

5th December, 1935.

PRESENT:—

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT (SIR THOMAS SOUTHORN, K.B.E., C.M.G.).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS (MAJOR GENERAL F. S. THACKERAY, D.S.O., M.C., A.D.C.).

THE COLONIAL SECRETARY (HON. MR. D. W. TRATMAN, C.M.G., *Acting*).

THE ATTORNEY GENERAL (HON. MR. C. G. ALABASTER, O.B.E., K.C.).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. N. L. SMITH).

THE COLONIAL TREASURER (HON. MR. E. TAYLOR).

HON. COMMANDER G. F. HOLE, R.N., (Retired) (Harbour Master).

HON. DR. A. R. WELLINGTON, C.M.G. (Director of Medical and Sanitary Services).

HON. MR. R. M. HENDERSON, (Director of Public Works).

HON. MR. T. H. KING, (Inspector General of Police).

HON. SIR HENRY POLLOCK, KT, K.C., LL.D.

HON. SIR WILLIAM SHENTON, KT.

HON. MR. J. P. BRAGA, O.B.E.

HON. MR. S. W. TS'O, C.B.E., LL.D.

HON. MR. T. N. CHAU.

HON. MR. J. J. PATERSON.

HON. MR. W. H. BELL.

HON. MR. M. K. LO.

MR. H. R. BUTTERS, (Deputy Clerk of Councils).

DEATH OF PRINCESS VICTORIA.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—Honourable Members will have heard with profound regret of the death on 3rd December of Her Royal Highness The Princess Victoria, beloved sister of His Majesty The King. I know that Honourable Members will desire to give expression to their loyal sympathy with Their Majesties The King and Queen and the Members of the Royal Family in Their sorrow. I therefore move the following resolution:

The Members of the Legislative Council of Hong Kong have learned with profound sorrow of the death of Her Royal Highness The Princess Victoria and desire to present their humble duty to His Majesty and to express their loyal and respectful sympathy with Their Majesties The King and Queen and the Royal Family in Their bereavement.

HON. SIR HENRY POLLOCK.—As Senior Unofficial Member, I beg to second the motion.

HON. MR. S. W. TS'O.—As Senior Chinese Member, I beg to support the motion on behalf of the Chinese Community.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—Will Honourable Members signify their approval by standing in silence.

A Minute's silence was observed.

MINUTES.

The minutes of the previous meeting of the Council were confirmed.

PAPERS.

THE COLONIAL SECRETARY, by command of H.E. The Officer Administering the Government, laid upon the table the following paper:—

Order under the Public Revenue Protection Ordinance, 1927, rescinding the order published by G.N. No. 864 of 6th November, 1935.

FINANCE COMMITTEE'S REPORT.

THE COLONIAL SECRETARY, by command of H.E. the Officer Administering the Government, laid upon the table the report of the Finance Committee, No. 16, dated 28th November, 1935, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

VOLUNTEER AMENDMENT ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Volunteer Ordinance, 1933."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

PROBATES AMENDMENT ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Probates Ordinance, 1897."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

**THE HONG KONG TRAVEL ASSOCIATION INCORPORATION
ORDINANCE, 1935.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to provide for the Incorporation of The Hong Kong Travel Association."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

INFANTS CUSTODY ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the law relating to the custody of infants."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

SEPARATION AND MAINTENANCE ORDERS ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to make better provision in this Colony for the granting by Magistrates of separation and maintenance orders."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

SAND ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to regulate the importation and the removal of sand."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

**THE GIRL GUIDES ASSOCIATION (HONG KONG BRANCH)
ORDINANCE, 1935.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to further and protect the activities of The Girl Guides Association, and to incorporate the Hong Kong Branch thereof." He said: Apparently the marginal notes have dropped out in Clauses 3, 4 and 10. They can be inserted in Committee.

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Clause 3.

THE ATTORNEY GENERAL.—I suggest the marginal note should read "Distribution of Badges" as in the corresponding clause in the Boy Scouts Ordinance. I move its insertion.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Clause 4.

THE ATTORNEY GENERAL. — I suggest the marginal note should read "Unauthorised possession of Badges" as in the corresponding clause in the Boy Scouts Ordinance. I move its insertion.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Clause 10.

THE ATTORNEY GENERAL.—I suggest the marginal note should read "Powers of Corporation" as in the Boy Scouts Ordinance. I move its insertion.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee with immaterial amendments in the marginal notes of Clauses 3, 4 and 10, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

FERRIES AMENDMENT ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Ferries Ordinance, 1917."

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

CATHOLIC MISSION OF MACAO INCORPORATION ORDINANCE, 1935.

HON. SIR WILLIAM SHENTON moved the second reading of a Bill intituled "An Ordinance to provide for the incorporation of the Administrator in Hong Kong of the Catholic Mission of Macao."

HON. MR. J. P. BRAGA seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Clause 2.

HON. SIR WILLIAM SHENTON.—Here I move that in the first line of Clause 2 the word "Don" should be spelt "Dom." My attention has been drawn to this by my Honourable Friend Mr. Braga. I move the alteration.

HON. MR. J. P. BRAGA seconded, and this was agreed to.

Upon Council resuming,

HON. SIR WILLIAM SHENTON reported that the Bill had passed through Committee with an immaterial amendment, and moved the third reading.

HON. MR. J. P. BRAGA seconded, and the Bill was read a third time and passed.

CURRENCY ORDINANCE, 1935.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—There is one item of business which is not on the agenda.

THE ATTORNEY GENERAL.—Sir, With your consent, I rise to move the suspension of so much of the Standing Orders of this Council as stands in the way of the introduction without previous notice, and of the passing through all its stages at this meeting, of the Currency Bill, copies of which are before members.

