

# REPRINT

## **CENTRAL BANK OF SOLOMON ISLANDS ACT (CAP. 49)**

**As in force at: 1 March 1996**

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<p>Repealed by the Central Bank of Solomon Islands Act 2012 from 1 January 2013</p>
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**AN ACT TO ESTABLISH THE CENTRAL BANK OF SOLOMON ISLANDS AND  
TO PROVIDE FOR PURPOSES CONNECTED THEREWITH**

# **CENTRAL BANK OF SOLOMON ISLANDS ACT (CAP. 49)**

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# CENTRAL BANK OF SOLOMON ISLANDS ACT (Cap. 49)

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## PART I PRELIMINARY

### 1 Citation

This Act may be cited as the *Central Bank of Solomon Islands Act*.

### 2 Interpretation

In this Act, unless the context otherwise requires:

**“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;

**“Board”** means the Board of Directors of the Central Bank;

**“Central Bank”** means the Central Bank of Solomon Islands established under section 3(1);

**“commercial bank”** means any bank other than the Central Bank;

**“demand liabilities”** means notes and coin (other than numismatic proof and brilliant uncirculated specimen coins issued by the Central Bank for sale to collectors of coins and such notes and coin as have ceased to be legal tender and have been written off under section 25(4)(b)) together with amounts standing to the credit of any accounts opened in accordance with section 37(b);

**“dollar”** means the currency issued under the provisions of this Act;

**“financial institution”** means any person whose activities or business includes:

- (i) banking business;
- (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;

**“General Reserve”** means the General Reserve established under section 20;

**“Governor”** means the Governor of the Central Bank;

**“notes”** and **“coins”** mean, respectively, currency notes and coins issued under the terms of this Act;

**“Secretary”** means the Secretary of the Central Bank;

**“Solomon Islands currency”** means the currency referred to in section 21;

**“Special Reserve”** means the fund established under subsection (2) of section 20;

**“Treasury”** means the Treasury of the Solomon Islands Government.

## **PART II                    CONSTITUTION**

### **3                    Establishment and incorporation of Central Bank**

- (1) There is hereby established an Authority to be known as the Central Bank of Solomon Islands which shall be a body corporate under that name with perpetual succession and a common seal and which may, in such name sue or be sued, and may enter into contracts, subject to the provisions of this Act, may acquire, purchase, take, hold and enjoy real and personal property of every description and may convey, assign, surrender and yield up, charge, mortgage, transfer or otherwise dispose of, or deal with or in, real or personal property.
- (2) All deeds, documents and other instruments required to be sealed with the common seal of the Central Bank shall be sealed therewith in the presence of the Governor and of the Secretary or some other person authorised by the Central Bank to act in that behalf, who shall sign every such deed, document or other instrument to which such seal is affixed, and such signing shall be sufficient evidence that such seal was duly and properly affixed and that the same is the lawful seal of the Central Bank.
- (3) Service of any document upon the Central Bank shall be deemed to be effected by delivering the same or by sending it by registered post to the Secretary.

### **4                    Principal objects of the Central Bank**

The principal objects of the Central Bank shall be:

- (a) to regulate the issue, supply, availability and international exchange of money;
- (b) to advise the Government on banking and monetary matters;
- (c) to promote monetary stability;
- (d) to supervise and regulate banking business;
- (e) to promote a sound financial structure; and
- (f) to foster financial conditions conducive to the orderly and

balanced economic development of Solomon Islands.

**5        Overriding effect**

- (1) The provisions of this Act shall have effect, notwithstanding anything inconsistent or to the contrary contained in the Banking Act.
- (2) Save as aforesaid, the provisions of this Act shall be supplementary to but not in derogation of the *Banking Act*.

**6        Places of business, agents etc.**

- (1) The Central Bank shall have its principal place of business in Honiara but may establish such branch offices elsewhere as it sees fit.
- (2) The Central Bank may appoint such agents and correspondents as it may require from time to time.

