

[Act 1996 No 24]



Financial Institutions (Miscellaneous Amendments) Bill 1996

Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

Overview of Bill

The object of this Bill is to amend the provisions in New South Wales legislation that prevent public authorities, trustees and other persons whose financial arrangements or investment powers are regulated by that legislation from using financial services offered by building societies and credit unions. The amended provisions will permit the persons concerned to use the financial services offered by building societies and credit unions that are subject to the *Financial Institutions (NSW) Code* (or a law of another State, or of a Territory, that corresponds to that Code) in the same way as they may use the financial services offered by banks.

The Bill also makes a number of consequential amendments and amendments by way of statute law revision to reflect the new status of building societies and credit unions consequent on the implementation of the Financial Institutions Scheme, of which the Code referred to above forms part.

Outline of provisions

Clause 1 sets out the name (also called the short title) of the proposed Act.

Clause 2 provides for the proposed Act to commence on a day or days to be appointed by proclamation.

Clause 3 is a formal provision giving effect to Schedule 1.

Clause 4 makes it clear that the Regulations amended by the proposed Act may be further amended, or repealed, by a regulation in the usual way.

Schedule 1

Schedule 1.50, 1.82–1.85, 1.115 and 1.116 contain the amendments having the most far-reaching effect. The items concerned do the following:

- item 1.50 inserts definitions of *bank*, *building society* and *credit union* in the *Interpretation Act 1987*,
- item 1.84 amends the *Public Finance and Audit Act 1983* so as to permit public money to be deposited with, and invested in, building societies and credit unions as well as banks (and makes consequential amendments),
- item 1.82 makes similar amendments to the *Public Authorities (Financial Arrangements) Act 1987* in relation to the investment powers of corporations constituted by or under an Act (and makes consequential amendments),
- item 1.115 does the same to the provision of the *Trustee Act 1925* that specifies the way in which a trustee may (subject to the terms of the relevant trust) invest trust funds (and makes consequential amendments),
- items 1.85, 1.83 and 1.116, respectively, make consequential amendments to regulations made under the *Public Finance and Audit Act 1983*, the *Public Authorities (Financial Arrangements) Act 1987* and the *Trustee Act 1925*.

The amendments to the provision of the *Public Authorities (Financial Arrangements) Act 1987* conferring powers of investment do not extend to investments involving foreign currency. This is because section 121 of the *Financial Institutions (NSW) Code* prohibits (with one exception) building societies and credit unions from investing any of their funds, or carrying out any of their activities, in foreign currency. (The one exception is that building societies may borrow money in foreign currencies on the conditions specified in the Code.)

The remaining items in Schedule 1 amend various other Acts and Regulations to give effect to the object referred to above.