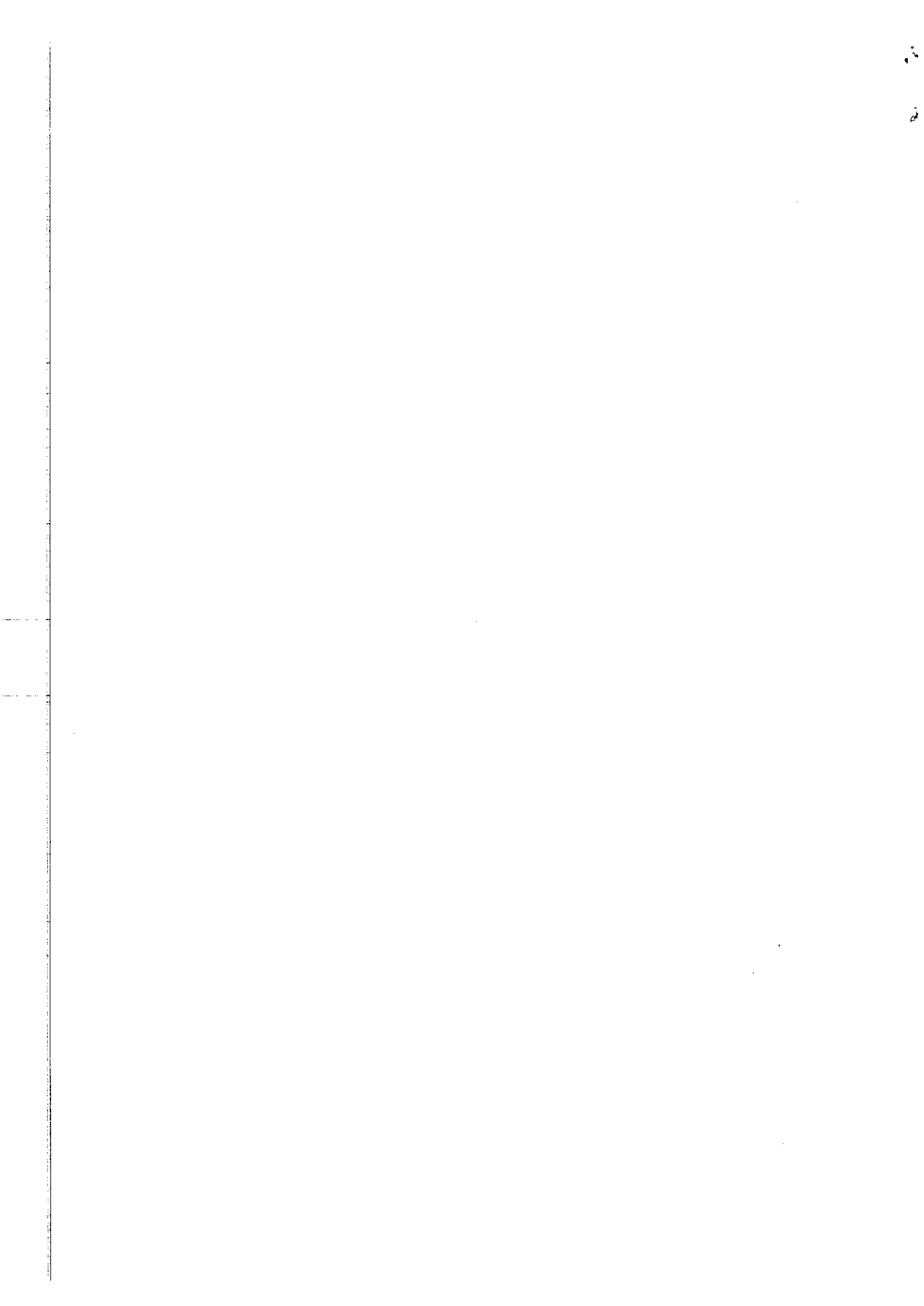




**CENTRAL BANK OF SOLOMON ISLANDS
(AMENDMENT) BILL 2023**

(NO. 14 OF 2023)





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BILL

Entitled

**AN ACT TO AMEND THE CENTRAL BANK OF SOLOMON ISLANDS ACT
2012.**

ENACTED BY THE NATIONAL PARLIAMENT OF SOLOMON ISLANDS.

