (b) by deleting the definitions of -

"banking business", "commercial bank" and "financial institution" and substituting therefor in proper alphabetical sequence the following new definitions -

"bank" means any person engaged in banking business;

"banking business" means -

- (i) the business of accepting deposits of money, bullion or other valuable security from the public or other financial institutions on terms and conditions that permit the withdrawal or transfer of such deposits on demand, or, on notice by means of cheque or other formal instruments of instruction issued or made by the depositor; and includes the business of employing the funds so deposited or secured by such deposits in the granting of credit or extending of loans or making of investments for the account and at the risk of the person engaged in such business;
- (ii) such other business as the Central Bank may, after consultation with the Minister, having

regard to the nature of the business and other relevant considerations prescribe for the purpose of this Act;

"commercial bank" means any bank other than the Central Bank";

"financial institution" means any person whose activities or business includes -

- (i) banking business; or
 - (ii) the raising of funds from any source or person by way of deposits or otherwise for the purposes of lending, investing, managing or dealing in such funds; but does not include the raising of funds on a particular occasion for the purpose of carrying on any other business of the person concerned;
 - (iii) such other business or activity relating to finance as the Central Bank may, after consultation with the Minister, prescribe for the purposes of this Act;"
- and

- (c) by inserting therein immediately after the definition of "Solomon Island currency" the following new definition -

"special reserve" means the fund established under subsection (2) of section 14;"

3. Section 14 of the principal Act is hereby amended by deleting subsection (2) and substituting therefore the following new subsection -

Amendment
of section 14.

(2) After allocations have been made to the General Reserve under subsection (1), the Board may, for the purpose of furthering the objectives of the Central Bank and with the approval of the Minister, direct that such part of the remaining net profit as it considers appropriate, be allocated to one or more Special Reserves, and after any such allocations have been made the remain-

der of the net profit shall be transferred to the Consolidated Fund.”.

Repeal of
section 19.

4. Section 19 of the principal Act is hereby repealed.

Amendment
of section 21

5. Section 21 of the principal Act is hereby amended as follows -

- (a) by deleting the word “and” which appears at the end of paragraph (b);
- (b) by deleting the fullstop that appears at the end of paragraph (c) and substituting therefor a semicolon and inserting immediately thereafter the word “and”;
- (c) by adding thereto the following new paragraph as paragraph (d) -
 - “(d) arrange for the manufacture, distribution and sale of such notes and coins of a numismatic nature as it sees fit.”.

Amendment of
section 26.

6. Section 26 of the principal Act is hereby amended in subsection (2) by deleting the words “is declined” and substituting therefor the word “declines”.

Amendment of
section 28A.

7. Section 28A of the principal Act is hereby amended as follows -

- (a) by deleting paragraph (a) of subsection (1) and substituting therefor the following paragraph -
 - “(a) the maximum rates, minimum rates and method of computation of interest payable in respect of any class of deposit and similar liabilities.”;
- (b) by inserting in paragraph (b) of subsection (1), the words “and minimum” immediately before the words “interest rates chargeable in respect of”; and

- (c) by deleting from subsection (5) and (6) the words "\$10,000" and substituting therefor in each case the word "\$50,000".

8. The principal Act is hereby amended by adding immediately after section 28A the following new section -

Insertion of
new section
28B.

"Regulation 28B. The Central Bank may with the approval of the Minister, from time to time prescribe -
of foreign
currency
position

- (a) the maximum amount of working balance which financial institutions may hold in foreign currencies generally or in any specified-currency-or-currencies;
- (b) the maximum amount of indebtedness in foreign currencies generally or in any specified currency or currencies which financial institutions may incur."

9. Section 29 of the principal Act is hereby amended by deleting all that part of that section commencing with the words "section 27(1)(a) and ending with the words "provisions of section 28;" and substituting therefore the words "this Act or any other law:".

Amendment of
section 29.

10. Section 30 of the principal Act is hereby amended as follows -

Amendment of
section 30.

- (a) by deleting from paragraph (b), the following words "on demand from local commercial banks" and substituting therefor the words "on demand or after fixed periods not exceeding one year from financial institutions, statutory corporations";
- (b) by deleting from paragraph (c), the words "commercial banks or other";
- (c) by deleting from paragraph (d) the words "foreign governments as the Minister may approve" and substituting therefor the words "foreign governments, international financial institutions, or foreign public or statutory bodies as the Minister may approve:".

