

# GOLD BILL KILLS PNG!



## How does the National Gold Corporation Bill affect the Central Bank?

The National Gold Corporation Bill introduces several provisions that could significantly impact the operations and responsibilities of the Bank of Papua New Guinea (BPNG). These changes are expected to affect BPNG's core functions, which include ensuring price stability, promoting macroeconomic growth, issuing the national currency, and fostering the overall economic development of Papua New Guinea.

The impact the Bill will have on BPNG's role include the following;

- a. BPNG will no longer be able to give banking licenses to persons or institutions that may conflict with the licence provided to the National Gold Bank (**Section 106**).

### *Subdivision D. – General conditions.*

#### **106. NO CONFLICTING BANKING LICENCES.**

The Central Bank shall not prior to or after the commencement date -

- (a) amend a current banking licence of an Authorized Institution; or
  - (b) grant or issue a banking licence to another person,
- under the *Banks and Financial Institutions Act* which, if so amended, granted or issued, as the case may be, would conflict or otherwise be inconsistent with -
- (c) the terms of the banking licence as provided for in this Part but not yet granted, or as otherwise granted and issued pursuant to this Part, as the case may be; or
  - (d) any function, including any Exclusive Functions, vested in the National Gold Bank under this Act.

- b. BPNG will be unable to oversee the National Gold Corporation, including the National Gold Bank, in accordance with the Banks and Financial Institutions Act. This effectively places the foreign-owned National Gold Bank above PNG's banking regulations (**Section 128**).
- c. BPNG's role in issuing gold coins as PNG's legal tender will no longer be, this role will be taken over by the National Gold Bank (**Section 72, subsection B; Section 245 B; Section 255; Section 334; and Section 927**).

#### **255. CENTRAL BANK NOT TO MINT OR ISSUE GOLD COINS.**

(1) For the purposes of Part VIII of the *Central Banking Act*, the Central Bank shall not make, mint, issue or sell, or cause the making, minting, issue or sale, of a coin or series of coins comprised

in whole or part of gold, whether intended to be issued as Papua New Guinea currency, and legal tender, in and for Papua New Guinea, or otherwise.

(2) Subsection (1) does not limit or preclude the operation or effect of Part XXII, Division 4 or Schedule 1, Section 1.

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- d. The Bill will replace BPNG's role in dealing with international reserves, gold coin or gold bullion purchases (**Section 72, Sub-sections A and B, Section 201, Sub-section 1-A**).
- e. The Bill will replace BPNG's ability to provide oversight in the transactions of gold in terms of controlling, exporting, buying, and selling of gold (**Section 30, Section 47 sub-section C, Section 72, and Section 113**).

## **113. EXCLUSIVE GOLD AND PRECIOUS METALS BANK.**

- (1) The National Gold Bank is the exclusive gold and precious metals-based commercial bank in Papua New Guinea.
- (2) The National Gold Bank may -
  - (a) operate a gold and precious metals banking business; and
  - (b) otherwise carry on a banking business within the meaning of Section 10 of the *Banks and Financial Institutions Act*; and
  - (c) perform any of its functions, in Papua New Guinea or in any foreign country, as the case may be, subject to this Act and the conditions of its banking licence.

- f. The Bill will undermine the role of the Governor of BPNG by giving powers to the Director-State Equity (i.e., a state minister) to instruct the Governor to direct BPNG to produce currency (notes or minting coins) (**Section 326**).

## **326. DIRECTION TO PRODUCE CURRENCY.**

- (1) The Director-State Equity may issue a notice to the Governor by which the Central Bank is directed to, and shall, for the purposes of Section 60 of the *Central Banking Act*, arrange for the National Mint to -
  - (a) make and print currency notes; or
  - (b) make and mint currency coins.
- (2) A notice issued by the Director-State Equity may contain such terms and conditions as the Director-State Equity thinks fit.
- (3) The Governor and the Director-National Mint may agree, for the purposes of Subsection (1), the arrangements for -
  - (a) the making of currency notes; or
  - (b) the minting of currency coins,the subject of, and in accordance with, a notice issued under Subsection (1).

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