**CENTRAL BANK OF SOLOMON ISLANDS (AMENDMENT) BILL
2023**

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CENTRAL BANK OF SOLOMON ISLANDS (AMENDMENT) BILL 2023

1 Short title

This Act may be cited as the *Central Bank of Solomon Islands (Amendment) Act 2023*.

2 Commencement

This Act commences on the day appointed by the Minister by notice in the *Gazette*.

3 Interpretation

“Principal Act” means the *Central Bank of Solomon Islands Act 2012*.

4 Section 2 amended

Section 2 of the Principal Act is amended by repealing the definition of “legal tender” and substituting a new definition:

“legal tender” means banknotes, coins and electronic money which any creditor is obliged to accept in payment for a debt in Solomon Islands;”.

5 Section 8 amended

Section 8(3) of the Principal Act is amended by inserting after the word “Government”, the words “to grow the economy”.

6 Section 12 amended

Section 12(1) of the Principal Act is amended:

- (a) in paragraph (b), delete “collateral.” and substitute “collateral; and”; and
- (b) after paragraph (b) insert a new paragraph (c):
 - “(c) despite section 36(4), buy and sell treasury bills in the primary market for monetary policy purposes.”.

7 Section 15 amended

Section 15 of the Principal Act is amended:

- (a) in subsection (2) by repealing "90 calendar days" and substituting "365 calendar days,"; and
- (b) in subsection (5) by repealing "180 calendar days." and substituting "365 calendar days, and subject to the approval of the Board, within an additional 182 calendar days."

8 New section 15A inserted

The Principal Act is amended by inserting a new section after section 15:

"15A Interest rates

The Central Bank may prescribe market interest rates if it considers necessary, subject to the Board's approval."

9 Section 17 amended

Section 17 of the Principal Act is amended:

- (a) in subsection (1) substitute the word "yield" with "return"; and
- (b) in subsection (2):
 - (i) repeal paragraphs (c), (d), and (e) and substitute the following:
 - "(c) Deposit: Credit balances and deposits that are payable on demand or maturing within a short term, denominated in freely convertible foreign currencies and are held in accounts of the Central Bank, on the books of foreign central banks or international financial institutions or with accredited financial institutions or commercial banks domiciled both locally or abroad;
 - (d) Sovereign Securities: readily marketable debt securities issued by, or supported by, the full faith and credit of foreign governments or the central bank of that country, denominated in and payable in freely convertible foreign

currencies, with residual maturity not exceeding fifteen (15) years at the date of purchase;

(e) Non-Sovereign Securities: readily marketable debt securities issued by highly rated non-sovereign institutions or issued by supranational institutions, denominated in and payable in freely convertible currencies, with the residual maturity not exceeding five (5) years at the date of purchase;"; and

(ii) in paragraph (f), remove "and" at the end; and

(iii) in paragraph (g), substituting the full stop at the end with "; and"; and

(iv) after paragraph (g), insert a new paragraph (h) as follows:

"(h) Other Instruments: claims on international financial institutions resulting from repurchase agreements, sale and buy back transactions and securities lending agreements against the debt securities referred to in paragraph (d), including any use of financial derivative instruments, must be documented with appropriate agreements with accredited counterparties and other external assets as the Board may approve."

10 Section 19 amended

Section 19 of the Principal Act is amended by:

(a) repealing subsection (1) and substituting a new subsection (1):

"(1) Subject to the provisions of this section, the currency of Solomon Islands shall comprise of banknotes, coins and electronic money issued by the Central Bank, and which shall be legal tender in Solomon Islands.";

(b) after subsection (1), insert a new subsection:

"(1a) For the purposes of this Part, "electronic money" shall have the meaning in section 3 of the *Payment Systems Act 2022*.";

(c) in subsection (2), substitute the words "banknotes and coins"

with "banknotes, coins and electronic money";

- (d) in subsection (3), substitute the words "banknotes and coins" with "banknotes, coins and electronic money";
- (e) in subsection (4), substitute the words "banknotes and coins" with "banknotes, coins and electronic money";
- (f) in subsection (5), substitute the words "banknotes and coins" with "banknotes, coins and electronic money"; and
- (g) in subsection (6), substitute the words "banknotes and coins" with "banknotes, coins and electronic money".

