

No. 10 of 2024.

*Central Banking (Amendment) Act 2024.*

Certified on : 09 DEC 2024



No. 10 of 2024.

*Central Banking (Amendment) Act 2024.*

**ARRANGEMENT OF SECTIONS.**

1. Interpretation (Amendment of Section 3).  
“Committee”  
“monetary liabilities”.

2. Repeal and replacement of Section 7.

**“7. OBJECTIVES OF THE CENTRAL BANK.”.**

3. Functions of the Central Bank (Amendment of Section 8).

4. Repeal and replacement of Section 10.

**“10. MONETARY POLICY COMMITTEE.”.**

5. New Sections 10A, 10B, 10C, 10D, 10E, 10F AND 10G.

**“10A. MEMBERSHIP OF THE MONETARY POLICY COMMITTEE.**

**10B. DISQUALIFICATION OF NON *EX-OFFICIO* MEMBER OF THE  
MONETARY POLICY COMMITTEE.**

**10C. MONETARY POLICY COMMITTEE INDEPENDENCE.**

**10D. DISCLOSURE OF INTEREST.**

**10E. FEES AND EXPENSES OF NON *EX-OFFICIO* MEMBERS.**

**10F. RESPONSIBILITY FOR FORMULATION AND IMPLEMENTATION OF  
MONETARY POLICY.**

**10G. MEETINGS OF THE MONETARY POLICY COMMITTEE.”.**

6. Repeal and replacement of Section 11.

**“11. MONETARY POLICY STATEMENTS.”.**

7. Liaison between the Central Bank and the department responsible for treasury matters (Amendment of Section 14).

8. Repeal and replacement of Section 14A.

**“14A. LIAISON BETWEEN THE MONETARY POLICY COMMITTEE AND THE MINISTER RESPONSIBLE FOR TREASURY MATTERS.”.**

9. Duties of the Governor (Amendment of Section 16).
10. New Sections 16A and 16B.

**“16A. DUTY OF THE GOVERNOR TO REPORT.**

**16B. AUTHORITY OF THE GOVERNOR, BOARD AND COMMITTEE.”.**

11. Deputy Governor or Deputy Governors (Amendment of Section 19).
12. Repeal and replacement of Section 21.

**“21. VACANCY IN THE OFFICE OF GOVERNOR.”.**

13. Functions of the Board (Amendment of Section 26).
14. Extraordinary vacancies (Amendment of Section 30).
15. Disqualification of members of the Board (Amendment of Section 31).
16. Meetings of the Board (Amendment of Section 32).
17. Audit and risk committee (Amendment of Section 34A).
18. Governance committee (Amendment of Section 34B).
19. Budget and investment committee (Amendment of Section 34C).
20. New Section 34D.

**“34D. COMMITTEE MEETINGS.”.**

21. Repeal and replacement of Section 35.

**“35. FEES AND EXPENSES OF MEMBERS.”.**

22. New Section 37A.

**“37A. APPOINTMENT AND TERMS AND CONDITIONS OF THE INTERNAL AUDITOR.”.**

23. Capital (Amendment of Section 41).
24. Repeal and replacement of Section 42.

**“42. RESERVE AND REVALUATION ACCOUNTS.”.**

25. Repeal and replacement of Section 44.

**“44. ANNUAL REPORTS AND ACCOUNTS.”.**

26. Contents of financial statements (Amendment of Section 45).
27. Auditors (Amendment of Section 47).
28. Performance audit (Amendment of Section 48).

29. Repeal and replacement of Section 49.

**“49. DEALING WITH PROFITS.”**

30. Repeal and replacement of Section 50.

**“50. ALLOCATION OF DISTRIBUTABLE EARNINGS.”**

31. Advances to the Government (Amendment of Section 55).

32. Official value of monetary unit (Amendment of Section 58).

33. Repeal and replacement of Section 76.

**“76. CENTRAL BANK LENDER OF LAST RESORT.”**



No. 10 of 2024.

AN ACT

entitled

***Central Banking (Amendment) Act 2024,***

Being an Act to amend the *Central Banking Act 2000*, and for related purposes,

MADE by the National Parliament.

**1. INTERPRETATION (AMENDMENT OF SECTION 3).**

Section 3 of the Principal Act is amended by -

- (a) inserting immediately after the definition of “Central Bank” the following new definition:

““Committee” means the Monetary Policy Committee;” and

- (b) inserting immediately after the definition of “liquid assets” the following new definition:

““monetary liabilities” means the currency in circulation, deposits and financial claims by residents against the Central Bank, except the Central Bank liabilities to the State;”.