**7        Board of Directors**

- (1) The Central Bank shall be conducted and managed in accordance with this Act by a Board of Directors consisting of:
  - (a) the Governor;
  - (b) the Deputy Governor;
  - (c) the Permanent Secretary, Ministry of Finance or any other public officer for the time being supervising over the department in charge of that Permanent Secretary, being the *ex officio* Director; and
  - (d) such number of other Directors being not less than three, and not more than six, as the Minister may, from time to time, determine.
- (2) From among the persons of repute and recognised experience in financial matters, banking, public finance or professional or academic matters:
  - (a) the Governor shall be appointed by the Governor General for a period of five years, on the recommendation of the Minister who shall consult the Cabinet;

- (b) the Deputy Governor shall be appointed by the Minister after consultation with the Governor for such period not exceeding five years as may be specified in his letter of appointment;
  - (c) the other Directors shall be appointed by the Minister after consultation with the Governor for such period not exceeding three years as may be specified in their respective letters of appointment.
- (3) The Governor, Deputy Governor and every Director other than the *ex officio* Director shall, subject to the provisions of section 8, be eligible for re-appointment.
  - (4) The names of the Governor, the Deputy Governor and other Directors of the Board appointed, from time to time, under this section shall be published in the *Gazette*.

## **8 Other terms and conditions of service**

- (1) The other terms and conditions of appointment of the Governor, Deputy Governor and other Directors shall be set out in their respective letters of appointment, and such terms and conditions shall, except otherwise provided in subsection (2), not be altered to their disadvantage during their period of office.
- (2) A person holding the office of the Governor, Deputy Governor or a Director may be removed from office before the expiry of his term of office only on grounds of permanent incapacity or serious misconduct substantially prejudicing the interests of the Central Bank:  
  
Provided that the Governor shall not be removed on any such ground except on the recommendation of the tribunal appointed under subsection (3).
- (3) If the Governor-General considers that the question of removing the Governor ought to be investigated, he shall appoint a tribunal, which shall consist of a Chairman, who holds or has held high judicial office, and not less than two other persons, which shall enquire into the matter, after giving the Governor a reasonable opportunity of being heard, and recommend to the Governor-General whether the Governor ought to be removed from his office.

- (4) Where the tribunal recommends to the Governor-General that the Governor ought to be removed from his office, the Governor-General shall remove him from office.
- (5) If the question of removing the Governor has been referred to the tribunal, the Governor-General may suspend the Governor from performing the functions of his office, and any such suspension may at any time be revoked by the Governor-General and shall in any case cease to have effect if the tribunal recommends to the Governor-General that the Governor ought not to be removed from office.

## **9 Disqualification from holding other office**

- (1) The Governor, Deputy Governor or a Director shall not while holding office hold any other office, whether remunerated or not, without the written permission of the Minister.
- (2) The Governor, Deputy Governor or a Director shall not be appointed or remain as such Governor, Deputy Governor or Director, who, without the written permission of the Minister:
  - (a) is a member of the National Parliament of Solomon Islands; or
  - (b) is a director, officer or employee of any commercial bank or other financial institution.

## **10 Vacancy not to invalidate proceedings**

No proceeding of the Board, nor the exercise of any power, or the performance of any function or duty conferred on the Board under this Act shall be invalidated by reason only of a vacancy in the office of any member of the Board.

## **11 Administration**

- (1) All the powers, functions and duties of the Central Bank shall be vested in, or exercised or performed by the Board in the name of the Central Bank, and the Board shall be responsible for the policy, general administration and affairs of the Central Bank.
- (2) Without prejudice to the generality of the foregoing provision, the

Board shall have power to consider, and where appropriate, decide any matter in relation to achieving any object of the Central Bank.

- (3) The Governor shall be the Chairman of the Board and chief executive of the Central Bank and as such he shall be in charge of the day to day management and operations of the Central Bank in accordance with, or in implementation of, the policy of the Central Bank. He shall be answerable to the Board for his acts or decisions.
- (4) The Deputy Governor shall perform such duties as the Governor may direct, and in the absence of the Governor due to illness or for any other reason, the Deputy Governor shall function as the Chairman of the Board and the chief executive of the Central Bank.
- (5) In the event of the temporary absence of the Governor and the Deputy Governor, the Minister acting on the advice of the Governor shall designate a Director to act as the Governor during such period of absence.

## **12 Procedure**

Subject to the provisions of this Act, the Central Bank may regulate its own procedure and, in particular, may regulate the holding of meetings, the notice to be given of such meetings, the proceedings thereat, the keeping of minutes, the custody, production and inspection of such minutes, and the opening, keeping, closing and audit of accounts.

## **13 Power of the Central Bank to make regulations**

The Central Bank may, with the previous approval of the Minister, make regulations, not inconsistent with this Act, for carrying out its functions, for attaining its objects and prescribing all matters which by this Act are required to be permitted or prescribed, or which are necessary or convenient to be prescribed for the conduct of its business in accordance with this Act.

