

LONDON* ON NEW ZEALAND

(On the basis of £(stg.)100)

			Buying.			Selling.		
			£(N.Z.)			£(N.Z.)		
Telegraphic transfers ..	..	..	125	0	0	124	7	6
						Sea Mail and Air Mail.		
On demand ..	£(N.Z.)	125 12 6	£(N.Z.)	126 2 6		£(N.Z.)	124 7 6	
30 days' sight ..	„	126 0 9	„	126 10 9		No quotation.		
60 days' sight ..	„	126 9 0	„	126 19 0		„		
90 days' sight ..	„	126 17 3	„	127 7 3		„		
120 days' sight ..	„	127 5 6	„	127 15 6		„		

* These rates apply to all parts of the British Isles.

† Customer pays air-mail postage.

BANKING LEGISLATION

(1) RESERVE BANK ADVANCES

Section 21 of the Finance Act, 1946 (the full text of which is attached in the Appendix to this report), amended the lending powers of the Reserve Bank. The Bank is now empowered to grant accommodation by way of overdraft to—

- (a) The Government of New Zealand ;
- (b) Any Department of State or statutory authority having power to carry on business or to borrow on overdraft ;
- (c) Any statutory marketing authority.

Prior to this amendment the purpose for which the Bank was empowered to grant overdraft accommodation to the Government or any statutory authority was confined to financing the purchase and marketing of New Zealand produce.

The amount of overdraft accommodation which may be granted to the Government under the amended legislation is limited to the amount of the investments held by the Treasury for the time being.

The reason for authorizing the Reserve Bank to provide, by way of overdraft, part of its general accommodation to the Government was to enable the Bank to meet the day-to-day requirements of the Government by day-to-day accommodation. This method, when required, has been found to be both more efficient and more economical than the former practice of discounting Treasury bills with a term of three months in order to meet requirements of a much shorter duration.

The various trading Departments of the State—*e.g.*, the Government Life Insurance Department, the State Fire and Accident Insurance Office, and the Public Trust Office—are now authorized to borrow on overdraft from the Reserve Bank. These Departments are required by law to bank with the Reserve Bank, and it is reasonable that they should be provided with access to facilities for day-to-day accommodation similar to that available to customers of other banks.

(2) LOANS TO FOREIGN GOVERNMENTS

In addition to the above-mentioned extension of the Bank's lending powers, section 4 of the Finance Act (No. 2), 1946, empowers the Bank, upon such terms and conditions as may be approved by the Minister of Finance, to advance moneys from time to time up to an aggregate of £(N.Z.)10 millions at any one time to the Governments of other countries in respect of the purchase of any New Zealand produce for export to those countries. In lieu of making loans, the Reserve Bank may guarantee similar advances made by any other bank. The full text of the section is attached in the Appendix to this report.