**2. REPEAL AND REPLACEMENT OF SECTION 7).**

The Principal Act is amended by repealing Section 7 and replacing it with the following new section:

**“7. OBJECTIVES OF THE CENTRAL BANK.**

For the advancement of the people of Papua New Guinea, the Central Bank’s objectives are -

- (a) to achieve and maintain price stability as the primary objective; and  
(b) to the extent not inconsistent with Subsection (a) and as secondary objectives -  
(i) to ensure financial stability; and  
(ii) to promote sustainable medium term economic growth, especially in the non-mineral and non-petroleum sector; and  
(iii) to promote the development of the financial sector of Papua New Guinea’s financial system.”.

*Central Banking (Amendment)*

**3. FUNCTIONS OF THE CENTRAL BANK (AMENDMENT OF SECTION 8).**

Section 8 of the Principal Act is amended by repealing Subsection (1) and replacing it with the following new subsection:

- “(1) In the pursuance of its objectives, the Central Bank may -
- (a) formulate and implement monetary policy; and
  - (b) issue currency; and
  - (c) act as an efficient and responsive banker and financial agent to the Government; and
  - (d) regulate banking, credit, insurance and other financial services empowered by this Act or by any other law; and
  - (e) manage the gold, foreign exchange and other international reserves of Papua New Guinea; and
  - (f) promote and oversee an efficient national and international payment system; and
  - (g) formulate financial regulation and prudential standards; and
  - (h) perform any function conferred on it by or under any international agreement to which Papua New Guinea is a party; and
  - (i) perform any other function conferred on it by or under any other law in Papua New Guinea.”.

**4. REPEAL AND REPLACEMENT OF SECTION 10.**

The Principal Act is amended by repealing Section 10 and replacing it with the following new section:

**“10. MONETARY POLICY COMMITTEE.**

A Monetary Policy Committee is hereby established.”.

**5. NEW SECTIONS 10A, 10B, 10C, 10D, 10E, 10F AND 10G.**

The Principal Act is amended by inserting immediately after Section 10, the following new sections:

**“10A. MEMBERSHIP OF THE MONETARY POLICY COMMITTEE.**

- (1) The Monetary Policy Committee consists of -
- (a) the Governor, who shall serve as the Chair of the Committee, *ex-officio*; and
  - (b) the Deputy Governor responsible for policy, *ex-officio*; and
  - (c) three non *ex-officio* members who are to be appointed by the Head of State, acting on the advice of the Minister responsible for treasury matters, by notice in the National Gazette.
- (2) The persons in Subsection (1)(c) must -
- (a) be of good moral standing; and
  - (b) be of generally recognised standing and professional economic experience.
- (3) One member of the three non *ex-officio* members in Subsection (1)(c) must be a non-resident and be recognised as a monetary policy expert, while the other two members must be resident members and do not need to be monetary policy experts.
- (4) The non *ex-officio* members referred to in Subsection (1)(c) -
- (a) shall hold office for a term of four years; and

*Central Banking (Amendment)*

- (b) may, at any time, resign from office by notice in writing to the Governor;  
and
- (c) may only be re-appointed to the Committee once.

(5) Where a member of the Committee dies, resigns, or is removed from office, that office shall become vacant.

- (6) A member is considered to have resigned from office where that member -
  - (a) is prohibited by Section 31 from holding office as a member; or
  - (b) fails, without the Committee's consent, to attend three consecutive meetings of the Committee.

(7) When the office of a non *ex-officio* member referred to in Subsection (1)(c) becomes vacant, a person shall be nominated and appointed to fill the vacancy by the Head of State, acting on the advice of the Minister responsible for Treasury matters, by notice in the National Gazette.

**10B. DISQUALIFICATION OF NON *EX-OFFICIO* MEMBER OF THE MONETARY POLICY COMMITTEE.**

- (1) A person shall not be appointed or re-appointed to the Committee if that person -
  - (a) is a member of Parliament; or
  - (b) is a member of the Central Bank Board; or
  - (c) is an insolvent who has not obtained a final order of discharge, or whose order of discharge has been suspended for a term not yet expired, or is subject to a condition not yet fulfilled; or
  - (d) is a person who is convicted of any offence punishable by imprisonment;  
or
  - (e) is a person who would be prohibited from being a director or member or promoter of, or in any way whether directly or indirectly taking part in the management of, a company under any law; or
  - (f) has a conflict of interest relating to financial institutions under the supervision of the Bank of Papua New Guinea; or
  - (g) is or becomes a person whose affairs are administered under any law relating to mental health.