## **14 Power to appoint officers and employees**

The Board may appoint and employ at such remuneration and on such terms and conditions as it may prescribe such officers and employees as the Board may consider necessary for the due

performance of the objects of the Central Bank.

## **15 Meetings of the Board**

The Board shall meet as often as the Chairman may consider the business of the Central Bank may require but not less frequently than six times a year.

## **16 Conflicts of interest**

- (1) No member of the Board shall act as a delegate of any commercial, financial, agricultural, industrial or other interest or receive or accept directions therefrom in respect of duties to be performed under this Act.
- (2) All members of the Board shall fully disclose to the Board any commercial, financial, agricultural, industrial or other interest that they may have in any matter which becomes the subject of Board action.
- (3) No member of the Board, nor any officer or employee of the Central Bank shall accept any gift or advantage for himself, or on his behalf for persons with whom he may have family, business or financial connections which would result or give the appearance of resulting, in a diminution in his impartiality in any matter relating to his duties under this Act.
- (4) Any person who contravenes the provisions of this section shall be guilty of an offence and liable to a fine of fifty thousand dollars or to imprisonment for seven years, or to both such fine and such imprisonment.

## **17 Secrecy**

- (1) No member of the Board, nor any officer or employee of the Central Bank shall disclose to any person any information relating to the affairs of the Central Bank or of any bank or financial institution or other person which he has acquired in the performance of his duties under this Act except for the purpose of the performance of his duties or when lawfully required to do so by a court.
- (2) Any person who contravenes the provisions of this section shall be

guilty of an offence and liable to a fine of fifty thousand dollars or to imprisonment for seven years, or to both such fine and such imprisonment.

### **PART III            CAPITAL, PROFIT AND RESERVES**

#### **18            Capital**

- (1) The authorised capital of the Central Bank shall be three million dollars and may be increased from time to time by such amounts as may be proposed by the Board and approved by the Governor-General on the recommendation of the Minister. Upon the establishment of the Central Bank there shall be issued to the Government capital stock equivalent to fifty thousand dollars which shall be a charge on and paid from the Consolidated Fund. Further amounts of capital may be issued to the Government and fully paid from time to time as may be proposed by the Board and approved by the Governor on the recommendation of the Minister.
- (2) All capital stock of the Central Bank as and when issued shall be for the sole account of the Government and shall not be transferable or subject to encumbrance. No reduction of capital shall be effected except by an amendment to this Act.
- (3) In calculating the amount to be paid by the Government by way of subscription to the capital of the Central Bank, account shall be taken of any amounts already paid to the Central Bank by the Government by way of preliminary expenses and the value of other assets vested in the Central Bank.
- (4) The Minister may for the purposes of this section by order vest in the Central Bank such assets as he may from time to time think fit subject so such terms as may be specified in such Order.

#### **19            Profit**

The net profits of the Central Bank for any financial year shall be determined by the Central Bank after meeting all current expenditure for that year and after making provision for:

- (a) bad and doubtful debts, depreciation in investments and other

assets, and contributions to staff and pension funds; and

(b) such other purposes as the Board may deem necessary.

## **20 General Reserve**

- (1) The Central Bank shall establish a General Reserve to which shall be allocated at the end of each financial year of the Central Bank the net profit of the Central Bank until such time as the General Reserve is equal in amount to half the authorised capital of the Central Bank after which half the net profit shall be allocated to the General Reserve until the General Reserve is equal to twice the authorised capital of the Central Bank.
- (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 remainder of the net profit shall be transferred to the Consolidated Fund.
- (3) If in any year the Central Bank should make a net loss which exceeds the amount of the General Reserve at the end of that year, a sum equivalent to such excess shall be paid to the Central Bank from the Consolidated Fund.
- (4) With the approval of the Minister, the Board may direct that a part, not exceeding half, of the General Reserve may at any time after the General Reserve has reached an amount equal to half the authorised capital of the Central Bank be converted into issued and fully-paid capital:

Provided that the amounts so converted shall not at any time exceed the difference between the issued and paid-up capital and the authorised capital of the Central Bank.

## **PART IV            CURRENCY**

### **21            Unit of currency**

The currency unit of the Solomon Islands shall be the Solomon Islands dollar which shall be divided into 100 cents.

