The balance required to complete the repayment of the 4-per-cent. 1937–40 loan was provided mainly by the issue to the trading banks of three months' Treasury bills at the rate of 1¼ per cent. per annum, and the securities which had been issued to various Government Departments and to the Reserve Bank to provide for the repayment of the Southland Electric-power Board's sterling loans have been renewed.

The Board considers it a cause for satisfaction that advantage was taken of the opportunity of dealing with a 4-per-cent. Government loan at the earliest optional maturity date, thereby effecting a considerable saving to the State in the annual charge for interest and at the same time splitting up into convenient new maturities a large loan which was due to mature finally within a few years.

State Advances Corporation.

On the 16th February a prospectus was issued by the Bank inviting subscriptions for stock or debentures of the State Advances Corporation bearing interest at the rate of 3¼ per cent. per annum and repayable on the 1st June, 1944. In terms of section 25 of the State Advances Corporation Act, 1936, these securities are guaranteed by the State. No date was announced for the closing of the list of applications, and these securities were still on offer on the 31st March.

The Reserve Bank will undertake the registration and management of the above-mentioned stock and debentures when issued.

Discount Rate.

The Bank has not yet been called upon to discount any bills for the public; but, in accordance with the requirements of subsection (2) of section 13 of the Reserve Bank of New Zealand Act, 1933, the minimum rate at which the Bank is prepared to discount or rediscount bills has been made public at all times.

The rate at present is 2 per cent., having been reduced from 2½ per cent. on the 29th June, 1936.

Exchange Rate.

The rates at which the Bank has been prepared to pay its notes in sterling and to issue notes in exchange for gold or sterling have remained unchanged at £125 (N.Z.) and £124 (N.Z.) respectively for £100 sterling.

When the Reserve Bank originally fixed its buying and selling rates a margin of £1 between the two was decided upon in order to allow a certain amount of latitude for the trading banks to operate between those limits. It was assumed that the trading banks might wish to accelerate or to discourage purchases of sterling from their customers from time to time according to the state of their London funds and that in certain circumstances they might be prepared to pay a slightly higher price for sterling than at other times. A similar movement upwards and downwards within outside limits takes place, of course, in the market rates of exchange of countries on the gold standard; and it appears to the Board to be desirable that the banks trading in the Dominion should be able to alter their buying and selling rates for sterling within the outside limits set by the Reserve Bank without affecting the basic rate and, moreover, without undue significance attaching to any such restricted movements.

New Zealand Trading Banks.

The position of the trading banks as disclosed by the monthly returns made by them to the Reserve Bank in accordance with statutory requirements was as follows:—

(000 (N.Z.) omitted.)

Date.	Bankers' Cash.			Total Cash in New Zealand.	London Funds (expressed in New Zealand Currency).	Combined Totals of "A" and "B."	Government Securities held in New Zealand.	Advances and Discounts in New Zealand.	Liabilities in New Zealand.			Ratio of "C."	
	Balances at Reserve Bank.	Holdings of Reserve Bank Notes.	Holdings of Silver Coin.						Demand.	Time.	Total (Demand and Time).	To Demand Liabilities.	To Demand and Time Liabilities.
				"A."	"B."	"C."	"D."		"E."		"F."	"C." to "E."	"C." to "F."
1936.	£	£	£	£	£	£	£	£	£	£	£		
Mar. 30	8,938	3,593	754	13,285	14,143	27,428	5,082	44,919	31,946	36,530	68,476	85·9	40·1
April 27	8,571	3,627	738	12,936	15,980	28,916	5,157	45,091	32,049	37,311	69,360	90·2	41·7
May 25	8,075	3,520	735	12,330	16,701	29,031	5,202	44,971	31,584	36,675	68,259	91·9	42·5
June 29	6,686	3,337	733	10,755	17,317	28,072	5,326	45,077	30,806	36,067	66,872	91·1	42·0
July 27	6,366	3,518	717	10,601	16,729	27,330	5,229	45,185	30,268	35,614	65,882	90·3	41·5
Aug. 31	5,693	3,357	683	9,733	14,438	24,170	5,184	45,826	29,907	34,893	64,800	80·8	37·3
Sept. 28	6,865	3,403	652	10,919	12,891	23,810	5,171	46,000	28,935	34,486	63,420	82·3	37·5
Oct. 26	7,661	3,428	632	11,720	10,763	22,484	5,215	47,780	28,889	34,048	62,937	77·8	35·7
Nov. 30	9,546	3,169	659	13,375	8,414	21,789	5,699	49,512	29,189	33,384	62,572	74·6	34·8
Dec. 28	11,040	3,198	524	14,763	7,908	22,671	5,710	48,282	31,080	33,124	64,204	72·9	35·3
1937.													
Jan. 25	11,870	4,713	736	17,319	7,362	24,681	7,593	47,417	35,021	32,949	67,970	70·5	36·3
Feb. 22	11,735	4,292	725	16,753	8,308	25,061	7,618	45,759	36,738	32,600	69,337	68·2	36·1
Mar. 29	8,864	3,335	608	12,808	11,048	23,856	7,617	46,954	36,898	31,975	68,873	64·7	34·6