

MASTER FILES

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December 27, 1984

To: Members of the Executive Board  
From: The Secretary  
Subject: New Zealand - Exchange Control

The Secretary has received the following memorandum dated December 21, 1984 from Mr. Romuáldez:

The New Zealand authorities have asked me to pass on to Fund management the text of a press release issued today by the Reserve Bank of New Zealand in connection with exchange control.

Press Statement

An easing of exchange control regulations which will allow New Zealand residents to purchase foreign exchange for investment purposes was announced by the Governor of the Reserve Bank, Mr. Spencer Russell, today.

However, he added that purchases and sales of foreign currency must still be made through a trading bank or an authorized foreign exchange dealer and that the party concerned would be required to make a written declaration of the purposes of the transfer. This would allow the Reserve Bank to monitor currency movements and to compile statistical information.

Mr. Russell said that while New Zealand residents had been able to purchase foreign currency for their current needs, for example for travel, there had been quite severe restrictions for many years on outward remittances to acquire assets such as shares or property.

"These restrictions were designed to conserve foreign exchange in the context of a generally overvalued exchange rate. With the move to a more appropriate exchange rate and market-determined interest rates, these restrictions are no longer needed," he said.

The changes will take the form of a combination of general exemptions and general consents in terms of the exchange control regulations. These would be sent to authorized foreign exchange dealers and will be notified in the gazette. In the meantime, Mr. Russell said, the Reserve Bank would deal with individual applications as they were received.

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He added that the new arrangements would permit New Zealand residents to purchase shares in overseas companies and would facilitate the setting up of New Zealand business enterprises overseas. However, he emphasized that they did not affect the overseas investment regulations and overseas interests who wished to take over New Zealand companies or to set up business in New Zealand, would still require the approval of the overseas investment commission.

Owners of overseas scrip at present held by the Reserve Bank under the controlled securities regulations were now free to uplift it and do with it as they wished. Persons who wished to uplift their scrip should write to the Bank, identifying the scrip concerned.

Other Distribution:  
Department Heads