(2) A non *ex-officio* member of the Committee is considered to have resigned where that person is prohibited by law or by an order of Court from continuing to hold office under this section and the Minister shall, as soon as possible after the occurrence of such an event, publish the reason for the vacation of the office in the National Gazette.

- (3) Where, in the reasonable opinion of the Minister, following consultation with the Governor, a non *ex-officio* member of the Committee who -
  - (a) is incapable of performing his duties; or
  - (b) is in breach of his conditions of appointment as set out in Subsection (1);  
or
  - (c) is guilty of conduct prejudicial to the performance of the duties of his office; or

*Central Banking (Amendment)*

(d) has voted on a matter in which he had a conflicting interest; or  
(e) has failed to provide a rationale as required under Section 11,  
the Minister shall, by written notice, advise the member that the Minister intends to terminate the member and the reason for the termination.

(4) Within 14 days of the receipt of a notice under Subsection (4), the member may reply in writing to the Minister.

(5) The Minister responsible for treasury matters shall consult with the Governor -  
(a) as to the reason for termination; and  
(b) if a response was received from the member,  
and where appropriate, advise the Head of State to remove the member from office.

**10C. MONETARY POLICY COMMITTEE INDEPENDENCE.**

Members of the Committee shall not be subject to the direction or control of any person including the Board and the Government.

**10D. DISCLOSURE OF INTEREST.**

(1) A member of the Committee, who has a direct or indirect interest in a matter that is being considered or is proposed to be considered by the Committee, shall disclose the nature of his interest at the first meeting of the Committee at which he is present after the relevant facts have come to his knowledge.

(2) The disclosure shall be recorded in the minutes of the Committee.

(3) The member making the disclosure -  
(a) shall not be present during any deliberation or decision of the Committee with respect to the matter; and  
(b) shall not take part in any deliberation or decision of the Committee with respect to the matter; and  
(c) shall be disregarded for the purpose of constituting a quorum for any such deliberation or decision.

**10E. FEES AND EXPENSES OF NON *EX-OFFICIO* MEMBERS.**

The Central Bank shall pay the non *ex-officio* members of the Committee -

(a) such fees as the Minister, after considering recommendation by the Governor, reasonably determines; and  
(b) pay members reasonable travelling and other expenses incurred in carrying out their duties.

**10F. RESPONSIBILITY FOR FORMULATION AND IMPLEMENTATION OF MONETARY POLICY.**

(1) The Committee is to formulate a monetary policy of the Central Bank and oversee its implementation to achieve and maintain the Central Bank's objectives as defined in Section 7.

## *Central Banking (Amendment)*

(2) The responsibility of the Committee includes, without limitation, and in addition to any other powers conferred by this Act or any other law, the power -

- (a) to set the rate of interest payable on an instrument or instruments issued by the Central Bank or borrowing of the Central Bank; and
- (b) to issue directions to buy, sell and otherwise deal in Kina in such volumes as determined by the Monetary Policy Committee; and
- (c) to issue directions to buy, sell, discount and re-discount bills of exchange, promissory notes, treasury bills and other instruments; and
- (d) to issue directions to buy, sell and otherwise deal in Kina, foreign currency, gold and other precious metals; and
- (e) to issue directions on other operations in financial markets in line with the formulation of monetary policy.

(3) The Governor has the power to do, in the country or elsewhere, all things necessary or convenient to be done to implement monetary policy as formulated and overseen by the Committee.

### **10G. MEETINGS OF THE MONETARY POLICY COMMITTEE.**

(1) The Committee shall meet as often as the business of the Committee requires at such times and places as the Committee determines, however, in any event not less frequently than once every three months.

(2) At a meeting of the Committee, the Chair shall preside, or in the Chair's absence the Deputy-Chair.

(3) At meetings of the Committee, the quorum necessary for the transaction of business is four members, one of which must be the Chair.

(4) Each member of the Committee shall have one vote.

(5) Decisions of the Committee shall be made by a simple majority of the votes of the members present.

(6) If there is a tie in votes among the members of the Committee, the Chair of the Committee shall have a casting vote.

(7) The casting vote of the Chair shall only be exercised to resolve any deadlock in decision-making.

