



**AN ACT
(No. 6 of 1997)**

To amend the Bank of Nauru Act 1976 to make provision for the carrying out by the Bank of the functions of a Central Bank and to be responsible for the issue and control of Nauru currency.

(Certified: 13/6/97)

Enacted by the Parliament of Nauru as follows:

SHORT TITLE AND COMMENCEMENT

1(1) This Act may be cited as the Bank of Nauru (Central Banking) Act 1997 and shall come into force on a date to be fixed by the Minister by notice in the Gazette.

(2) The Bank of Nauru Act 1976 is referred to as the Principal Act

(3) The Principal Act as amended by this Act may be referred to as the Bank of Nauru Act 1976-1997

DIVISIONS OF THE PRINCIPAL ACT

2. The Principal Act is amended by dividing the Act into parts which shall be named and include the sections as shown in the schedule.

INCLUSION OF NEW SECTION IN PRINCIPAL ACT

3. The Principal Act is amended by inserting the following heading and section 6A immediately after section 6:

"POWERS OF THE BOARD NOT TO INCLUDE CENTRAL BANK MATTERS

6A The Board of Directors established pursuant to section 6 shall have no right power or duty to exercise on behalf of the Bank any of the functions granted to the Central Bank Board established pursuant to section 20B."

INCLUSION OF NEW PARTS IN THE PRINCIPAL ACT

4. Principal Act is amended by inserting the following Parts and sections:

" PART III - THE CENTRAL BANK

BANK OF NAURU TO ACT AS A CENTRAL BANK

20A(1) In addition to its other powers and functions, the Bank:

- (a) is the central bank of Nauru; and
- (b) shall carry on business as a central bank.

(2) The Bank in the role or carrying out the functions provided by this Part is known as the Central Bank and shall be controlled by a Board known as the Central Bank Board

GOVERNORS OF CENTRAL BANK

20B (1) There shall be a Governor of the Central Bank and 2 Deputy Governors of the Central Bank, who shall be appointed and hold office as provided by this Part.

(2) Subject to this Part the Central Bank shall be managed by the Governor.

(3) A Deputy Governor shall perform such duties as the Governor directs and, in the event of a vacancy in the office of Governor, the Deputy Governor designated by the Minister shall perform the duties of the Governor and shall have and may exercise the powers and functions of the Governor.

MEMBERSHIP OF BOARD

20C (1) The Central Bank Board shall consist of:

- (a) the Governor;
- (b) the Deputy Governors;
- (c) the Secretary for Finance; and

(d) not more than 5 other members, who shall be appointed by Cabinet in accordance with this section.

(2) Of the 5 members appointed under paragraph (1) (d), at least 3 shall be persons who are not officers of the Bank or of the Public Service.

(3) A member appointed under paragraph (1) (d) who is an officer of the Bank or of the Public Service at the time of his or her appointment holds office during the pleasure of the Cabinet.

(4) A member appointed under paragraph (1) (d) who is not an officer of the Bank or of the Public Service:

- (a) shall, subject to subsection (5), be appointed for a period of 3 years but is eligible for re-appointment; and
- (b) holds office subject to good behaviour.

(5) If a member of the Central Bank Board appointed under this section for a specified period ceasing to hold office before the expiration of that period and the appointment in his place of a person other than an officer of the Bank or of the Public Service, the period of that appointment shall be the remainder of the period of office of the member so ceasing to hold office.

REMUNERATION OF MEMBERS

20D(1) A member of the Central Bank Board shall be paid such remuneration as is determined by Cabinet.

(2) A member of the Central Bank Board shall be paid such allowances as are prescribed.

(4) A reference in this section to a member of the Central Bank Board does not include a reference to the Governor or a Deputy Governor.

DECLARATION BY MEMBERS

20E. A member of the Board shall, before entering upon his or her duties or exercising any power under this Act, make, before a Magistrate or a Commissioner for taking Affidavits, an oath or affirmation in the form and to the effect of that in the First Schedule to the Constitution by replacing references therein to the Cabinet to the Central Bank.

DISQUALIFICATIONS FROM MEMBERSHIP

20F(1) A person who is a director, officer or employee of a corporation the business of which is wholly or mainly that of

banking (other than the Bank) is not capable of appointment, or of continuing to act, as a member of the Central Bank Board.

