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An Act to amend the Bank of the Cook Islands Act 2003 by—

- (a) **modernising the requirements for the appointment of directors of the Bank of the Cook Islands:**
- (b) **and making other reforms to the arrangements governing directors and the board of the Bank of the Cook Islands.**

The Parliament of the Cook Islands enacts as follows—

(18 December 2019)

- 1 Title**
This Act is the Bank of the Cook Islands Amendment Act 2019.
- 2 Commencement**
This Act comes into force on the day after the date on which it is assented to by the Queen's Representative.
- 3 Principal Act amended**
This Act amends the Bank of the Cook Islands Act 2003 (the **principal Act**).
- 4 Section 2 amended (Interpretation)**
 - (1) In section 2, insert in the appropriate alphabetical order:
“CEO” means the chief executive officer of the Bank
“director” means a director of the board.
 - (2) In section 2, replace the definition of Corporation with:
“Corporation” means the Bank of the Cook Islands Holdings Corporation.



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“Corporation” means the Bank of the Cook Islands Holdings Corporation.

- (3) In section 2, replace the definition of Minister with:
Minister means the Minister who, with the authority of the Prime Minister, is for the time being responsible for the Cook Islands Investment Corporation.

5 Section 7 replaced (Board of directors)

Replace sections 7 to 10 with:

“7 Board of directors of Corporation

- “(1) There is a board of directors of the Corporation (the “board”) which—
“(a) has overall control of the Corporation; and
“(b) exercises the powers and performs the functions of the Corporation.
- “(2) The board consists of not less than 5 nor more than 7 members who, subject to subsection (7), are appointed by the Board of the Cook Islands Investment Corporation.
- “(3) One of the members of the board who satisfies the criteria in section 10A must be appointed as chairperson by the Board of the Cook Islands Investment Corporation.
- “(4) The members of the board may at any time choose 1 member to be vice chairperson and that person may perform all the functions of the chairperson in the chairpersons absence.
- “(5) The members of the board must include persons of different genders.
- “(6) The board must, have directors who collectively satisfy all the criteria listed in section 9(4).
- “(7) The Board of the Cook Islands Investment Corporation must, if the Minister recommends the appointment of one person (other than a public servant) with the area of expertise specified in section 9(4)(f) (socio-economic expertise) as a director, appoint that person as a director.
- “(8) Subsections (2), (3), and (7) are subject to sections 9, 10, and 10A.

“8 Term of office of directors

- “(1) A director must be appointed for a term not exceeding 3 years as specified in his or her instrument of appointment, and may from time to time be reappointed.
- “(2) However, no person may serve for more than 12 successive years as a director of the board.
- “(3) A director whose term of office expires continues in office until—
“(a) his or her successor is appointed; or
“(b) he or she is given notice in writing from the Chairperson of the Board of the Cook Islands Investment Corporation that he or she will not be reappointed.
- “(4) A director is not entitled to compensation, severance, or other benefits on, or because of, ceasing to be a director for any reason.

“9 Qualification for appointment as director

- “(1) A person must before he or she can be appointed as a director have the qualifications and experience required by section 7(1)(ii) of the Banking Act 2011.
- “(2) A person must be 21 years old before he or she can be appointed as a director.

- “(3) A person must be registered on a database maintained by the Cook Islands Investment Corporation under a profile that indicates that the person is suitable for appointment as a director of the board before he or she can be appointed as a director.
- “(4) The directors of the board should preferably satisfy at least one of the following criteria:
- “(a) knowledge of the banking industry or experience in risk management within the financial sector:
 - “(b) experience in governing organisations or in policy expertise, and preferably in an organisation that performs regulatory functions:
 - “(c) a degree with a major in accounting or finance:
 - “(d) former or current experience as a lawyer and knowledge of Cook Islands legislation and in particular of the laws governing land tenure:
 - “(e) former or current experience as the owner of 1 or more private sector businesses, with a track record of successfully operating those businesses:
 - “(f) a good understanding of relevant socio-economic matters such as social trends and cultural matters and concerns about banking in the Cook Islands.

“10 Disqualifications for appointment as director

A person must not be appointed as a director if—

- “(a) he or she is a disqualified person, as defined in section 4(3) of the Banking Act 2011:
- “(b) the person has a medical or other condition that impairs his or her judgment, skills, or intellectual capacity:
- “(c) is a member of Parliament:
- “(d) has been convicted of an offence committed in any country punishable by a maximum term of imprisonment of 2 years or more:
- “(e) he or she has had more than a 30% shareholding or has been a director or manager of a company at the time when it entered into receivership or liquidation:
- “(f) he or she is a shareholder, director, or manager of a company or other business that—
 - “(i) conducts similar activities to the business of the Corporation; and
 - “(ii) is likely to involve the person in recurring conflicts of interest.
- “(g) the Financial Supervisory Committee directs, or has previously directed, the removal of the person from office under section 34 of the Banking Act 2011.