11 Section 20 amended

Section 20 of the Principal Act is amended by substituting the words "banknotes and coins" with the words "banknotes, coins and electronic money".

12 Section 22 amended

Section 22 of the Principal Act is amended by substituting the words "banknotes or coins" and "banknotes and coins" wherever it appears with "banknotes, coins and electronic money".

13 Section 23 amended

Section 23 of the Principal Act is amended by substituting the words "banknotes and coins" with the words "banknotes, coins and electronic money".

14 Section 24 amended

Section 24 of the Principal Act is amended:

- (a) in subsection (1) by substituting the words "Banknotes and coins" with "Banknotes, coins and electronic money"; and
- (b) in subsection (3) by substituting the word "notes" where it twice appears with "banknotes, coins, and electronic money".

15 Section 25 amended

Section 25 of the Principal Act is amended:

- (a) in subsection (1), by substituting the words “currency notes and coins” with the words “currency notes, banknotes, coins and electronic money”; and
- (b) in subsection (2):
 - (i) by placing a full stop after the word “offence”;
 - (ii) repealing the words “and liable on conviction to a fine not exceeding fifty thousand penalty units or imprisonment of seven years.”; and
 - (iii) inserting the following immediately after subsection (2):

“Maximum penalty: 2,000,000 penalty units, or 20 years imprisonment, or both such fine and imprisonment.”.

16 Section 29 amended

Section 29 of the Principal Act is amended:

- (a) in subsection (1), between “financial institutions” and “and may issue”, insert “and credit utilities,”; and
- (b) in subsection (2), after “bank credit” insert “and non-bank credits”.

17 Section 30 amended

Section 30(1) of the Principal Act is amended:

- (a) in paragraph (c), delete “and” at the end; and
- (b) in paragraph (d), substitute the full stop at the end with “; and”;
and
- (c) after paragraph (d), insert a new paragraph (e):

“(e) conduct research for policy purposes to enhance, and strengthen the implementation of the Bank’s mandate.”.

18 Section 36 amended

Section 36 of the Principal Act is amended by:

(a) repealing subsection (6) and substituting the following:

“(6) The total outstanding advances, credit facilities or guarantees of the Central Bank to the Government shall not exceed fifteen percent (15%) of the annual average of the Government ordinary revenue for the three financial years immediately preceding for which accounts are available.

(6a) Where the limitation of 15% is reached, the Central Bank must notify the Minister of that fact and shall not allow further advances, credit facilities or guarantees directly or indirectly to the Government.

(6b) Despite subsection (6a), where a State of Emergency is declared pursuant to the Constitution, the Bank, subject to the Board’s approval, may permit an additional temporary advance, which shall not exceed 5% of the threshold of the average annual government ordinary revenue for the three preceding financial years.

(6c) The Government must ensure that any additional temporary advances to Government stated in subsection (6b) is fully repaid within two (2) years.”;

(b) in subsection (7), substitute “subsections (5) and (6).” with “subsections (5), (6), (6a), (6b) and 6(c).”;

(c) in subsection (8), substitute “subsection:” with “section:”.

19 Section 39 amended

Section 39 paragraph (p) is amended by substituting the words “banknotes and, coins” with “banknotes, coins and electronic money;”.

20 Section 67 amended

Section 67(1) of the Principal Act is amended by repealing paragraph (c) and substituting a new paragraph (c):

"(c) acquire by purchase, lease, or otherwise any rights in or to real property, except as it shall consider necessary or expedient, the Bank, subject to the Board's approval may lease any of its properties, premises, office space or amenities currently not occupied or in use, until such a time the Bank may require for the performance of its functions."

CENTRAL BANK OF SOLOMON ISLANDS (AMENDMENT) BILL 2023

EXPLANATORY MEMORANDUM

OBJECTS

The Central Bank of Solomon Islands (Amendment) Bill 2023 is designed to amend the *Central Bank of Solomon Islands Act 2012* (No.6 of 2012) to address the legislative gaps, the technological innovations in the financial sectors, the limited activities and participation of CBSI in the securities markets and ongoing interest rates market failures in Solomon Islands, and other related matters.