### **22            Value of the unit of currency**

The value of the Solomon Islands dollar in terms of other currencies shall be determined by the Central Bank acting on, and in accordance with, written instructions given from time to time by the Minister after consultation with the Central Bank. Such instructions shall ensure that due regard is had to the obligations that Solomon Islands has assumed in accordance with the provisions of any international monetary agreement to which it is a party or to which it has adhered.

### **23            Obligations of Central Bank in respect of currency**

The Central Bank shall at its office in Honiara:

- (a) buy and sell on demand convertible foreign currency for immediate delivery abroad against Solomon Islands currency; the foreign currency, or currencies, in which the Central Bank is obliged to deal under this section shall be specified by the Minister by order who shall consult with the Central Bank; and
- (b) at its discretion, buy and sell other currencies eligible for inclusion in the reserve of external assets specified in section 30 against Solomon Islands currency:

Provided that:

- (i) the rate of exchange quoted by the Central Bank for spot-transactions shall not differ from any value determined by the Central Bank under section 22 by more than such margins as are permitted by any international monetary agreements binding on Solomon Islands as may from time to time be prescribed;
- (ii) the Central Bank shall not be required to buy or sell

Australian dollars or other foreign currencies in amounts less than such minimum sum as may from time to time be prescribed by the Board.

**24        Sole right of issue**

- (1) The Central Bank shall have the sole right of issuing currency notes and coins for, on behalf of and throughout Solomon Islands and no other person shall issue currency notes, bank notes or coins or any documents or tokens payable to bearer on demand being documents or tokens having the appearance of currency notes or coins.
- (2) Any person who contravenes the provisions of this section shall be guilty of an offence and liable to a fine of fifty thousand dollars or to imprisonment for seven years, or to both such fine and such imprisonment.

**25        Legal tender**

- (1) Subject to the provisions of this subsection, currency issued by the Central Bank shall be legal tender in Solomon Islands:
  - (a) in the case of notes, for the payment of any amount;
  - (b) in the case of gold coins, for the payment of any amount;
  - (c) in the case of silver coins, for the payment of an amount not exceeding fifty dollars;
  - (d) in the case of other coins of a denomination of one dollar or more, for the payment of an amount not exceeding ten dollars;
  - (e) in the case of coins of a denomination of five cents or more but less than one dollar, for the payment of an amount not exceeding five dollars;
  - (f) in the case of coins of a denomination of less than five cents, for the payment of an amount not exceeding one dollar.
- (2) A note or coin that has been illegally dealt with shall not be legal tender.
- (3) For the purposes of this Act, a note or coin shall be deemed to have

been illegally dealt with if it has been impaired, diminished or lightened otherwise than by fair wear and tear, or has been defaced by having any name, word, device or number printed, stamped or engraved thereon whether it has or has not been thereby diminished.

(4)

- (a) The Central Bank shall have power, on giving not less than three months' notice in the *Gazette* to that effect, to call in any currency notes and coins on payment of the face value thereof and any such currency notes and coins with respect to which such notice has been given shall, upon the expiration of such notice, be deemed to be demonetised and cease to be legal tender:

Provided that the holders of any such notes or coins or of any notes issued under the authority of the Solomons Government Currency Notes Regulation 1916 that ceased to be legal tender under the Currency Regulation 1937 shall be entitled at any time to claim payment of the value thereof from the Central Bank or, where a transfer in respect thereof has been made under paragraph (b) to the Consolidated Fund, or under the Currency Regulation 1937 to general revenue, from the Consolidated Fund.

- (b) When any notes or coin cease to be legal tender under paragraph (a) an amount equivalent to the face value of any such notes or coin remaining in circulation five years after they have so ceased to be legal tender shall be transferred to the Consolidated Fund and the said amount shall be written off the liabilities of the Central Bank.
- (c) Where coins are presented for payment under the proviso to paragraph (a) more than five years after they have ceased to be legal tender the Central Bank may levy a handling charge of such amount as the Board may from time to time determine.
- (d) For the purpose of this subsection the value of notes issued under the Solomons Government Currency Notes Regulation 1916 shall be calculated at the rate of exchange ruling between the Solomon Islands dollar and sterling at the time when they are presented for payment.

