

LEGISLATIVE COUNCIL.

No. S. 91.—The following Bill was read a first time at a meeting of the Council held on the 23rd March, 1922 :—

A BILL

INTITLED

An Ordinance to amend the Hongkong and Shanghai Bank Ordinance, 1866.

BE it enacted by the Governor of Hongkong, with the advice and consent of the Legislative Council thereof, as follows :—

Short title. 1.—(1.) This Ordinance may be cited as the Hongkong and Shanghai Bank Amendment Ordinance, 1922.

Ordinances Nos. 2 of 1866 and 21 of 1914. (2.) The Hongkong and Shanghai Bank Ordinance, 1866, hereinafter referred to as the principal Ordinance, and the Hongkong and Shanghai Bank Amendment Ordinance, 1914, and this Ordinance, may be cited together as the Hongkong and Shanghai Bank Ordinances, 1866 to 1922.

Repeal of Ordinance No. 2 of 1866, s. 13, and substitution of new section. 2. Section 13 of the principal Ordinance is repealed and the following section is substituted therefor :—

Limit of amount of issue of bills and notes. 13.—(1.) The total amount of the bills and notes of the company payable to bearer on demand actually in circulation shall not at any time exceed the sum of 20,000,000 dollars.

Security required in respect of ordinary note issue. (2.) The company shall at all times keep deposited, either with the Crown Agents or with trustees to be appointed by the Secretary of State, or partly with the Crown Agents and partly with such trustees, coin of denominations to be approved by the Secretary of State, or, at the option of the company, securities to be so approved, or, at the like option, partly such coin and partly such securities, equal to two thirds of the said amount of 20,000,000 dollars, such coin or securities or such coin and securities to be held by the Crown Agents or by the said trustees, separately or jointly, as special funds exclusively available for the redemption of the bills and notes payable to bearer on demand issued by the company, and, in the event of the company becoming insolvent, to be applied accordingly so far as may be necessary, but without prejudice to the rights of the holders of such bills and notes to rank with other creditors of the company against the assets of the company.

Security required in respect of excess note issue. (3.) Notwithstanding the restriction imposed by sub-section (1) of this section upon the total number of the bills and notes of the company payable to bearer on demand actually in circulation, bills and notes of the company payable to bearer on demand may be issued and be in actual circulation to an amount in excess of the said sum of 20,000,000 dollars, if there has been specially deposited and is kept in the custody of the Colonial Secretary and the Colonial Treasurer an amount of coin, or bullion, or coin and bullion,

equal to the whole value of such excess issue for the time being actually in circulation, to be held by the said Colonial Secretary and Colonial Treasurer exclusively for the redemption of such bills and notes, wherever the same may have been issued: Provided nevertheless that nothing herein contained shall exempt the company from the operation of any laws restricting or regulating the issue of bills or notes in the Colony or in any place outside the Colony where the company has banks or branch banks.

Part of security for excess note issue may be kept in such places and under such conditions as the Governor may approve.

(4.) Notwithstanding anything contained in sub-section (3) of this section, portions of the security in coin or bullion provided for by the said sub-section may be kept deposited in such places outside the Colony, with such persons, to such amounts, and subject to such conditions, as may at any time and from time to time be approved by the Governor.

3. Section 22 of the principal Ordinance is amended as follows:—

Amendment of Ordinance No. 2 of 1866, s. 22.

- (a.) "50,000,000" is substituted for "20,000,000" in the eleventh line thereof.
- (b.) "20,000,000" is substituted for "10,000,000" in the fifteenth line thereof.
- (c.) The second proviso thereto, that is to say, all the words after the words "herein provided" in the eighteenth line thereof, is repealed.

4. Nothing in this Ordinance shall affect or be deemed to affect the rights of His Majesty the King, His heirs and successors, or the rights of any body politic or corporate or of any other person except such as are mentioned in this Ordinance and those claiming by from or under them.

Saving of the rights of the Crown and of certain other rights.

Objects and Reasons.

1. The objects of this bill are:—

- (a.) To give the Corporation power to increase its capital, with the consent of the Governor, up to \$50,000,000. The present limit is \$20,000,000.
- (b.) To increase the limit of the ordinary note issue from \$15,000,000 to \$20,000,000.
- (c.) To revise the requirements of the law as to the security to be held against the ordinary note issue.
- (d.) To enable the Corporation to keep at certain places outside the Colony part of the security held against the excess note issue.

2. Under the existing law the excess note issue must be fully covered by coin or bullion, under the control of custodians independent of the Corporation, and this will be so under the new Ordinance also. In future, however, the excess note issue will mean any issue in excess of \$20,000,000 instead of \$15,000,000 as at present.

3. The present requirements of the law as to the security to be held against the ordinary note issue are that coins or securities approved by the Secretary of State must be kept with the Crown Agents, or with trustees appointed by the Secretary of State, equal in value to $\frac{1}{3}$ of the first \$10,000,000 of the issue, and that

the remaining \$5,000,000 of the issue must be fully covered by such coin or securities, so deposited. The new Ordinance will provide simply that $\frac{2}{3}$ of the ordinary issue, which issue will in future amount to \$20,000,000, must be so covered.

4. The comparison between the existing law and the new Ordinance can also be made in the following way, as regards the first \$20,000,000 of the total issue. Security under present law :—

- $\frac{1}{3}$ of \$10,000,000 in coin or securities.
- \$5,000,000 in coin or securities.
- \$5,000,000 in coin or bullion.

Security under new Ordinance :—

- $\frac{2}{3}$ of \$20,000,000 in coin or securities.

It will thus be seen that the value of the security will not be altered, but that the Corporation will be relieved from the necessity of keeping coin or bullion against any part of the first \$20,000,000 of the total note issue.

5. It will be noted that one provision disappears in the proposed new section 13, *i.e.*, the requirement of the latter part of the present section 13 (1), that the Corporation must keep at each of its establishments an amount of coin or bullion equal in value to one-third at least of the notes issued from such establishment and actually in circulation. It is considered that this may be left to the discretion of the Corporation.

6. Sub-section (4) of section 13 will enable the Corporation, subject in all respects to the approval of the Governor, to keep, in places outside the Colony where notes may be issued by the Corporation, part of the excess note issue security, which must of course be in coin or bullion. The bringing of this section into practical operation is of course dependent upon the arrangement of a satisfactory scheme for the custody of the coin or bullion.

7. Clause 4 is the usual saving clause.

NOTICES.

COLONIAL SECRETARY'S DEPARTMENT.

No. S. 92.—Statement of Sanitary Measures adopted by Hongkong.

Disease.	Port or Place.	Restrictions in Force.	Authority.
Small-pox.	Shanghai.	Medical examination ; quarantine at the discretion of the Health Officer.	Notification No. 512 of 9th December, 1921.
Cholera.	Manila.	Do.	Notification No. 16 of 13th January, 1922.