

(b) *Banks*.—These balances decreased by £179,243 5s. 5d., important transactions being sales of sterling to the banks on the one hand, and on the other augmentations to their accounts resulting from advances made by the Bank to the Dairy Industry Account. The balances which they were required by statute to maintain with the Reserve Bank in respect of their demand and time liabilities amounted in the aggregate to £3,542,110 on the 29th day of March, 1937.

ASSETS.

Reserve.

Sterling Exchange.—The sterling exchange eligible as cover for notes in circulation and other demand liabilities decreased during the year by the equivalent of £(N.Z.)5,488,854 13s. 10d. to a total of £(N.Z.)19,387,749 18s. 2d. (=£(sterling)15,635,282 3s. 8d.).

As mentioned above, part of this decrease was due to sales of funds to the Treasury to provide for the repayment of debt in London, in addition to which the sales of sterling to the trading banks during the year exceeded the total amount purchased from them by the equivalent of approximately £(N.Z.)1,415,250. On the other hand, the total was increased by £(N.Z.)9,748,880 in respect of the sale in London of dairy-produce under the terms of the Primary Products Marketing Act.

Subsidiary Coin.

The amount of silver coin has purposely been allowed to fall below the usual level with the object of replenishing the stock when supplies of King George VI coins are available.

Advances.

(1) To the State or State undertakings:—

(a) *To the Dairy Industry Account*: The overdraft of £6,225,908 8s. 7d. on this account at the end of the financial year represented advances of £(N.Z.)16,220,520 8s. 10d., less receipts in respect of sales amounting to £(N.Z.)9,994,612 0s. 3d. Further details of these operations are given below.

(b) *For other Purposes*: The accommodation provided under this heading during the year consisted of £100,000 for the Housing Account, £700,000 in connection with the provision of funds in London for the repayment of the Southland Electric-power Board loans referred to above, and £1,000,000 for general purposes. All of these sums were made available against the issue of three months' Treasury bills. The amount provided for general purposes was repaid before the end of the financial year, leaving a balance of £800,000 advances to the State at that date.

(2) *Other*.—A certain amount of temporary accommodation was granted to the banking system whilst the maximum effect of the collection of the national revenue was being felt; but repayment was made before the end of the financial year.

Investments.

The total of the investments included under this heading increased by £1,105,332 during the year.

A word of explanation as to how certain of the Bank's assets are shown is perhaps desirable, as the statutory form of weekly return might permit of some items being included under one of several headings.

Accommodation granted to the Government against Treasury bills, for example, might be included alternatively under "Discounts—Treasury and Local Body Bills"; "Advances—to the State or State Undertakings"; or, possibly, "Investments." If the most important consideration were to show the total amount of Treasury bills held by the Bank at any time, regardless of how they had been acquired, the amount might be shown under the heading of "Discounts." If, however, Treasury bills were issued to the public and some of these bills were discounted for a third party (for example, one of the trading banks) at a time when the Reserve Bank held bills which had been taken direct from the Treasury, to combine the two holdings would show neither the amount of accommodation which had been granted by the Bank to the Treasury nor the extent to which assistance had been given to the market.

It has therefore been decided to include under the heading of "Discounts" only such bills as are discounted for third parties, and to show as "Advances to the State" any temporary accommodation granted to the Treasury, whether against Treasury bills or otherwise. This procedure will reveal at any time the extent to which the power to grant accommodation to the Treasury under section 15 of the Reserve Bank of New Zealand Amendment Act, 1936, has been exercised.

Long-dated Government securities, which can now be held by the Bank without limit as to amount, are included under the heading of "Investments."

CANCELLATION OF SHARE CAPITAL.

In accordance with section 2 of the Reserve Bank of New Zealand Amendment Act, 1936, the share capital of the Bank was cancelled on the coming into force of that Act on the 1st April, 1936. The option given to shareholders to receive either £6 5s. in cash or a like amount of 4-per-cent. Government stock, due 1st April, 1946, in exchange for each fully-paid £5 share, was exercised as follows:—

		£	£
Holders of	32,532 shares elected to receive cash amounting to	203,325	
Holders of	67,000 shares elected to receive stock amounting to ..	418,750	
Holders of the remaining	468 shares, who had not declared their option by the 31st August, 1936, were allotted (in terms of section 49 of the Finance Act, 1936) 4-per-cent. stock amounting to	2,925	
			421,675
	<u>100,000</u>		<u>£625,000</u>