(8) The Committee shall cause minutes of its meetings to be recorded and kept.

(9) Subject to this Act, the Committee may regulate its own meeting procedure.

(10) Meetings may be held virtually, and members may participate in meetings virtually.”.

### **6. REPEAL AND REPLACEMENT OF SECTION 11.**

The Principal Act is amended by repealing Section 11 and replacing it with the following new section:

*Central Banking (Amendment)*

**“11. MONETARY POLICY STATEMENTS.**

(1) The Committee shall issue a policy statement within one day following a meeting of the Committee.

(2) Without limiting the generality of Subsection (1), a policy statement issued under Subsection (1) must contain the following:

- (a) details of decisions, directions and actions taken in that meeting; and
- (b) a report on the meeting of the Committee held prior to the issuance of the Monetary Policy Statement; and
- (c) publication and rationale of individual votes, including -
  - (i) the manner in which they voted; and
  - (ii) each member’s rationale for their vote, which shall clearly articulate the reasons and considerations that influenced the member’s voting decision.

(3) The members may issue joint reasons and considerations for the purposes of Subsection (2)(c)(ii).

(4) The Governor shall -

- (a) submit to the Minister a copy of the Monetary Policy Statement; and
- (b) publish the Monetary Policy Statement on the official website of the Central Bank; and
- (c) promote informed stakeholder discourse and engagement for each Monetary Policy Statement issued under Subsection (1) and Subsection (4).

(5) The Committee must review, assess and subsequently issue a report on the formulation and implementation of the Monetary Policy Statement every five years, starting no later than the year after which this provision comes into effect.”.

**7. LIAISON BETWEEN THE CENTRAL BANK AND THE DEPARTMENT RESPONSIBLE FOR TREASURY MATTERS (AMENDMENT OF SECTION 14).**

Section 14 of the Principal Act is amended by adding after Subsection (2), the following new subsections:

“(3) The Central Bank is to keep the Minister reasonably informed of policies relating to its objectives and functions.

(4) The Central Bank must supply to the Minister any reports or other information relating to the performance of its duties that the Minister reasonably requests.

(5) The reports or information must be supplied at the time and in the manner reasonably required by the Minister.”.

*Central Banking (Amendment)*

**8. REPEAL AND REPLACEMENT OF SECTION 14A.**

The Principal Act is amended by repealing Section 14A and replacing it with the following new section:

**“14A. LIAISON BETWEEN THE MONETARY POLICY COMMITTEE AND THE MINISTER RESPONSIBLE FOR TREASURY MATTERS.**

The Governor is to meet with the Minister on a regular basis to discuss latest economic developments and policies.”.

**9. DUTIES OF THE GOVERNOR (AMENDMENT OF SECTION 16).**

Section 16 of the Principal Act is amended by repealing Subsection (2).

**10. NEW SECTIONS 16A AND 16B.**

The Principal Act is amended by inserting immediately after Section 16, the following new sections:

**“16A. DUTY OF THE GOVERNOR TO REPORT.**

The Governor shall -

- (a) provide an annual report to the relevant Parliamentary Committee detailing the operations and activities of the Central Bank and how they meet the objectives and functions of the Central Bank; and
- (b) appear in person at the request of the Parliamentary Committee; and
- (c) publish the annual report on the Central Bank website.

**“16B. AUTHORITY OF THE GOVERNOR, BOARD AND COMMITTEE.**

The Governor, the Board and the Monetary Policy Committee have the authority as defined in this Act to exercise the Central Bank’s powers for the purposes of achieving the objectives and functions of this Act and implementing the policies of the Central Bank.”.

**11. DEPUTY GOVERNOR OR DEPUTY GOVERNORS (AMENDMENT OF SECTION 19).**

Section 19 of the Principal Act is amended by inserting immediately after Subsection (2), the following new subsection:

“(3) To be eligible for appointment as a Deputy Governor, a person shall be appointed based on -

- (a) a good moral standing; and
- (b) generally recognised standing and professional experience in banking and financial matters.

**12. REPEAL AND REPLACEMENT OF SECTION 21.**

The Principal Act is amended by repealing Section 21 and replacing it with the following new section:

**“21. VACANCY IN THE OFFICE OF GOVERNOR.**

(1) Where -

- (a) the Governor resigns in writing prior to the expiry of his term of office;
- or

*Central Banking (Amendment)*

(b) the office of the Governor becomes vacant for any other reason, the Minister shall designate a Deputy Governor, or in the absence of a Deputy Governor, an Assistant Governor or Director of the Central Bank as the Acting Governor.