## **26        Printing and minting**

The Central Bank shall:

- (a) arrange for the printing of notes and the minting of coins and for all matters related thereto;
- (b) issue, re-issue and redeem such notes and coins;
- (c) arrange for the safe custody of unissued stocks of notes and coins and for the preparation, safe custody and destruction of plates for the printing of notes and of dies for the minting of coin and for the safe disposal of withdrawn notes and coin which are not required for re-issue; and
- (d) arrange for the manufacture, distribution and sale of such notes and coins of a numismatic nature as it sees fit.

## **27        Denominations and form of currency**

- (1) Currency issued by the Central Bank shall be in such demoniations and of such composition, weight, form and design as shall be approved by the Minister who shall before giving such approval consult with the Central Bank.
- (2) The characteristics of currency to be issued by the Central Bank, shall, together with, in the case of coin, the amount of tolerance and variation which shall be allowed from the standard weight and composition, be published in the *Gazette*.

## **28        Certain notes and coin not redeemable**

No person shall be entitled to recover from the Central Bank, the value of any lost, stolen, mutilated or imperfect note or coin or of any note or coin which has been illegally dealt with, and the circumstances and conditions under which such value may be refunded as an act of grace shall be within the absolute discretion of the Central Bank.

## **29        Exemption from stamp duty**

The Central Bank shall not be liable for the payment of any stamp duty in respect of its notes issued as currency.

### **30 Reserve of external assets**

The Central Bank shall at all times maintain a reserve of external assets consisting of all or any of the following:

- (a) gold;
- (b) foreign exchange in the form of currency, cash or bank balances held abroad;
- (c) any internationally-recognised reserve asset;
- (d) bills of exchange and promissory notes denominated in foreign currency and payable at any place outside Solomon Islands;
- (e) treasury bills issued by foreign governments determined from time to time by the Board;
- (f) securities issued or guaranteed by foreign governments or international financial institutions determined from time to time by the Board.

### **31 Adequacy of reserve of external assets**

- (1) The Central Bank shall use its best endeavours to ensure that the reserve of the external assets provided for in section 30 is maintained at a level adequate for the international transactions of Solomon Islands.
- (2) If such level of the reserve of external assets declines or, in the judgment of the Central Bank appears likely to decline to such an extent as to endanger its adequacy at the level specified in subsection (1), the Central Bank shall submit to the Minister a report on such external reserve position and the causes which have led or may lead to such decline, together with the recommendations as to the measures that it considers necessary to forestall or otherwise remedy the situation.
- (3) Until such time as, in its opinion, the situation has been rectified, the Central Bank shall make further reports and recommendations at intervals not exceeding six months.

## **PART V                    OPERATIONS**

### **32                    Relations with Government**

- (1) The Central Bank:
  - (a) shall act as adviser to the Minister on monetary and banking policy;
  - (b) may act generally as agent for the Government in matters other than those referred to in paragraph (d) where it can do so appropriately and consistently with its functions under this Act;
  - (c) shall, upon designation by the Minister, serve as the depository and fiscal agency of, and the institution through which dealings shall be conducted with, international financial institutions of which Solomon Islands is, or becomes, a member;
  - (d) shall act as a banker to the Government and shall, except as the Central Bank may otherwise decide, provide all normal banking services to the Government.
- (2) The Minister may from time to time, after consultation with the Governor, give to the Central Bank in writing such directions as appear to the Minister to be necessary in the public interest.
- (3) Whenever in the opinion of the Central Bank a development or event takes place which endangers, or is in any way likely to affect adversely, the attainment of its objects under this Act, the Central Bank shall make a report to the Government drawing attention to such development or event, analysing its cause, and if it sees fit, recommending measures it considers appropriate to be taken by the Government or the Central Bank.

### **33                    Central Bank may prescribe reserves**

- (1) The Central Bank may from time to time prescribe by notice (a copy of which notice it shall submit or cause to be submitted to the principal place of business in Solomon Islands of each commercial bank, or each financial institution or both, as the case may be) the maintenance of reserves, including marginal reserves, against deposit and other similar liabilities which shall be specified for this

purpose.

