

The decision announced on the 19th August, 1948, to bring New Zealand currency to parity with sterling caused the Bank's overseas assets to be depreciated, as the statute contemplated they might be, and a claim was accordingly made by the Reserve Bank for the amount involved, including certain overseas assets held by the trading banks on terms which entitled them to recoupment on exchange adjustment. The Reserve Bank also advised that a second claim would be made for compensation on forward exchange contracts which were current and which also came within the recoupment provisions.

To enable the Consolidated Fund to discharge its liability to the Bank provision was made in section 2 of the Finance Act, 1948, for the borrowing of any funds required. The first claim amounted to £19,007,906 19s. 11d. and the second to £1,568,299 19s. 3d., a total of £20,576,206 19s. 2d. To meet these claims £20,000,000 was borrowed by the issue to the Reserve Bank of 1-per-cent. stock maturing on the 15th June, 1959, and the balance was paid from cash resources.

Certificates as to the amount of the claims, given in precise terms, were obtained from the Auditors of the Reserve Bank for its portion, while claims submitted by the various trading banks were certified in the same way by the chief officer in New Zealand in each case. The Reserve Bank also assured the Audit Office that claims by the trading banks had been subjected as far as possible to scrutiny by its own officers.

Exchange Adjustments

In addition to compensation paid to the Reserve Bank, it was necessary to adjust balances in the hands of overseas imprestees, and investments in the United Kingdom, to show their new value in New Zealand currency. In terms of section 55 of the Finance Act, 1932, the Minister of Finance directs how exchange is to be dealt with, and, arising from alterations in rates made prior to 1948, the Reserve Fund Account in the Public Accounts had received an accretion of £646,031.

Adjustments arising from the 1948 alteration of rate were made as follows :—

- (1) Some £84,000 in respect of the balances of overseas imprestees was charged to Ordinary Revenue Account and is included in the item "Exchange on remittances overseas" on page 19 of the Public Accounts, 1948-49.
- (2) £339,525 was charged against the Earthquake and War Damage Fund to reduce the value of its overseas investments as at 19th August, 1948, from £(N.Z.)1,697,625 to £1,358,100.
- (3) £528,250 was charged to Reserve Fund to make a similar reduction in that Fund from £2,641,250 to £2,113,000.
- (4) Investments of a New Zealand value of £782,375 held in London by the Government Life Insurance Department, and of £2,825,619 held by the Post Office Savings-bank, were adjusted by reversing the entries which carried to reserves in their own accounts former accretions arising from currency adjustments.

The London debt was reduced as at the 19th August, 1948, by £27,344,669. Debt domiciled in Australia amounting to £(A)779,000 was adjusted to £628,226.

It will be noticed from the foregoing statement that Earthquake and War Damage Fund had no previous exchange accretions to take up the 1948 charge, and the consequent loss to it has been heavy.