TERMINATION OF APPOINTMENT

20G(1) If a member of the Central Bank Board appointed under paragraph 20C (1) (d):

- (a) becomes permanently incapable of performing his or her duties;
- (b) becomes bankrupt, applies to take the benefit of any law (whether in Nauru or elsewhere) for the relief of bankrupt or insolvent debtors, compounds with his or her creditors or makes an assignment of his or her remuneration for their benefit;
- (c) resigns his or her office by writing under his or her hand addressed to the Minister;
- (d) is absent, except on leave granted by the Central Bank Board in, from all meetings of the Central bank Board held during 2 consecutive months or during any 3 months in any period of 12 months; or
- (e) fails to comply with his or her obligations under subsection 20H (3) or section 20N;

the Cabinet must terminate his or her appointment.

(2) In this section, "month" means any of the 12 months of the year.

LEAVE OF ABSENCE

20H(1) This section applies to a member appointed under paragraph 20C(1)(d).

(2) The Central Bank Board may grant to a member leave of absence from a meeting of the Central Bank Board.

(3) A member must not take part in a decision of the Central Bank Board granting, or refusing to grant, leave to the member.

CHAIRMAN AND DEPUTY CHAIRMAN

20J The Governor shall be the Chairman of the Board and the Deputy Governor designated by the Cabinet shall be the Deputy Chairman of the Board.

MEETINGS OF BOARD

20K (1) The Central Bank Board shall meet at such times and places as the Central Bank Board determines or as the Chairman or the Deputy Chairman directs.

(2) Subject to section 20L, the Chairman shall preside at all meetings of the Central Bank Board at which he or she is present and, in the absence of the Chairman, the Deputy Chairman shall preside.

(3) 3 members form a quorum at a meeting of the Central Bank Board.

(4) Questions arising at a meeting of the Central Bank Board shall be decided by a majority of the votes of the members present and voting.

(5) The member presiding at a meeting of the Central Bank Board shall have a deliberative vote and, in the event of an equality of votes, shall also have a casting vote.

EXCLUSION OF GOVERNOR AND DEPUTY GOVERNOR FROM CERTAIN DELIBERATIONS

20L (1) The Governor and the Deputy Governors shall not be present during any deliberation of the Central Bank Board, or take part in any decision of the Central Bank Board, in relation to the determination or application of any terms or conditions on which the Governor or a Deputy Governor holds office.

(2) Where the Governor and the Deputy Governors are required by subsection (1) not to be present during deliberations of the Board, the members present shall appoint one of their number to preside.

OFFICER OF THE DEPARTMENT OF FINANCE MAY ATTEND MEETINGS OF BOARD

20M An officer of the Department of Finance nominated in writing for the purpose by the Secretary for Finance may attend a meeting of the Board at which the Secretary is not present and, where the officer attends a meeting pursuant to this section, the officer shall, for the purposes of this Part, be deemed to be a member of the Board.

DISCLOSURE OF INTEREST IN CONTRACTS

20N. (1) A member of the Central Bank Board who is directly or indirectly interested in a contract made, or proposed to be made, by the Central Bank, shall disclose the nature of the member's interest at the first meeting of the Central Bank Board at which the member is present after the relevant facts have come to the knowledge of the member.

(2) A disclosure under subsection (1) shall be recorded in the minutes of the Central Bank Board and, after the disclosure, the member of the Central Bank Board:

- (a) shall not take part in any deliberation or decision of the Central Bank Board with respect to that contract; and
- (b) shall be disregarded for the purpose of constituting a quorum of the Central Bank Board for any such deliberation or decision.

TERMS AND CONDITIONS OF EMPLOYMENT NOT PROVIDED FOR BY ACT OR REGULATIONS

20P The Governor and the Deputy Governors hold office on such terms and conditions (including terms and conditions relating to remuneration and allowances) in relation to matters not provided for by this Act or the Regulations as are determined by the Board.

VACATION OF OFFICE

20Q If the Governor or a Deputy Governor:

- (a) becomes permanently incapable of performing his or her duties;
- (b) engages in any paid employment outside the duties of his or her office (except as has been agreed by Cabinet at the time of his or her appointment);
- (c) becomes bankrupt, applies to take the benefit of any law (whether in Nauru or elsewhere) for the relief of bankrupt or insolvent debtors, compounds with his or her creditors or makes an assignment of his or her salary for their benefit; or
- (d) resigns his office by writing under his hand addressed to the Minister;

the Cabinet must terminate his or her appointment.