CONTENT

Clause 1 provides for the short title of the Act.

Clause 2 provides for the commencement of the Act by enabling the Minister to appoint a date for the Act to commence by notice published in the Gazette.

Clause 3 provides that "***Principal Act***" is defined as the *Central Bank of Solomon Islands Act 2012*.

Clause 4 provides that section 2 of the Principal Act is amended in the definition of 'legal tender' to also include 'electronic money'.

Clause 5 provides that Section 8(3) of the Principal Act that deals with the primary objectives of CBSI, be amended by adding the words "to grow the economy" after the word "Government".

Clause 6 provides that section 12 of the Principal Act that deals with Open market and credit operation is amended by adding a new paragraph (c), to allow the Central Bank to buy and sell treasury bills in the primary market for monetary policy purposes.

Clause 7 provides that section 15(2) and (5) of the Principal Act is amended by deleting "90" and "180 calendar days" where they appear and substituting therewith "365 calendar days" accordingly. Subsection (5) is further amended, whereby with the approval of the Board, further time can be granted to repay a loan, but such additional time granted shall not be more than 182 calendar days.

Clause 8 provides for the amendment of the Principal Act by adding a new section 15A that allows CBSI to prescribe by regulation market interest rates whenever it considers it necessary but subject to the Board's approval.

Clause 9 provides for the amendment of section 17(1) and (2) of the Principal Act and deletes the word "yield" and substitute it with the word "return". It also provides for the deletion of paragraphs (c), (d), and (e) of subsection 2 and to replace with new paragraphs (c), (d), and (e), and a new paragraph (h) is inserted.

Clause 10 amends section 19 of the Principal Act; it provides for a substituted subsection (1) revising the definition of "currency" in this section to include "electronic money", by providing that "the currency of Solomon Islands shall comprise of banknotes, coins and electronic money issued by the Central Bank, and which shall be legal tender in Solomon Islands". The words "electronic money" is to have the meaning in section 3 of the *Payment Systems Act 2022*. A reference to "banknotes and coins" is substituted with "banknotes, coins and electronic money".

Clause 11 provides that in section 20 of the Principal Act, a reference to "banknotes and coins" is substituted with "banknotes, coins and electronic money".

Clause 12 amends section 22 of the Principal Act - a reference to "banknotes and coins" is substituted with "banknotes, coins and electronic money".

Clause 13 provides that section 23 is amended - a reference to "banknotes and coins" is substituted with "banknotes, coins and electronic money".

Clause 14 – provides that clause 24 is amended - the reference to "banknotes and coins" is substituted with "banknotes, coins and electronic money"; and the word "notes" where it twice appears is substituted with "banknotes, coins and electronic money".

Clause 15 provides that section 25 is amended – the reference to "currency notes and coins" is substituted with "currency notes, banknotes, coins and electronic money". The maximum penalty is increased to 2 million penalty units, or 20 years imprisonment, or both such fine and imprisonment.

Clause 16 provides that the amendment to section 29(1) of the Principal Act is to include credit utilities and non-banks credits as part of the credit information system.