10A Qualification for appointment as chairperson of the board

A person must not be appointed as a chairperson of the Corporation unless in addition to satisfying the criteria in section 9, the person—

- “(a) has at least 2 years’ experience as a director of a statutory corporation or a state owned enterprise; and
- “(b) has their primary place of residence in the Cook Islands.

“10B Remuneration of directors

- “(1) The Board of the Cook Islands Investment Corporation must determine the remuneration to be paid for services as a director.
- “(2) Directors are also entitled to reimbursement of actual and reasonable travelling and other expenses where those have been incurred in performing functions and duties as a director.
- “(3) That remuneration and reimbursement must be paid from the operating budget of the Corporation.
- “(4) Despite subsection (1), if a director is a public servant—
 - “(a) his or her service as a director is not private sector work or service for the Government under sections 37 or 38 of the Public Service Act 2009; but
 - “(b) his or her remuneration for services as a director must be determined under that Act.

“10C Extraordinary vacancies

- “(1) Any director, including the chairperson, may at any time be removed from office by the Chairperson of the Board of the Cook Islands Investment Corporation for disability, bankruptcy, neglect of duty, or misconduct proved to the satisfaction of the Chairperson.
- “(2) The Chairperson of the Cook Islands Investment Corporation must not remove any director under subsection (1) without first consulting the Minister.
- “(3) A director ceases to hold office by operation of law if—
 - “(a) he or she is elected as a member of Parliament;
 - “(b) he or she is convicted of an offence in any country punishable by a maximum term of imprisonment of 2 years or more;
 - “(c) he or she has more than a 30% shareholding or is a director or manager of a company that enters into receivership or liquidation;
 - “(d) he or she becomes a shareholder, director, or manager of a company or other business and is informed by the Chairperson of the Board of the Cook Islands Investment Corporation that—
 - “(i) the company or other business conducts similar activities to those of the Corporation; and
 - “(ii) the director’s involvement in that business is likely to lead to recurring conflicts of interest with his or her duties as a director of the board of the board.
- “(4) A director may at any time resign from office by giving written notice to the Chairperson of the Board of the Cook Islands Investment Corporation.
- “(5) If a director dies, resigns, is removed from office, or ceases to hold office by operation of law, the vacancy created is an extraordinary vacancy.
- “(6) An extraordinary vacancy must be filled in the same manner as the appointment of the vacating member.
- “(7) Every person appointed to fill an extraordinary vacancy must be appointed for the balance of the term for which that vacating member was appointed.

“(8) For the purposes of subsection (1), misconduct, without limitation, includes conduct by a director that brings the Corporation into disrepute.

“10D Corproation not affected by vacancies in membership

The powers of the Corporation are not affected by a vacancy in the membership of its board.

“10E Meetings of board

“(1) Meetings of the board may be held at times and places that the board or the chairperson of the board appoints.

“(2) However—

“(a) the board must meet at least once every three months; and

“(b) the board must meet more often if the directors think that is necessary to make sure the board has proper oversight and control of the Corporation.

“(3) A special meeting must be called by the chairperson whenever 2 or more directors, in writing, request a meeting.

“(4) A board meeting may only be held if a quorum of the directors is present at the time and place appointed for the meeting.

“(5) The quorum for a meeting of directors is a majority of directors present in person, but those quorum requirements are deemed to be satisfied if a majority of directors can simultaneously hear and speak to each other although they may not all be in the same place

“(6) A resolution signed by all directors, whether on one or more copies of that resolution, is deemed to be a resolution duly passed at a meeting.

“10F Procedures at meeting

“(1) At any board meeting—

“(a) decisions may be made by a simple majority of directors present and voting on the matter; and

“(b) the chairperson of that meeting has a deliberative vote and a casting vote; and

“(c) proper minutes must be kept of proceedings.

“(2) The board may regulate its procedure as it thinks fit, subject to—

“(a) the provisions of this Act and of other applicable laws; and

“(b) written directives issued by the Cook Islands Investment Corporation under section 23 of the Cook Islands Investment Corporation Act 1998.

“(3) A copy of that written resolution may be in—

“(a) digital format; or

“(b) hard copy format; or

“(c) both formats.