THE COLONIAL SECRETARY seconded, and this was agreed to.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to make provision for the establishment and management of an Exchange Fund and to amend the law relating to Legal Tender in the Colony and to the Notes issued by certain banks." He said: Sir, I think that Your Excellency would wish me, in introducing this Bill, to express the Government's appreciation of the quiet good sense of the community in the difficult currency and exchange position through which the Colony has been passing. It is hardly too much to say that if our exchange market was used only by the Hong Kong community, it might be possible to allow the currency to remain in the present anomalous position until conditions in other parts of the world became clearer, and it was possible to take a final decision about the future.

But this is of course not the case. The exchange market of the Colony is open not only to those who have legitimate interests here, but also to any who may wish to make use of it. There is therefore a danger that the exchange value of the Hong Kong dollar may be subjected to wide fluctuations through the action of speculators and other interests outside the Colony, to the detriment of our own legitimate commercial and industrial interests.

After full discussion with the Heads of the three British note-issuing banks, it has been decided, with their concurrence, that action should be taken to avert this possibility and to enable the Government to restrict fluctuations in the exchange within such limits as may seem desirable from time to time.

The method proposed to be adopted is set out in the first six clauses of the Bill before the Council. These have been discussed in detail with the Heads of the three banks, who fully concur in their provisions. It consists in the establishment of an Exchange Fund, which will have power to buy or to sell foreign exchange at rates which will be fixed by the Colonial Treasurer after consultation with an Advisory Committee, consisting of himself as Chairman, Mr. V. M. Grayburn, representing the three note-issuing banks, and Mr. N. E. Young of His Majesty's Treasury (for so long as his services are available). The Fund will take over the silver now held against the note-issues of the banks in exchange for Certificates of Indebtedness of the Hong Kong Government, which will be redeemable at the option of the Colonial Treasurer. The Fund will also take over in exchange for Hong Kong currency all British Dollars, Mexican Dollars and Hong Kong subsidiary silver coin and silver bullion in the Colony whether in private hands or otherwise. The term "bullion" includes chopped silver coins but does not include manufactured silver ware, provision has been made for the holding of stocks by silversmiths under licence. The silver so nationalized may not be exported by its present holders. Any profits or losses arising on its sale when the new system is fully established and it is possible to remove the embargo would be adventitious, and the Government has decided after full consideration that the only equitable course is to treat this silver in the same way as that held against the note issues and carry those profits or losses to the Exchange Fund.

For the time being the Exchange Fund will be held in the form of foreign exchange or gold or silver, which the Treasurer is empowered to acquire by purchase or exchange. Further Certificates may be issued to the note-issuing banks in payment for any foreign exchange acquired from them by the Fund, and Certificates in their possession will be accepted by the Treasurer in payment for any foreign exchange sold to them by the Fund. It will thus be possible for the note circulation to be expanded or contracted as may prove desirable, against Certificates backed by the assets of the Exchange Fund and the responsibility of the Government. Bank notes will no longer be convertible into silver, and will be made full legal tender.

The rate or rates at which the Exchange Fund will be prepared to buy or to sell will not be published, and the accounts of the Fund will be audited under special arrangements to be approved by the Secretary of State. Any profit or loss resulting from the operations of the Fund will be for Government account.

THE COLONIAL SECRETARY seconded, and the Bill was read a first time.

Objects and Reasons.

The "Objects and Reasons" for the Bill were stated as follows:—

1. The object of this Ordinance is to establish Government control of exchange in the Colony with a view to prevent undue fluctuation.
2. Section 3 provides that lawfully issued bank Notes shall be local currency and legal tender to any amount.
3. Section 4 provides for the surrender by the note-issuing banks of all silver coin and silver bullion which they have hitherto been required by law to deposit against their note issues.
4. Section 5 provides for the issue by the Treasurer of certificates of indebtedness instead of silver as backing for bank notes. It also makes it clear that nothing in the Ordinance will empower any note issuing bank to issue notes in excess of any maximum limit laid down in the Ordinances or Charters governing the issue of such notes.
5. Section 6 provides for the establishment and management of an Exchange Fund.
6. Section 7 provides that every person holding British dollars, Mexican dollars, Hong Kong subsidiary silver coin, or silver bullion exceeding in amount or value ten dollars (other than the silver coin and silver bullion referred to in section 4) shall surrender the same within one month to the Treasurer who will pay for the same in Hong Kong currency.
7. Section 8 provides the penalties for contravention of the Ordinance.
8. Section 9 saves the holding of silver under licence where the holding of such silver for business purposes is considered by the Treasurer reasonably necessary.

THE ATTORNEY GENERAL then moved the second reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a second time.

Council then went into Committee to consider the Bill clause by clause.

Schedule.

THE ATTORNEY GENERAL.—I move that the number of the Ordinance shall be No. 54, and that it be inserted in the fourth line of the Schedule.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee with an immaterial amendment, and moved the third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a third time and passed.

ADJOURNMENT.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—Council stands adjourned *sine die*.

FINANCE COMMITTEE.

Following the Council a meeting of the Finance Committee was held, the Colonial Secretary presiding.

Votes totalling \$34,150, contained in message No. 17 from H.E. The Officer Administering the Government, were considered.

Item 94.—22, Medical Department:—Repairs to Disinfecting and Fumigating Plant, \$1,000.

THE COLONIAL TREASURER.—With regard to Item 94, we have miscalculated the amount. We find that another \$20 will be required. I therefore move that this sum be amended to \$1,020 instead of standing at \$1,000 as on the agenda.

This was agreed to.

All the votes were approved, with the addition of \$20 to Item 94.