(2) The Head of State shall, acting on advice, appoint a person as soon as practicable, to the office of the Governor in accordance with this Act, as soon as the office of the Governor becomes vacant.

(3) Where the Governor takes a temporary leave of absence from office for any purpose -

(a) the Governor shall designate a Deputy Governor, or in the absence of a Deputy Governor another officer of the Central Bank designated by the Governor, as Acting Governor; and

(b) in the absence of an officer designated by the Governor under Paragraph (a),

the Minister shall designate a Deputy Governor or in the absence of a Deputy Governor, another officer of the Central Bank, as the Acting Governor.”.

**13. FUNCTIONS OF THE BOARD (AMENDMENT OF SECTION 26).**

Section 26 of the Principal Act is amended by -

(a) repealing Subsection (1) and replacing it with the following new subsection:

“(1) Subject to this Act, the Board of the Central Bank is responsible -

(a) to determine the policies of the Central Bank; and

(b) to formulate regulations for the financial system for the Governor to implement in accordance with the Central Bank objectives; and

(c) for the general administration of the affairs and business of the Central Bank; and

(d) the approval of the budget and operating plan of the Central Bank; and

(e) for oversight on the management of the Bank, with the exception of the Committee; and

(f) to ensuring a constant review of the performance of the Bank in giving effect to its objectives and carrying out its functions and the use of the resources of the Bank.”; and

(b) repealing Subsection (6) and replacing it with the following new subsection:

“(6) The Board shall issue a Board Charter to prescribe its further working arrangements, consistent with the Act.”.

**14. EXTRAORDINARY VACANCIES (AMENDMENT OF SECTION 30).**

Section 30 of the Principal Act is amended by repealing Subsection (5).

**15. DISQUALIFICATION OF MEMBERS OF THE BOARD (AMENDMENT OF SECTION 31).**

Section 31 of the Principal Act is amended by -

(a) repealing Subsection (2) and replacing it with the following new subsection:

*Central Banking (Amendment)*

“(2) A person shall not be appointed or re-appointed to the office of member of the Board, or hold that office, if that person -

- (a) is a member of Parliament; or
- (b) is an insolvent who has not obtained a final order of discharge, or whose order of discharge has been suspended for a term not yet expired or is subject to a condition not yet fulfilled; or
- (c) is a person who is convicted of any offence punishable by imprisonment; or
- (d) is a person who would be prohibited from being a director, member or promoter of, or in any way whether directly or indirectly taking part in the management of, a company under any law of the Independent State of Papua New Guinea; or
- (e) has a conflict of interest relating to financial institutions under the supervision of the Bank of Papua New Guinea; or
- (f) is or becomes a person whose affairs are administered under any law relating to mental health.”; and

(b) repealing Subsection (4) and replacing it with the following new subsections:

“(4) Where, in the reasonable opinion of the Minister, a member of the Board -

- (a) is incapable of performing his duties; or
- (b) is in breach of his conditions of appointment; or
- (c) is guilty of conduct prejudicial to the performance of the duties of his office; or
- (d) has -
  - (i) voted on a matter in which they had a conflicting interest; and
  - (ii) knew they had a conflict of interest or in the Minister’s opinion should have known they had a conflict of interest, on a matter they voted on,

the Minister shall, by written notice, advise the Board member that the Minister intends to terminate the Board Member and the reason for the termination.

(5) The Board member may reply in writing to the Minister within 14 days of the receipt of a notice under Subsection (3).

(6) The Minister responsible for treasury matters shall consult with the Governor -

- (a) as to the reason for termination; and
- (b) if a response was received on the response from the member, and where appropriate, advise the Head of State to remove the member from the Board.”.

**16. MEETINGS OF THE BOARD (AMENDMENT OF SECTION 32).**

Section 32 of the Principal Act is amended in Subsection (1), by removing the words “three months” and replacing it with the words “two months”.

*Central Banking (Amendment)*

**17. AUDIT AND RISK COMMITTEE (AMENDMENT OF SECTION 34A).**

Section 34A is amended by adding immediately after Subsection (2), the following new subsection:

“(3) The Audit and Risk Committee shall consist only of non-executive Board members.”

