

BANKING ARRANGEMENTS OF THE GOVERNMENT.

MINUTES OF EVIDENCE.

TUESDAY, 24TH AUGUST, 1875.

Mr. D. L. MURDOCH examined.

1. *The Chairman.*] You are the Inspector of the Bank of New Zealand?—I am.
2. That Bank does the Government business entirely?—Yes, entirely.
3. Under specific conditions?—Yes.
4. Can you state what these are?—They are as contained in a printed paper laid before the House in 1873. [Witness laid a copy of the paper before the Committee, and it was read by the clerk.]
5. Has that been supplemented in any way by any further agreement?—Yes; but the general conditions of the agreement have not been affected.
6. Do the exchanges now stand on the same footing as under that agreement?—Yes, on the same footing.
7. Do you consider that these conditions render it necessary that the large sum which has been deposited in London should be deposited with the Bank of New Zealand?—Clearly. I may say that the amount has been overstated by Mr. Rolleston.
8. Will you state what that amount was at the highest time?—The largest amount of which I had advices to the credit of the Government at one time was £2,600,000, and that was only for a very short period.
9. Can you state the probable amount now, at the last advices?—£1,700,000 was the amount at credit. All the instalments of the loan had not been paid.
10. Do you suppose as they are paid in that the amount will be in excess of that?—I do not think so, from the imperfect knowledge I have of the liabilities of the Government in London.
11. Is the Committee to understand by your answer that, owing to the varying exchanges that have taken place in the last two or three years, the banking arrangements have remained the same throughout?—Precisely the same.
12. *Hon. E. W. Stafford.*] You have stated that the general terms of the arrangement have not been altered. Was there not a special alteration made with regard to the new portion of the loan?—Yes; there was a special arrangement made by Sir Julius Vogel lately, whereby the interest on credit balances was increased from 1 per cent. under the Bank of England rate to $\frac{3}{4}$.
13. *Mr. Johnston.*] You have stated that, in your opinion, the Government are bound under the terms of the arrangement to place the whole amount of the public money in the hands of the Bank of New Zealand, without any stipulation on the part of the Bank as to the amount of accommodation that might be required?—Yes, under this agreement; but I think that, from the experience of the Government during the time the Bank of New Zealand has held the account, there is ample evidence that they have always been willing to meet any reasonable request.
14. Reasonable compared with the paid-up capital of the Bank?—Yes, and its resources.
15. Generally speaking, is there not some relation between the amount of coin and bullion retained in the hands of the Bank, and the amount of advances they make, and that some proportion of coin and bullion must be retained in order to do a safe business, in theory?—The relation is not between the amount of coin and the advances, but between the amount of coin and the liabilities of the Bank—the deposits and the circulation of the Bank.
16. What is the ordinary relation?—It varies. It is between 20 and 25 per cent. of the demand liabilities of the Bank ordinarily considered.
17. May I ask the proportion in the Bank of New Zealand compared with the liabilities?—With its demand liabilities?—I am not prepared to say, but the proportion is larger than is considered the safe limit.
18. But still, is not the limit of safety so nearly attained that it would seem the Bank is doing as much as it can at the present moment?—If the Bank required a larger amount of coin, it could be obtained in fourteen days.
19. The reason I put the question is this: In case of the Government requiring a larger amount could the Bank furnish it without restricting its general business?—Certainly; it depends of course upon the amount of the accommodation required.

Mr. D. L. Murdoch.
24th Aug., 1875
Appendix 1.