

REPUBLIC OF VANUATU
BILL FOR THE
RESERVE BANK (AMENDMENT)
ACT NO. OF 2022

Explanatory Note

This Bill amends the Reserve Bank Act [CAP 125] (“the Act”).

The Act has gone through several amendments over the years. However, the Government has identified that the following amendments need to be done in order to address several issues in the Act to ensure financial stability.

The Government is of the view that the current governance structure of the Reserve Bank needs to be improved. This Bill provides specifically for the positions of Deputy Governor, Directors and Special Advisors. This Bill requires that the appointments of the Governor, Deputy Governor, Directors, Special Advisors and the employees of the Reserve Bank must be based on merit and must follow a fair and transparent selection process.

In compliance with best practices, it is the intention of the Government that the Governor, the Deputy Governor, the Directors and Special Advisors are to be appointed for a period of 5 years and are eligible for reappointment only once.

The Bill ensures that the power of the Governor is limited to the administration of the Act only. This will ensure that the Reserve Bank keeps its core objectives of Monetary Policies only.

Finally, the Government has realized that it should not be relying heavily on external financing of its infrastructure development but it should expand and develop its domestic debt market to allow financial institutions, other firms and household to participate competitively to finance infrastructure development in Vanuatu and at the same time expand the economy. This Bill therefore increases the threshold of the amount that the Government is able to obtain from the Reserve Bank.

Minister of Finance and Economic Management



REPUBLIC OF VANUATU

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REPUBLIC OF VANUATU

BILL FOR THE RESERVE BANK OF VANUATU (AMENDMENT) ACT NO. OF 2022

An Act to amend the Reserve Bank of Vanuatu Act [CAP 125].

Be it enacted by the President and Parliament as follows-

1 Amendment

The Reserve Bank of Vanuatu Act [CAP 125] is amended as set out in the Schedule.

2 Commencement

This Act commences on the day on which it is published in the Gazette.

SCHEDULE

AMENDMENTS OF RESERVE BANK OF VANUATU ACT [CAP 125]

1 Subsection 6(1)

Repeal the subsection, substitute

“(1) Subject to subsection (1A), the Board is to determine the net profit of the Reserve Bank for any financial year.

(1A) In determining the net profit, the Board must take into account the following matters:

- (a) bad and doubtful debts; and
- (b) depreciation in investments and other assets; and
- (c) contribution to staff pension funds.”

2 Subsection 7(3)

Repeal the subsection, substitute

“(3) The Board must ensure that the balance of the net profit for a financial year remaining after all deductions under subsections (1) and (2) have been made, must be paid to the Government as soon as audit reports have been completed.”

3 Subsection 8A(1)

“(1) The Prime Minister is to appoint the Governor on the recommendation of the Minister.

(1A) The appointment of the Governor must be based on merit and must follow a fair and transparent selection process.

(1B) A person appointed as Governor must:

- (a) have reasonable experience in financial matters; and

- (b) have a strong educational background in economics; and
 - (c) not have been declared bankrupt.
- (1C) The Prime Minister is to determine the terms and conditions of the appointment of the Governor.
- (1D) The Governor is to hold office for a period of 5 years and may be reappointed only once.”

4 Subsection 8A(4)

Delete “act, contract”, substitute “enter into contracts”

5 Subsection 8B(1)

Repeal the subsection, substitute

- “(1) The Governor is to appoint the Deputy Governor after consultation with the Minister.
- (1A) The appointment of the Deputy Governor must be based on merit and must follow a fair and transparent selection process.
- (1B) A person appointed as Deputy Governor must:
- (a) have reasonable experience in financial matters; and
 - (b) have a strong educational background in economics; and
 - (c) not have been declared bankrupt.
- (1C) The Governor is to determine the terms and conditions of appointment of the Deputy Governor.
- (1D) The Deputy Governor is to hold office for a period of 5 years and may be reappointed only once.”

6 Section 10

Repeal the section, substitute

“10. Appointment of Directors, Special Advisors and employees of the Reserve Bank

- (1) The Governor is to appoint the following officers:
 - (a) Directors; and
 - (b) Special Advisors; and
 - (c) other employees as are required to assist in fulfilling the functions of the Reserve Bank.
- (2) An appointment made under subsection (1) must be based on merit and must follow a fair and transparent selection process.
- (3) A person appointed under subsection (1) must:
 - (a) have reasonable experience in financial matters; and
 - (b) have a strong educational background in economics; and
 - (c) not have been declared bankrupt.
- (4) The Governor is to determine the terms and conditions of appointments made under subsection (1).
- (5) A Director and a Special Advisor is to hold office for a period of 5 years and may be reappointed only once.

10A. Disqualified persons under the Financial Institutions Act [CAP 254]

- (1) The Governor may remove the following officers if the Governor is satisfied that that officer is a disqualified person within the meaning of section 42 of the Financial Institutions Act [CAP 254]:
 - (a) a Director; or

- (b) a Special Advisor; or
- (c) other employees of the Reserve Bank.”

7 Subsection 11A(1)

Repeal the subsection, substitute

- “(1) The Minister may, by Order, prescribe the amount of the sitting allowance for the members of the Board.”

8 Subsection 38(2)

Delete “twenty”, substitute “40”

9 At the end of section 40

Add

- “(3) All audits done to the accounts of the Reserve Bank must be completed before March of each year.”

10 After section 46

Insert

“47. Regulation

The Minister may by Order prescribe anything which is necessary or convenient to be prescribed for the better carrying out or giving effect to the provisions of this Act.”

11 Transitional

- (1) A person holding the office of the Governor, Deputy Governor, a Director and a Special Advisor immediately before the commencement of this Act is to continue as the Governor, Deputy Governor, a Director and a Special Advisor:
 - (a) for the remainder of his or her term as set out under his or her existing employment contract; and
 - (b) on the same terms and conditions of employment with the same accrued and accruing entitlements.

- (2) The employees of the Reserve Bank who were employed immediately before the commencement of this Act are to continue in office as employees of the Reserve Bank on the same terms and conditions of employment with the same accrued or accruing entitlements.