- (2) Reserves referred to in subsection (1) shall be maintained in the form of holdings of Solomon Islands currency notes and coin or of deposits with the Central Bank or in such other manner as the Central Bank may prescribe or in such proportions of each of the foregoing as the Central Bank may from time to time prescribe.
- (3) The Central Bank may prescribe different ratios for different classes of deposit and other similar liabilities and shall prescribe the method of their computation;
- (4) The Central Bank may impose on any commercial bank or financial institution which fails to maintain the appropriate prescribed level of reserves a levy of one-tenth of one per cent per day of the amount of the deficiency in prescribed reserves until such time as the deficiency is corrected:

Provided that:

- (a) the Central Bank shall not require a commercial bank or financial institution to hold a total amount of reserves in excess of forty per cent of that commercial bank's or that financial institution's total deposit and other similar liabilities in respect of which reserves have been prescribed under this section;
- (b) the prescribed ratios shall be uniform for all institutions of the same class; and
- (c) the initial prescription of, and any change in, the reserve ratios shall only be effective after reasonable notice, being not less than thirty days, and shall not relate to a period prior to the initial date of notice.

#### **34 Regulation of interest and credit**

- (1) The Central Bank may, with the approval of the Minister, specify, in respect of any or all commercial banks and financial institutions, by notice published in the *Gazette* and by written notice to the principal place of business in Solomon Islands of each commercial bank and financial institution affected thereby:

- (a) the maximum rates, minimum rates and method of computation of interest payable in respect of any class of deposit and similar liabilities;
- (b) the permissible purposes, aggregate ceilings, maximum amounts beyond which the approval of the Central Bank is necessary, minimum cash margin or security, maximum maturities, and maximum and minimum interest rates chargeable in respect of:
  - (i) the making of any class of advances, whether by loans or overdrafts, and investments;
  - (ii) the discounting of any class of bills of exchange, promissory notes and other commercial, industrial, agricultural or financial paper;
  - (iii) the issuing of any class of letters of credit;
  - (iv) the granting of any class of acceptance and other forms of credit;
- (c) the minimum and maximum commissions, service charges and other fees which may be levied on any class of transactions with the public;
- (d) the manner of disclosure to the public and to:
  - (i) each depositor of the effective annual interest rate payable in respect of deposits made therewith;
  - (ii) each person to whom credit is extended of the terms of obtaining such credit, including the effective annual interest rate payable in respect thereof;

Provided that the Central Bank in notices under this section may differentiate in respect of the aforesaid items between:

- (i) commercial banks and financial institutions or classes thereof; and
- (ii) other creditors referred to in subsection (2), or classes thereof, or members of such classes.

- (2) With the approval of the Minister, all or any of the provisions of subsection (1) may be made applicable by the Central Bank, by notice published in the *Gazette* and by written notice served on the person affected thereby, to any person a substantial share of whose operations, in the opinion of the Central Bank, includes the extension of credit.
- (3) The Central Bank may call for and examine the accounts, books and papers of any person who, it has reason to believe, is extending or has extended credit and to whom the Central Bank considers the provisions of subsection (1) should be applied under subsection (2).
- (4) Any notice issued under this section shall come into effect on such date as is specified therein but in any case not earlier than thirty days after the date of publication in the *Gazette*.
- (5) Any commercial bank or financial institution which fails to comply with the provisions of a notice issued under subsection (1) shall be guilty of an offence and liable on conviction to a fine of fifty thousand dollars.
- (6) Any person to whom the provisions of subsection (1) have been made applicable, pursuant to subsection (2), and who:
  - (a) fails to comply with a notice issued under subsection (1);
  - (b) knowingly supplies false information to the Central Bank; or
  - (c) fails to furnish, within the time prescribed by the Central Bank, any documents called for by the Central Bank under subsection (3),shall be guilty of an offence and liable:
  - (i) in respect of an offence under sub-paragraphs (a) or (b) to a fine of fifty thousand dollars;
  - (ii) in respect of an offence under sub-paragraph (c), to a fine of one thousand dollars for every day during which such offence has continued.

**35 Regulation of foreign currency position**

The Central Bank may with the approval of the Minister, from time to time prescribe:

- (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.

**36 Provision of information by commercial banks and financial institutions**

The Central Bank may require any commercial bank or financial institution to furnish, within such time and in such form as the Central Bank considers necessary, such information as the Central Bank considers necessary to enable the Central Bank to carry out its duties under this Act or any other law:

Provided that information regarding the account, or regarding any matter or thing relating to the affairs, of any individual depositor or other customer of a commercial bank or financial institution may not be required by the Central Bank by virtue of the provisions of this section.