“10G Disclosure of interest

“(1) This section applies to—

“(a) each director:

“(b) the CEO:

“(c) the secretary of the board:

“(d) every officer and employee of the Corporation who attends a board meeting.

- “(2) A person to whom this section applies must keep information discussed by the board confidential unless—
- “(a) the board has authorised the disclosure of that information; or
 - “(b) that information is disclosed under any applicable law; or
 - “(c) it is in the commercial interests of the Corporation for that information to be disclosed; or
 - “(d) a court orders that information be disclosed; or
 - “(e) there is an obligation to disclose that information under the Official Information Act 2008.
- “(3) The directors must maintain an interests register setting out all their other interests, including all directorships and shareholding interests held in the Cook Islands.
- “(4) A person must disclose to a board meeting any conflict of interest (direct or indirect) in matters discussed, or resolutions put, at that board meeting.
- “(5) A disclosure must be recorded in the board minutes and, unless all directors present decide otherwise, the person making that disclosure must leave the meeting while the board discusses the matter.
- “(6) That absence does not affect the quorum of the board.”

6 Section 12 replaced (Personal liability)

Replace section 12 with:

“12 Personal liability

- “(1) A director is not personally liable for any act or default done or made or omitted by him or her or by the board or by any director in the course of the operations of the board or the Corporation, unless the director acted in bad faith or without reasonable care.
- “(2) Each director must be indemnified by the Corporation—
- “(a) for costs and damages for any civil liability arising from any action brought by a third party, if the director was acting in good faith and with reasonable care in the course of operations of the board or the Corporation; and
 - “(b) for costs arising from any successfully defended criminal prosecution, if the prosecution arose in the course of the operations of the board or the Corporation.”

7 New sections 13A and 13B inserted

(1) After section 13, insert:

“13A Human resources of the Corporation

- “(1) The board must appoint the CEO of the Corporation to carry out, under the supervision of the board, the Corporation’s functions and exercise the Corporation’s powers.
- “(2) The CEO may—
- “(a) employ personnel; and
 - “(b) contract on behalf of the Corporation with independent contractors.
- “(3) The CEO must approve policies and procedures, not inconsistent with all applicable laws, to make sure—
- “(a) that he or she acts in all respects as a good employer; and

- “(b) that he or she uses independent contractors in an open, transparent, and fair way; and
- “(c) that the Corporation’s human resource policies are efficient and cost-effective.

“13B Delegations

- “(1) The board may delegate any of its functions or powers or the functions or powers of the Corporation to 1 or more directors or to the CEO, subject to any conditions that it thinks fit.
- “(2) The CEO may delegate any of his or her functions or powers (including any functions or powers delegated to the CEO under subsection (1)) to another employee or a contractor of the Corporation subject to any conditions the CEO thinks fit.
- “(3) The board may at any time revoke a delegation under subsection (1).
- “(4) The CEO may at any time revoke a delegation under subsection (2).”

8 New section 19A inserted

After section 19, insert:

“19A Risk management reports

- “(1) The board must deliver quarterly risk management reports to the Cook Islands Investment Corporation as soon as practicable after they are prepared.
- “(2) Each risk management report must—
 - “(a) outline significant events occurring in the quarter covered by the report that may or will have a significant financial impact; and
 - “(b) assess the nature and degree of risk caused by these events; and
 - “(c) include advice on how these risks may be mitigated.
- “(3) The board must immediately advise the Cook Islands Investment Corporation of any event likely to create a significant financial risk for the Cook Islands Investment Corporation.”

9 Savings provisions

Despite the replacement of section 7 of the principal Act by section 5 of this Act, and without limiting the provisions of the Acts Interpretation Act 1924,—

- (a) every appointment of a director made under that section before the commencement of this section, continues in force for the balance of his or her term, if that director is still in office immediately before the commencement of this section, and as if that appointment was made under section 7 of the principal Act (as replaced by section 5 of this Act);
- (b) paragraph (a) applies even if the majority of the board does not satisfy the requirements of section 9 of the principal Act (as replaced by section 5 of this Act);
- (c) every appointment as chairperson of the board made under that section before the commencement of this section continues in force for the balance of his or her term, if that chairperson is still in office immediately before the commencement of this section, and as if that appointment was made under section 7 of the principal Act (as replaced by section 5 of this Act).

- (d) paragraph (c) applies even if the chairperson does not satisfy the criteria in section 9 or 10A of the principal Act (as inserted by section 5 of this Act).
- (e) the provisions of section 12 (as inserted by section 6 of this Act) apply to any act or omission (whether it occurred before, on, or after the commencement of this section).

This Act is jointly administered by the Bank of the Cook Islands and Cook Islands Investment Corporation.

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