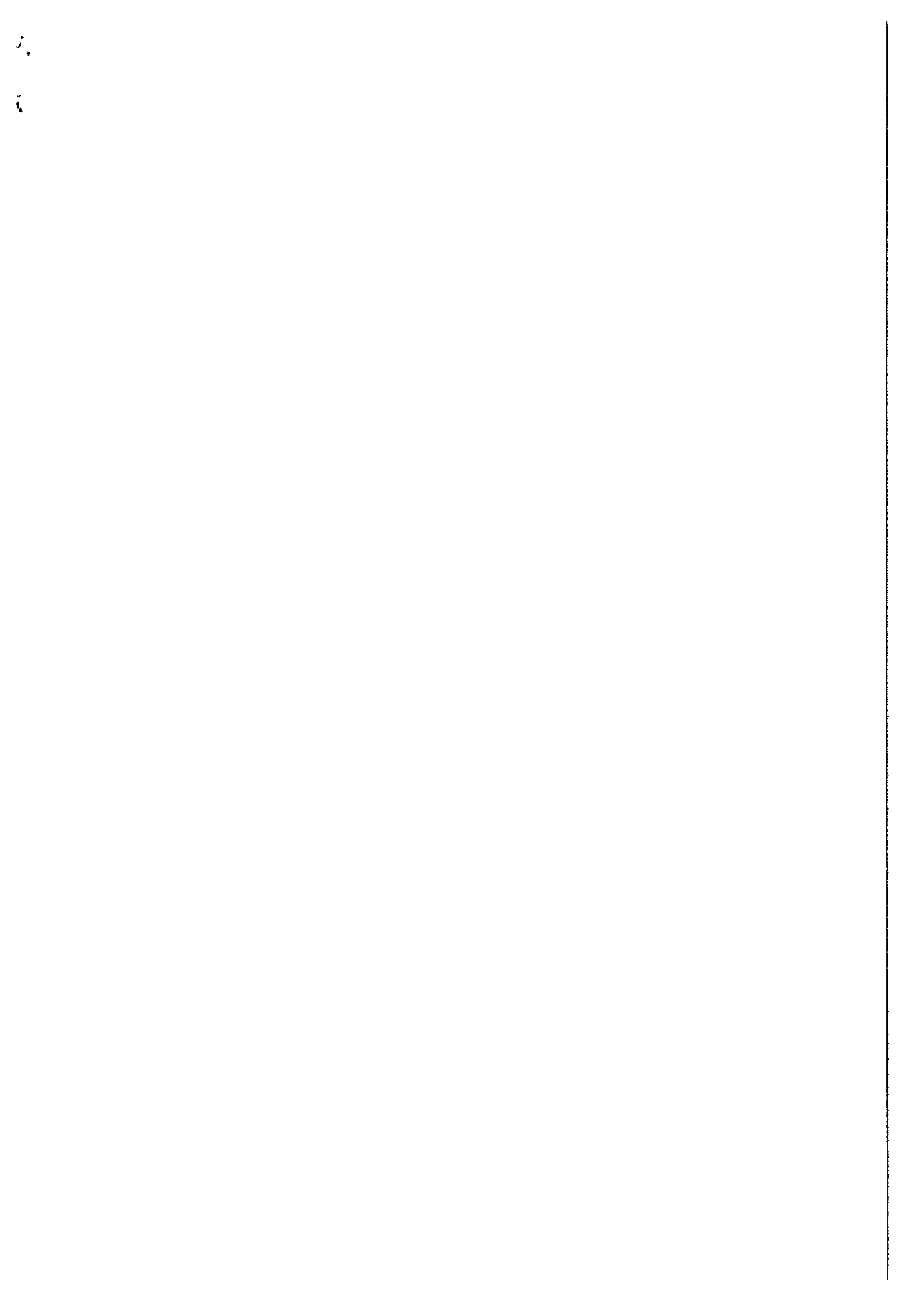
Clause 17 provides for section 30 of the Principal Act to be amended by adding a new paragraph (section 30(1)(e)) to allow CBSI to conduct research for policy purposes that would enhance the implementation of the Bank's mandate.

Clause 18 provides for section 36(6) of the Principal Act to be amended in the following manner: to increase the threshold of Government advances from the existing 5% to 15% as a new threshold. It further provides that only in a State of Emergency, the CBSI may allow an additional temporary advance to Government, which shall not exceed 5% of the threshold of the annual average Government ordinary revenue for the three financial years preceding for which the accounts are available. It also provides that any additional advances to Government must be fully repaid within two (2) years.

Clause 19 provides that section 39 is amended in paragraph (p) by substituting the words "banknotes and coins" with "banknotes, coins and electronic money".

Clause 20 provides for the amendment of section 67 of the Principal Act, by deleting paragraph (c) and substituting a new paragraph (c), to allow the Bank, subject to the Board's approval, to lease its unused or unoccupied properties, premises, office space or amenities until such a time the Bank may need it for the performance of its functions.

HON. HARRY KUMA
MINISTER FOR FINANCE AND TREASURY



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