**37 General powers of the Central Bank**

Subject to the provisions of this Act, the Central Bank may for the purpose of the performance of its functions under this Act:

- (a) buy and sell gold coin and bullion;
- (b) open accounts for and accept deposits payable on demand or after fixed periods not exceeding one year from financial institutions, statutory corporations and the Treasury;
- (c) open and maintain accounts with such depositories, and appoint such correspondents or agents as may be necessary for the effective operation and management of the Central

Bank;

- (d) buy and sell Treasury bills, Treasury notes and other securities issued by or guaranteed by such foreign governments, international financial institutions, or foreign public or statutory bodies as the Minister may approve;
- (e) buy and sell Treasury bills maturing in not more than three hundred and sixty-five days and other securities issued by or guaranteed by the Government or any statutory corporation maturing within ten years:
- (f) make deposits with commercial banks for a fixed period not exceeding one year:

Provided that the Central Bank may, with the approval of the Minister make such deposit for any specific purpose for a period exceeding one year;

- (g) grant loans and advances to holders of accounts with it for fixed periods not exceeding one year on the security of all or any of the following:
  - (i) gold coin or bullion;
  - (ii) Treasury bills issued by the Government;
  - (iii) securities issued or guaranteed by the Government;
  - (iv) any other assets specified in section 30:

Provided that the Central Bank may, with the approval of the Minister, grant such loans or advances for any specific purpose for a period exceeding one year;

- (h) with the approval of the Minister purchase, hold and sell shares in any corporation set up with the approval of the Government for the purpose of facilitating the financing of development:

Provided that the total value of any such holding of such shares shall not at any time exceed an amount equivalent to twenty per centum of the paid-up capital and reserve;

- (i) 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;
- (j) as agent for the Government, undertake the issue, placement and service of any Government securities and act as registrar for such issues of Government securities;
- (k) 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;
- (l) subject as is expressly provided in this Act, do all such things as are incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act.

### **38 Advances to Government**

- (1) The Central Bank may grant temporary advances to the Government in respect of temporary deficiencies of current budget revenue, subject to repayment within six months following the end of the financial year in which they were granted, at such rates of interest as the Board may determine.
- (2) If at the end of any financial year, any advance remains unpaid within the period specified in the last preceding subsection, such advance shall be taken into account when determining the maximum advances that may be made under such subsection in the following year.
- (3) Without limiting the generality of subsection (1), the Central Bank is expressly authorised to make advances to the Government, on such terms and conditions as may be agreed, in respect of subscriptions and other payments resulting from, or incidental to, the membership of Solomon Islands in any international financial institution, the participation of Solomon Islands in any account thereof, and any transactions and operations undertaken in connection therewith.

## **39 Consultations**

- (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 commercial 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.

## **40 Limitation on advances**

- (1) Except in accordance with this section and section 38 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:

Provided that this section shall not operate to prevent the acquisition by the Central Bank of securities in accordance with subsection (2) of section 45 or its making advances in accordance with subsection (3) of section 38.

- (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 44, subsection (2) of section 45 and subsection (3) of section 38 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).

- (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 the National Parliament at the meeting next following the date on which such directions were issued.

## **41 Prohibited activities**

Except as expressly authorised by this Act the Central Bank may not :

- (a) engage in trade or otherwise have a direct interest in any

commercial, agricultural, industrial or other undertaking except such interest as the Central Bank may acquire in the course of the satisfaction of debts due to it, so, however, that it shall be the duty of the Central Bank to dispose of any such interest so acquired at the earliest suitable opportunity;

- (b) save as provided for in paragraph (h) of section 37 purchase shares of any corporation or company including the shares of any commercial bank;
- (c) make loans to any person, so, however, that the Central Bank shall not be precluded from making loans secured by first mortgages or otherwise to an officer or servant of the Central Bank for the purchase of a residence or for such other purpose as may be approved by the Central Bank;
- (d) purchase, acquire or lease real property except in so far as the Board considers necessary or expedient for the provision or future provision of business premises for the Central Bank or its branches, or of residences for officers or servants of the Central Bank or of any other requirement incidental to the performance of its functions under this Act.

## **PART VI            ACCOUNTS AND STATEMENTS**

### **42            Financial year**

The financial year of the Central Bank shall end on the thirty-first day of December.

### **43            Valuation of securities**

- (1) The value of securities held in the name of or on behalf of the Central Bank shall, for the purposes of this Act, be calculated by reference to the latest known market price of such securities:

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.