BOARD MAY ACT DESPITE VACANCY

20R The Central Bank Board may act notwithstanding a vacancy in its membership but if its membership falls below two for a

period of more than 90 days it shall not act until its number is increased to at least three.

DUTIES OF THE BOARD

20S(1) Subject to this Act, and so far as it is possible so to do within the limits of its powers, the duty of the Central Bank Board shall be to:

- (a) determine the policy of the Central Bank in relation to any matter and to take such action as is necessary to ensure that effect is given by the Central Bank to the policy so determined.
- (b) ensure that the monetary and banking policy of the Central Bank is directed to the greatest advantage of the people of Nauru and that the powers of the Central Bank under this Act, the Banking Act 1975 and the regulations thereunder are exercised in such a manner as, in the opinion of the Central Bank Board, will best contribute to:
 - (i) the stability of the currency of Nauru;
 - (ii) the maintenance of full employment in Nauru; and
 - (iii) the economic prosperity and welfare of the people of Nauru.

DIFFERENCES OF OPINION ON QUESTIONS OF POLICY

20T (1) The Central Bank Board shall, from time to time, inform the Cabinet of the monetary policy of the Central Bank.

(2) In the event of a difference of opinion between the Cabinet and the Central Bank Board whether that policy is directed to the greatest advantage of the people of Nauru, the Minister and the Central Bank shall endeavour to reach agreement.

(3) If the Minister and the Central Bank Board are unable to reach agreement, the Central Bank Board shall forthwith furnish to the Minister a statement in relation to the matter in respect of which the difference of opinion has arisen.

(4) The Minister may then submit a recommendation to the Cabinet, and the Cabinet may, by order, determine the policy to be adopted by the Central Bank.

(5) The Minister shall inform the Central Bank Board of the policy so determined and shall, at the same time, inform the Central Bank Board that the Cabinet accepts responsibility for the adoption by the Central Bank of that policy and will take such

action (if any) within its powers as the Cabinet considers to be necessary by reason of the adoption of that policy.

(6) The Central Bank Board shall thereupon ensure that effect is given to the policy determined by the order and shall, if the order so requires, continue to ensure that effect is given to that policy while the order remains in operation.

(7) The Minister shall cause to be laid before the Parliament, within 3 sitting days after the Minister has informed the Central Bank Board of the policy determined under subsection (4):

- (a) a copy of the order determining the policy;
- (b) a statement by the Cabinet in relation to the matter in respect of which the difference of opinion arose; and
- (c) a copy of the statement furnished to the Minister by the Central Bank Board under subsection (5).

BANK TO BE BANKER FOR REPUBLIC OF NAURU

20U. The Central Bank shall, in so far as Cabinet requires it so to do, act as banker and financial agent of Nauru.

RESERVE FUND

20V. (1) The Bank shall have a reserve fund (to be called the Central Bank Reserve Fund), which shall consist of such sums as are placed to its credit from the Treasury Fund by the Republic out of moneys appropriated for the purpose by Act of Parliament.

(2) The Central Bank Board may, from time to time, transfer from the Central Bank Reserve Fund to the General Reserve Fund such sums as the Central Bank Board with the approval of the Minister determines.

PUBLICATION OF FOREIGN EXCHANGE RATES

20W. The Central Bank shall publish, at least weekly, its telegraphic transfer rates of exchange for foreign currency expressed in terms of Nauru money.

ACTS OF THE CENTRAL BANK TO BE BINDING

20X(1) All lawful decisions and actions of the Board of the Central Bank and of the Central Bank shall be binding in all respects upon the Bank and the Board established by section 6 and shall be actions of the Bank

(2) No member of the Board established by Section 6 shall be responsible in any way for any actions of the Central Bank Board unless and to the extent that that person is also a member of the Central Bank Board.

CENTRAL BANK SEAL

20Y The Central Bank shall have a seal which shall be a copy of the seal of the bank but including the words "Central Bank" and shall only be used by and with the authority of the Central Bank Board and shall only be affixed in the presence of the Governor or a Deputy Governor and a member of the Central Bank Board.

PART IV - THE NOTE ISSUE

ISSUE, RE-ISSUE AND CANCELLATION OF NOTES

20Z.(1) Subject to this Act, the Central Bank may:

- (a) issue Nauru notes;
- (b) re-issue Nauru notes; and
- (c) cancel Nauru notes.

