

Interim Policy: amendment to Monetary Policy

Synopsis

Policy Development Committee confirms that this motion has been properly proposed under clause 14viii of the Constitution.

Motion

Amend EC664 b). 'The 1844 Bank Charter Act will be updated to prohibit banks from creating national currency in the form of electronic credit. To finance their lending, investment or proprietary trading activities, banks will have to borrow or raise the necessary national currency from savers and investors'

By

Deleting the sentence beginning , "To finance their lending" and replace with, "To finance their lending, retail private and community banks must raise the necessary national currency from savers and investors or, if this is insufficient, borrow (newly created money) from the National Monetary Authority. Investment banks will need to finance their investment and proprietary trading activities solely from savers and investors'

The amended clause will read:

'The 1844 Bank Charter Act will be updated to prohibit banks from creating national currency in the form of electronic credit. To finance their lending, retail private and community banks must raise the necessary national currency from savers and investors or, if this is insufficient, borrow (newly created money) from the National Monetary Authority. Investment banks will need to finance their investment and proprietary trading activities solely from savers and investors.'

Amend EC664 d) 'Any new money created by the National Monetary Authority will be credited to the account of the Government as additional revenue, to be spent into circulation in the economy in accordance with the budget approved by Parliament;

By adding the following to the existing clause:

'... or lent to retail private and community banks provided it is solely used for lending for desirable purposes as defined by parliament. Such purposes may include sustainable and productive business lending, provided the level of lending is non-inflationary. Investment banks will not have access to NMA credit.'

The amended clause will read:

'Any new money created by the NMA will either be credited to the account of the Government as additional revenue, to be spent into circulation in the economy in accordance with the budget approved by Parliament or lent to retail private and community banks provided it is solely used for lending for desirable purposes as defined by parliament. Such purposes may include sustainable and productive business lending, provided the level of lending is non-inflationary. Investment banks will not have access to NMA credit.'