**18. GOVERNANCE COMMITTEE (AMENDMENT OF SECTION 34B).**

Section 34B of the Principal Act is amended in Subsection (2), by repealing Paragraph (a) and replacing it with the following new paragraph:

“(a) recommend external members of the Board and Board Subcommittees; and”

**19. BUDGET AND INVESTMENT COMMITTEE (AMENDMENT OF SECTION 34C).**

Section 34C of the Principal Act is amended by repealing Subsections (3) and (4).

**20. NEW SECTION 34D.**

The Principal Act is amended by inserting immediately after Section 34C, the following new section:

**“34D. COMMITTEE MEETINGS.**

- (1) In relation to the Committees under Sections 34A, 34B and this section -
  - (a) there shall be a membership of at least three and quorum of two; and
  - (b) meetings are to be held at least four times a year; and
  - (c) decisions shall be made via consensus, with disagreements to be recorded; and
  - (d) the Board shall appoint a Chair for each committee from external Board members; and
  - (e) at least two members who are not Central Bank employees shall sit on each Committee.
- (2) All Board Committees may meet virtually.”

**21. REPEAL AND REPLACEMENT OF SECTION 35.**

The Principal Act is amended by repealing Section 35 and replacing it with the following new section:

**“35. FEES AND EXPENSES OF MEMBERS.**

The Central Bank shall pay members -

- (a) such fees as the Minister reasonably determines after consultation with the Governor; and
- (b) reasonable travelling and other expenses incurred in carrying out their duties.”

**22. NEW SECTION 37A.**

The Principal Act is amended by inserting immediately after Section 37, the following new section:

**“37A. APPOINTMENT AND TERMS AND CONDITIONS OF THE INTERNAL AUDITOR.**

- (1) The Board shall -
  - (a) after consultation with the Minister; and
  - (b) following recommendation from the Governor; and

*Central Banking (Amendment)*

- (c) on such reasonable terms and conditions as the Board determines; and
- (d) subject to the *Salaries and Conditions Monitoring Committee Act 1988*,

appoint the Internal Auditor.

(2) The Chief Internal Auditor shall be a person with extensive professional experience in the field of accounting or audit.

(3) The Chief Internal Auditor shall be appointed for a term of five years, which may be renewed.

(4) No person shall serve as Chief Internal Auditor for more than 10 years.

(5) The Chief Internal Auditor shall -

- (a) directly report to the Board or to a sub-committee of the Board as directed by the Board on all internal audit matters; and
- (b) report to the Governor for all other matters.

(6) The Internal Auditor shall be disciplined and dismissed by the Board.

**23. CAPITAL (AMENDMENT OF SECTION 41).**

Section 41 of the Principal Act is amended by inserting immediately after Subsection (3), the following new subsection:

“(4) If in the audited annual financial statements of the Central Bank, the value of its assets falls below the sum of its total liabilities and capital accounts, and the unrealised revaluation reserve accounts -

- (a) the Governor shall assess the cause of a situation and the extent of the shortfall and submit a report of the assessment to the Board within 30 days of identifying that the value of the assets has fallen below the sum of the bank’s total liabilities; and
- (b) the Board may approve the report for the Central Bank to use to submit a request to the Minister for a capital contribution to remedy the deficit with a view to restoring the authorised capital to the sum of its total liabilities, capital accounts and the unrealised revaluation reserve account.”.

**24. REPEAL AND REPLACEMENT OF SECTION 42.**

The Principal Act is amended by repealing Section 42 and replacing it with the following new section:

**“42. RESERVE AND REVALUATION ACCOUNTS.**

- (1) The Central Bank shall establish and maintain a general reserve account.
- (2) The general reserve account may not be used except for the purposes of covering losses sustained by the Central Bank.

### *Central Banking (Amendment)*

(3) The Central Bank shall establish unrealised revaluation reserve accounts to account for unrealised gains and losses owing to its positions with foreign currencies, gold, financial instruments, other assets and any other revaluation reserve accounts required by the accounting standards.

(4) The Central Bank may, after consultation with the Minister, establish special reserve accounts for specific anticipated expenditures.”.

#### **25. REPEAL AND REPLACEMENT OF SECTION 44.**

Section 44 of the Principal Act is repealed and replaced with the following new section:

##### **“44. ANNUAL REPORTS AND ACCOUNTS.**

(1) Within 6 months after the end of each financial year the Central Bank Board shall deliver to the Minister -

- (a) a report on the operations of the Central Bank during that financial year; and
- (b) audited financial statements for that financial year; and
- (c) the auditor’s report on those financial statements; and
- (d) a statement of the projected income and expenditure for the next financial year.