(2) Nauru notes shall with the approval of the Minister, be printed in the name of the Republic by, or under the authority of, the Central Bank.

DENOMINATIONS OF NOTES

20AA. Nauru notes may be issued in any of the following denominations, namely, Five dollars, Ten dollars, Twenty dollars, Fifty dollars or One Hundred dollars or in any other denomination that the Minister, by instrument in writing published in the Gazette, determines.

NOTES TO BE LEGAL TENDER

20AB. Nauru notes are a legal tender in Nauru.

SIGNATURE ON NOTES

20AC. (1) The Nauru notes issued in pursuance of this Part shall bear the signature of the Governor and the signature of the Minister or the Secretary for Finance or of such other officer of the Department of Finance as the Minister directs.

(2) The signatures may be made in the handwriting of those persons or may be made by engraving or by any other process determined by the Central Bank.

BANK NOT TO ISSUE BANK NOTES

20AD. The Central Bank shall not issue bills or notes (other than Nauru notes) intended for circulation as money.

OTHER PERSONS NOT TO ISSUE NOTES

20AE. A person shall not issue a bill or note for the payment of money payable to bearer on demand and intended for circulation.
Penalty: \$1,000.

PART VI - THE CENTRAL BANK SERVICE

APPOINTMENT OF OFFICERS

20AF(1) The Central Bank may appoint such officers as are necessary for the purposes of this Act.

(2) The officers appointed under this Part shall constitute the Central Bank Service.

(3) Subject to this Part and to the regulations, officers hold office on such terms and conditions as the Central Bank determines.

TEMPORARY AND CASUAL EMPLOYEES

20AG(1) The Bank may appoint such temporary and casual employees as are necessary for the purposes of this Act.

(2) Employees so appointed shall be employed on such terms and conditions as the Central Bank determines.

REQUIREMENTS FOR APPOINTMENT

20AH(1) A person shall not be appointed under this Act to the Central Bank Service unless:

- (a) he or she is a Nauruan citizen;
- (b) he or she makes and subscribes, before a Magistrate or a Commissioner for taking Affidavits, an oath or affirmation in the form and to the effect of that in the First Schedule to the Constitution by replacing references therein to the Cabinet to the Central Bank; and

(c) the Central Bank is satisfied as to his or her health and physical fitness.

(2) Where, in the opinion of the Central Bank, it is desirable to do so for the more efficient operation of the Central Bank Service or it is otherwise in the public interest to do so, the Central Bank may, in writing, waive, for a specified period or otherwise, the requirements for appointment referred to in paragraphs (1) (a) and (b) in relation to:

(a) the appointment of a specified person to any position in the Central Bank Service; or

(b) the appointment of any person to a specified position, or a position included in a specified class of positions, in the Central Bank Service.

REGULATIONS FOR RESERVE BANK SERVICE

20AJ. The regulations may make provision in relation to the Central Bank Service and, in particular, may prescribe the terms and conditions of employment of officers.

BORROWING BY OFFICERS

20AK(1) Subject to this section, the Bank shall not lend money to an officer.

(2) The Bank may lend money to an officer:

(a) for the purchase, erection, alteration, renovation or enlargement of a home in which he or she resides or intends to reside; or

(b) to discharge a mortgage, charge or encumbrance on such a home.

(3) The Bank may, where the Governor is satisfied that special circumstances exist, lend to an officer, upon such terms and conditions as the Governor thinks fit, money not exceeding at any one time \$1,000.

LIST OF OFFICERS

20AL(1) The Central Bank shall, from time to time and whenever the Minister so directs, prepare a list of all officers, together with such particulars as the Minister requires, and shall circulate copies of the list among the officers.

(2) The Central Bank shall forward a copy of the list to the Minister for presentation to the Parliament. "

SCHEDULE (Section 2)

Section	Part	Heading
1-3	I	PRELIMINARY
4-20	II	FORMATION AND MANAGEMENT OF THE BANK
20A-20Y	III	THE CENTRAL BANK
20Z-20AE	IV	THE NOTE ISSUE
20AE-20AL	V	THE CENTRAL BANK SERVICE
21-30	VI	FINANCIAL
31-35	VII	MISCELLANEOUS