

1986

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

BANKING LEGISLATION AMENDMENT BILL 1986
EXPLANATORY MEMORANDUM

(Circulated by the Authority of the Treasurer,
the Hon Paul Keating, MP)

BANKING LEGISLATION AMENDMENT BILL 1986

GENERAL OUTLINE AND MAIN PURPOSE

The principal purpose of the Banking Legislation Amendment Bill 1986 is to amend the Reserve Bank Act 1959 and the Banking Act 1959 to provide for the winding up of the activities of the Rural Credits Department (RCD) of the Reserve Bank and, when its operations have ceased, to allow for the termination of the Department.

The main provisions of the Bill:

- . provide a revised definition of organisations eligible to receive seasonal advances from the RCD to remove any doubt as to the eligibility of co-operative associations to receive advances as the activities of the RCD are phased out;
- . restrict the RCD from making seasonal advances or discounting bills after 30 June 1988 or such later date as is determined by the Treasurer, which will enable sufficient time for customers of the RCD to exercise final drawing rights under the transitional arrangements for the phasing out of the scheme;

- . provide that, as the activities of the RCD are wound up, capital and reserves surplus to its operational requirements can be distributed either to the Reserve Bank Reserve Fund or Consolidated Revenue, as determined by the Treasurer following consultations with the Board of the Reserve Bank; and
- . provide for the repeal of legislation establishing the Department on a date to be fixed by Proclamation and which could be expected to follow the cessation of activities of the RCD and the distribution of its capital and reserves.

The Bill contains a number of other minor amendments to both Acts which are consequential upon the termination of the Rural Credits Department. In addition, the Bill introduces amendments to the Reserve Bank Act to make the remuneration of the Governor, Deputy Governor and Board Members of the Reserve Bank subject to determination by the Remuneration Tribunal rather than the Governor-General.

FINANCIAL IMPACT STATEMENT

As mentioned above, the Bill provides for the distribution of capital and reserves of the Rural Credits Department, which stood at \$140 million as at 30 June 1986 to either the Reserve Bank Reserve Fund or Consolidated Revenue.

NOTES ON CLAUSES

PART I - PRELIMINARY

CLAUSE 1 - SHORT TITLE

Self Explanatory

CLAUSE 2 - COMMENCEMENT

The Bill will come into effect 28 days after receiving Royal Assent except in respect of clauses concerning the repeal of legislation establishing the Rural Credits Department (RCD) and certain consequential amendments, which shall come into effect on a date fixed by Proclamation. Part III of the Bill which makes amendments to the Banking Act consequential to the repeal of the legislation establishing the RCD will also come into effect on a day fixed by Proclamation.

PART II - AMENDMENTS OF THE RESERVE BANK ACT 1959

CLAUSE 3 - PRINCIPAL ACT

Self Explanatory

CLAUSE 4 - REMUNERATION OF MEMBERS

The Bill amends the Principal Act so as to provide that the Remuneration Tribunal, rather than the Governor-General determines the remuneration and allowances payable to members of the Board of the Reserve Bank.

CLAUSE 5 - GOVERNOR AND DEPUTY GOVERNOR

This clause repeals sub-section 24(2) to remove the requirement for the remuneration and allowances of the Governor and Deputy Governor of the Reserve Bank to be determined by the Governor-General.

CLAUSE 6 - REMUNERATION OF GOVERNOR AND DEPUTY GOVERNOR

This clause introduces a new section 24A which will require the Remuneration Tribunal to determine the remuneration and allowances of the Governor and Deputy Governor of the Reserve Bank.

CLAUSE 7 - FUNCTIONS OF THE DEPARTMENT

This clause amends the Principal Act by omitting the specific classes of activities which co-operative associations and associations of co-operative associations must engage in to be eligible to receive advances from the RCD. The effect of the amended paragraphs (b) and (c) will be to remove any doubt as to the eligibility of co-operative associations and associations of co-operative associations to receive advances from the RCD under the transitional arrangements for the phasing out of the Department.

CLAUSE 8 - WINDING UP OF RURAL CREDITS DEPARTMENT

This clause inserts a new section 65A into Part VI of the Reserve Bank Act to provide for the winding up of the RCD.

Sub-section (1) of the new section prohibits the Rural Credits Department from making an advance or discounting a bill after the termination date, which is set by sub-section 11 at 30 June 1988, or such later date as is determined by the Treasurer. This is to allow sufficient time for existing customers of the RCD to exercise their final drawing rights under the transitional arrangements for the phasing out of the Department.

Sub-section (2) empowers the Board of the Reserve Bank to determine that the whole or part of the capital and reserves (as defined in sub-section 10) of the RCD be paid out of the Department where the Board is satisfied that such amounts are not required for the operations of the Department.

Sub-section (3) provides that, after termination date, any remaining funds standing to the credit of the RCD (other than amounts to the credit of the Rural Credits Development Fund) may be paid out of the Department where the Board is satisfied that there has been a full and final accounting of advances, loans and distribution of profits.

Sub-sections (4) and (5) provide for the Treasurer to be consulted by the Board prior to it making the abovementioned determinations, and to be advised of such determinations.

In respect of amounts which the Board has determined should be paid out of the RCD, sub-sections 6 and 7 empower the Treasurer, after consultation with the Board, to direct that such monies are to be paid in whole or in part to the Reserve Bank Reserve Fund or to Consolidated Revenue.

Where the Board is satisfied that there is no money standing to the credit of the RCD, sub-clause 8 requires the Board to recommend to the Treasurer that action be taken to repeal Part VI of the Principal Act which is addressed to the establishment and operations of the RCD.

Sub-section 9 provides for any payments being made to the credit of the Rural Credits Department subsequent to the closing off of its books to be paid to the credit of the Reserve Bank Reserve Fund.

CLAUSE 9 - REPEAL OF PART VI

This clause, which is to commence at a time set by a Proclamation, would repeal Part VI of the Act which establishes the Rural Credits Department. It would be expected that this amendment would be proclaimed after the Board of the Reserve Bank had made a recommendation to the Treasurer as provided for in sub-section (8) of section 65A (to be included in the Principal Act under clause 8).

CLAUSE 10 - DETERMINATION OF NET PROFITS

This clause is also to come into effect on the date of Proclamation along with clause 9 and is consequential on the termination of the Rural Credits Department.

CLAUSE 11 - REPEAL OF SECOND SCHEDULE

This clause repeals the second schedule of the Reserve Bank Act 1959 which lists areas of primary production in which authorities and co-operative associations need to be engaged to be eligible for advances from the RCD. The repeal of the schedule is consequential to the repeal of the RCD and is to come into effect on a day fixed by Proclamation.

CLAUSE 12 - FORMAL AND MINOR AMENDMENTS

This clause provides for minor drafting amendments which are set out in the Schedule.

PART III - AMENDMENTS OF THE BANKING ACT 1959

CLAUSE 13 - PRINCIPAL ACT

Self Explanatory

CLAUSES 14, 15, 16, 17 - TRADING BANKS

Under sub-sections 52(2), 54(2), 55(1) and 58(2) of the Banking Act 1959 the Reserve Bank is required to prepare certain statistical returns on the financial transactions and balance sheet position of the Rural Credits Department and for the publication of such information in the Gazette. These requirements will be redundant following the abolition of the Rural Credits Department and this clause removes that requirement. As noted in clause 2, these requirements are also to be repealed on a day fixed by Proclamation.