(2) The report referred to in Subsection (1)(a) shall contain such information as is necessary, in conjunction with policy statements published under Section 11, to enable an informed assessment to be made of the Central Bank’s performance in carrying out its functions during that year.

(3) The Minister shall ensure documents referred to in Subsection (1) shall -

- (a) be tabled in the National Parliament; and
- (b) be referred to any committee of the National Parliament responsible for the overall review of financial management in Departments and other public bodies.

(4) The Central Bank shall cause the financial statements to be published on the internet and made publicly available.”.

#### **26. CONTENTS OF FINANCIAL STATEMENTS (AMENDMENT OF SECTION 45).**

Section 45 of the Principal Act is amended -

- (a) in Subsection (1) by repealing the words “generally accepted account practice” and replacing it with the following words:

“international accounting and financial reporting standards”; and

- (b) repealing Subsection (3) and replacing it with the following new subsection:

“(3) For the purposes of this Act, the financial statements shall -

- (a) comply with internationally recognised accounting and financial reporting standards; and

*Central Banking (Amendment)*

- (b) apply to any other requirements for the relevant accounting period as determined by any law; and
- (c) contain matters for which no provision is made inapplicable financial reporting standards and that are not subject to any applicable rule of law, accounting policies that -
  - (i) are appropriate to the circumstances of the Central Bank; and
  - (ii) have authoritative support within the accounting profession in Papua New Guinea.”.

**27. AUDITORS (AMENDMENT OF SECTION 47).**

Section 47 of the Principal Act is amended -

- (a) in Subsection (2) by repealing the words “two years” and replacing it with the words “three years”; and
- (b) by repealing Subsection (3) and replacing it with the following new subsection:
  - “(3) Any person or firm appointed as an auditor shall -
    - (a) subject to Paragraph (b), be eligible for reappointment; and
    - (b) not be eligible for reappointment if they have served as the auditor for two terms within the past 10 years.”; and
- (c) inserting immediately after Subsection (8), the following new subsections:
  - “(9) The Board and the Audit and Risk Committee shall monitor the performance and independence of the auditor and establish a policy on non-audit services provided to the Central Bank by the auditor; and
  - (10) All audits must be conducted in accordance with the international auditing standards.”.

**28. PERFORMANCE AUDIT (AMENDMENT OF SECTION 48).**

Section 48 of the Principal Act is amended -

- (a) in Subsection (1), by repealing the word “Governor” and replacing it with the word “Chair”; and
- (b) in Subsection (1), by inserting the words immediately after the words “financial system” the following words:
  - “and any other policy related issues”; and
- (c) in Subsection (7) by repealing the word “Governor” and replacing it with the word “Chair”; and
- (d) in Subsection (8) by repealing the word “Governor” and replacing it with the word “Chair”.

*Central Banking (Amendment)*

**29. REPEAL AND REPLACEMENT OF SECTION 49.**

The Principal Act is amended by repealing Section 49 and replacing it with the following new section:

**“49. DEALING WITH PROFITS.**

(1) In accordance with Section 45, the profits and losses of the Central Bank shall be determined in conformity with internationally recognised accounting and financial standards.

(2) The earnings available for distribution under Section 50 shall be determined as follows:

- (a) by deducting from the net profits, the total amount of unrealised revaluation gains, and by allocating an equivalent amount to the respective unrealised revaluation reserve account; and
- (b) by deducting from the appropriate unrealised revaluation reserve account and adding to the distributable earnings as determined in Paragraph (a) the amount of any unrealised profit that was deducted from the net profits for one or more previous years and was realised during the current financial year.

(3) Unrealised revaluation losses will be transferred to the respective unrealised revaluation reserve accounts until such time as these revaluation reserve accounts have a zero balance, after which these losses shall be covered by the current year's profit, and subsequently by the general reserve account and special reserves.”.

**30. REPEAL AND REPLACEMENT OF SECTION 50.**

The Principal Act is amended by repealing Section 50 and replacing it with the following new section:

**“50 ALLOCATION OF DISTRIBUTABLE EARNINGS.**

(1) Within 30 days after publishing the financial statements referred to in Section 45, the Central Bank shall allocate the distributable earnings as follows:

- (a) an amount equivalent to 80 per cent of distributable earnings shall be credited to the general reserve account until the sum of the authorised capital and general reserves equal 8 per cent of the total monetary liabilities of the Central Bank; and
- (b) a part of the remaining distributable earnings may be credited to special reserve accounts until the balances in such reserve accounts reach such sums as the Board reasonably determines having consulted the Minister; and
- (c) any remaining distributable earnings shall be transferred to the Consolidated Revenue Fund.