- (d) by deleting from paragraph (e) the words "ninety-three days and other securities issued by or guaranteed by the Government maturing within five years;" and substituting therefor the words "three hundred and sixty-five days and other securities issued by or guaranteed by the Government or any statutory corporation maturing within ten years;"
- (e) by deleting from paragraph (ee) the words "commercial banks" and substituting therefor the words "financial institutions";
- (f) by deleting from paragraph (f) the words "commercial banks for a fixed period of" and substituting therefor the words "holder of accounts with it for fixed periods not exceeding;"
- (g) by inserting immediately after paragraph (g) the following new paragraph -

"(gg) with approval of the Minister, guarantee loans made by any financial institution in such amounts and for such purposes as the Board may consider to be appropriate and consistent with the principal objects of the Central Bank on such conditions as the Board may decide;" and

- (h) by adding immediately after paragraph (h) the following new paragraph -

"(hh) issue securities, establish lines of credit and borrow money within Solomon Islands or overseas on such terms including security as the Board may approve, from such sources as the Minister may approve;"

Insertion of
new sections
30B and 30C.

11. The principal Act is hereby amended by adding immediately after section 30A the following new sections -

"Consulta-
tions.

30B. (1) The Central Bank shall during the preparation of the Government's annual budget hold consultations with the Ministry of Finance in order to determine the total

amount of credit that may be expected to be extended by the Central Bank and other banks to the Government during the forthcoming financial year.

(2) Prior to borrowing from any foreign source or undertaking any long term domestic borrowing, every government institution or agency, statutory corporation and provincial executive shall consult the Central Bank concerning such operation.

(3) Where, in the opinion of the Board, the operations referred to in subsection (2) appear to be individually or collectively detrimental to the economy or inappropriate to the prevailing economic conditions or government policy, the Central Bank shall report to the Minister with recommendations it deems appropriate to remedy the situation.

30C. (1) Except in accordance with this section and section 30A the Central Bank shall not, directly or indirectly make advances to the Government or to any statutory corporation or acquire the notes, bills, securities or other evidence of indebtedness of, or guaranteed by, the Government or any statutory corporation or establish credits for the Government or any statutory corporation:

Limitation
on advances.

Provided that this section shall not operate to prevent the acquisition by the Central Bank of securities in accordance with subsection (2) of section 34A or its making advances in accordance with subsection (3) of section 30A.

(2) The total amount of outstanding advances made by the Central Bank to the Government or to any statutory corporation and the holdings by the Central Bank of notes, bills, securities or other evidence of indebtedness of, or guaranteed by, the Government or any statutory corporation, exclusive of credit permitted under section 34, subsection (2) of section 34A and subsection (3) of section 30A of this Act and credits established for the Government or any statutory corporation shall at no time exceed thirty per cent of the average annual ordinary revenue of the Government, except as provided in subsection (5) of this section.

(3) For the purposes of this section -

- (a) the ordinary revenue of the Government shall include revenues from taxes, levies, duties, and fees, rents, profits and income from any investment or undertaking by the Government and any contribution to the revenue of the Government from any statutory corporation but shall not include loans, grants, other forms of economic aid or capital raised;
- (b) the average of the annual ordinary revenue shall mean the average of the annual ordinary revenues for the three financial years immediately preceding for which accounts are available.

(4) If in the opinion of the Board, the limitation provided in subsection (2) appears to be in danger of being exceeded, the Central Bank shall submit to the Minister a report containing such recommendations as it deems appropriate to remedy the situation. The Central Bank shall make further reports at intervals not to exceed three months until such time as, in its opinion, the situation has been rectified.

(5) If the limitation provided for in subsection (2) is reached, the Central Bank shall forthwith notify the Minister of the fact and shall permit no further increase, whether directly or indirectly, in the Central Bank's advances and holdings referred to in subsection (2):

Provided that the Minister may direct the Central Bank to permit temporary further increases in the total of the advances, holdings and credits referred to in subsection (2) subject to an overall limitation of forty per cent of the average annual ordinary revenue of Government for a period not exceeding six months and the Central Bank shall thereupon give effect to that policy while the direction remains in operation.

(6) Any directions issued by the Minister under subsection (5), shall be laid before Parliament at the Meeting next following the date on which such directions were issued.”.

12. Subsection (1) of section 33 of the principal Act is hereby amended as follows -

Amendment of section 33.

- (a) by deleting the full stop that appears at the end of that subsection and substituting therefor a colon; and
- (b) by adding thereto the following proviso -

“Provided that any change in the market price of a security may be disregarded if the extent of the change is less than two per centum of the holding price of the security.”.

13. Section 34A of the principal Act is hereby amended -

Amendment of section 34A.

- (a) by adding at the end of subsection (3) the following -

“ Any balance remaining after the redemption of such securities shall be carried forward in the accounts of the Central Bank.”; and
- (b) by deleting subsection (4); and
- (c) by renumbering subsection (5) as subsection (4).

14. Sections 10, 11 and 18 are hereby amended by deleting the words “\$10,000” wherever those words appear in those sections and substituting therefor in each case the words “\$50,000”.

Amendment of sections 10, 11 and 18.