- (2) Except to the extent that any provision is made under section 19 for

the depreciation of investments in determining the profit of the Central Bank, any alteration during the period of six months ending 30th June or 31st December in any year in the value of the securities held in the name of or on behalf of the Central Bank together with any capital profit or loss resulting from the sale or maturity of such securities during such period shall represent an accrual to or a charge upon the General Reserve, as the case may be, and shall not be deemed to be a profit or loss for the purposes of the calculation of the net profits of the Central Bank in accordance with section 19.

#### **44           Deficiency of assets to be covered by Government**

If at any time the total assets of the Central Bank shall be less than the total liabilities of the Central Bank, notwithstanding any other provisions of this Act, the Government shall cause to be transferred to the Central Bank non-negotiable non-interest-bearing securities issued by the Government to the extent of the deficiency.

#### **45           Revaluation Reserve Account**

- (1) The gains arising from any change in the valuation of the Central Bank's assets or liabilities in, or denominated in, gold, foreign currencies or other units of account as a result of alterations of the external value of the currency of Solomon Islands, or of any change in the values, parities or exchange rates of such assets or liabilities with respect to the currency of Solomon Islands other than gains arising from normal trading activity of the Central Bank, shall be credited to a Revaluation Reserve Account and neither they nor the losses arising from any such change other than losses arising from normal trading activity of the Central Bank shall be included in the computation of the annual profits or losses of the Central Bank.
- (2) The losses arising from any such change other than losses arising from normal trading activity shall be set off against any credit balance in the Revaluation Reserve Account and, notwithstanding any other provision of this Act, if such balance is insufficient to cover such losses, the Government shall issue to the Central Bank non-negotiable non-interest bearing securities to the extent of the deficiency.
- (3) Any credit balance in the Revaluation Reserve Account at the end of each financial year of the Central Bank shall be applied first, on

behalf of the Government, to the redemption of all securities issued and outstanding under the last preceding subsection and section 44.

Any balance remaining after the redemption of such securities shall be carried forward in the accounts of the Central Bank.

- (4) No credits or debits shall be made to the Revaluation Reserve Account except in accordance with the provisions of this section.

#### **46        Audit**

- (1) The accounts of the Central Bank shall be audited annually by auditors appointed by the Board with the approval of the Minister.
- (2) Without prejudice to the provisions of subsection (1) the Minister may at any time require the Auditor-General to examine and report on the accounts of the Central Bank as a whole or any aspect of the Central Bank's operations and the Central Bank shall provide the Auditor-General with all necessary and proper facilities for such an examination.

#### **47        Publication of accounts and annual report**

- (1) The Central Bank shall, within four months after the end of each financial year, cause to be made and transmit to the Minister:
  - (a) a report of the operations of the Central Bank during that year; and
  - (b) a copy of the annual statement of accounts of the Central Bank certified by the auditors appointed under section 46.
- (2) The Minister shall as soon as may be after their receipt:
  - (a) cause a copy of the report and annual statement of accounts to be laid before the National Parliament; and
  - (b) cause a copy of the annual accounts to be published in the *Gazette*.
- (3) The Central Bank shall as soon as may be after:
  - (a) the last working day in March, June, September and December

of each year make up and publish in the Gazette, a statement showing its assets and liabilities at the close of business on such respective day; and

- (b) the last working day in each month transmit a similar statement, to the Minister.



## ENDNOTES

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### KEY

amd = amended	Pt = Part
Ch = Chapter	rem = remainder
Div = Division	renum = renumbered
exp = expires/expired	rep = repealed
GN = Gazette Notice	Sch = Schedule
hdg = heading	Sdiv = Subdivision
ins = inserted	SIG = Solomon Islands Gazette
lt = long title	st = short title
LN = Legal Notice	sub = substituted
nc = not commenced	

### NOTE

This Reprint comprises the Act and amendments as in force on 1 March 1996 and published as Chapter 49 of the Revised Edition of the Laws of Solomon Islands.

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### LIST OF LEGISLATION

#### ***Central Bank of Solomon Islands Act (Cap. 49)***

*Constituent legislation:* 4 of 1976 (Commenced 1 June 1976, 8 March 1977 & 24 October 1977\*) \*Vide LN 45/1976, LN 41/1977 & LN 107/77  
6 of 1977  
LN 46A of 1978  
LN 88 of 1978  
11 of 1979  
19 of 1982  
7 of 1985

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### LIST OF AMENDMENTS