(2) No distribution shall be made out of current income of the Central Bank except as permitted by Subsection (1).

(3) If in any financial year the Central Bank incurs a net loss, this loss shall first be charged to the general reserve account and subsequently applied against the authorised capital account.”.

**31. ADVANCES TO THE GOVERNMENT (AMENDMENT OF SECTION 55).**

Section 55 of the Principal Act is amended -

## *Central Banking (Amendment)*

(a) by repealing Subsection (2) and replacing it with the following new subsection:

“(2) The Central Bank may grant temporary advances to the Government in respect of temporary deficiencies of revenue due to cash flow mismatches at the interest rate or rates no less favourable than the prevailing comparable rates payable by the Government on treasury bills or notes, or securities issued by the Government;” and

(b) by repealing Subsection (8A) and replacing it with the following new Subsection:

“(8A) Central Bank holdings of treasury bills, notes or securities excluding the outstanding temporary advance under Subsection (2) may not exceed 25 per cent of revenue and grants (not including one-off asset sales) averaged over the last three years.”; and

(c) by repealing Subsection (9) and replacing it with the following new subsection:

“(9) If a national emergency is declared for the whole of Papua New Guinea consistent with the *Constitution*, the limit on Central Bank holdings of government securities defined in Subsection (8A) may be increased from 25 per cent to 40 per cent for the duration of the national emergency and for a period of 24 months after the ending of the national emergency.”; and

(d) repealing Subsection (8B) and Subsection (10).

### **32. OFFICIAL VALUE OF MONETARY UNIT (AMENDMENT OF SECTION 58).**

Section 58 of the Principal Act is amended by repealing Subsection (1) and replacing it with the following new subsection:

“(1) The official value of the monetary unit in terms of other currencies may be determined by the Committee in accordance with any international agreement to which Papua New Guinea is a party to, acting on and in accordance with, policy statements issued pursuant to Section 11 and to achieve the objectives of the Central Bank under this Act.”.

### **33. REPEAL AND REPLACEMENT OF SECTION 76.**

The Principal Act is amended by repealing Section 76 and replacing it with the following new section:

#### **“76. CENTRAL BANK LENDER OF LAST RESORT.**

(1) The Central Bank may, subject to Subsection (2), provide a loan or advance to a bank or a supervised financial institution -

- (a) to safeguard monetary stability; and
- (b) to maintain a stable financial system.

- (2) The Central Bank may only provide a loan or advance under Subsection (1) if -
- (a) it considers it necessary in line with the objectives of the Central Bank; and
  - (b) in the Governor’s opinion there are no other reasonable options available;
- and

***Central Banking (Amendment)***

(c) either:

- (i) the bank or a supervised financial institution facing temporary liquidity stress must be assessed as solvent and viable by the Central Bank, and adequate collateral must be provided by the financial institution for the loan or advance; or
- (ii) in the case of uncertainty on the financial institution's solvency or its ability to provide sufficient collateral, a legally binding Government guarantee is provided for the loan or advance.

(3) Subject to Subsection (4), where the Central Bank provides such a loan or advance under this section, it must do so on such conditions as it sees fit to impose -

- (a) at a rate higher than the Central Bank's monetary policy rates and that includes a risk-appropriate margin; and
- (b) a short maturity for a total period not exceeding twelve months; and
- (c) a credible plan of remedial measures to address the causes of its liquidity stress and repay the Central Bank's loan or advance as soon as possible.

(4) Where the bank provides a loan or advance to a financial institution under this section, the debt shall -

- (a) be considered superior to any other debt; and
- (b) be paid in full first prior to any other debt where there is insolvency or bankruptcy.

(5) The Governor must provide a written report as to the decision made regarding the provision and terms it was provided on one month after the provision of the support, to the Board and Minister.”.

I hereby certify that the above is a fair print of the ***Central Banking (Amendment) Act 2024*** which has been made by the National Parliament.

Clerk of the National Parliament.

5 DEC 2024

I hereby certify that the ***Central Banking (Amendment) Act 2024*** was made by the National Parliament on 4 September 2024.

Speaker of the National Parliament.

5 DEC 2024