

Then, what distinction do you draw between deposit and investment?—I consider that this money is open to call in reality as being public funds.

But this is on fixed deposit for a given time, and you say it can be recalled at any time?—As public moneys I think it could.

Then, what does fixed deposit mean? It is a misnomer surely. If the Colonial Bank, say, had offered an eighth per cent. more, would the deposit have been laid there?—I do not think it could have been. I would have been willing ~~if it was~~ *had it been* permissible.

Supposing by an possible contingency any loss should arise in respect of insurance funds lodged in any bank or banks, upon whom would that loss devolve?—I suppose upon the department or the Government. I do not know which.

What is the difference between the Government and the Insurance Department?—The department's funds are distinct from the other funds of the Government.

*Mr. J. G. Wilson.*] You said this money was placed at a high rate of interest. You took into consideration at the time that you could withdraw it, did you?—I did not think about withdrawal, because I did not think I should want to withdraw it. We are accumulating funds every month, which I have to dispose of to the best advantage, and which in the meantime I am putting into deficiency bills, which at that time I could not *obtain*.

*Mr. J. E. Brown.*] Have you any information which would tell us when this system of deposit with the bank commenced?—I have mentioned the date, *15th February, 1878*. Here is a memorandum which was ~~given~~ *submitted* to the Colonial Treasurer on behalf of the department more than a year before I joined. (See Appendix.)

Who was the then Treasurer?—Mr. Larnach.

Then, this system was commenced by Mr. Larnach in 1878?—It was approved by him.

Upon the suggestion of Mr. Knight?—Yes, who was then acting for the Commissioner.

That system has continued ever since?—Yes.

Did you make this deposit of £225,000 simply because you had no other investment of your funds?—Yes; the Government was paying off the Treasury bills at the time.

Then, you could not purchase debentures of other colonies without the consent of two other persons?—I could not have purchased them; *and, besides, the interest on these would have been too-low*.

You could not have purchased them without the consent of the Controller-General or some one else?—Without the consent of the Treasurer, and acting under the authority of an Order in Council.

You did not require an Order in Council or even the consent of the Treasurer to make a deposit of money in this way?—I do not think legally it would be absolutely necessary to have the consent of the Treasurer; but I would always, if it was a large sum, report the circumstance to him, and have his concurrence, and ascertain whether he could give me an investment himself.

Do you consider that this, being public money under the Public Revenues Act, could be withdrawn from the bank to-morrow if you saw a better investment?—I do not know as to to-morrow; I believe it could be withdrawn, but I do not think I should be likely to withdraw it to-morrow.

What I mean is, have you or the Government power to take that money?—I believe, as public moneys, it could be withdrawn.

*Mr. Macandrew.*] Do you say there were no insurance funds on fixed deposit in the Bank of New Zealand before February, 1878?—I think not; but I will submit a list of all deposits made.

Was there a current account?—Yes.

But there is no difference between fixed deposit and open deposit, according to you, inasmuch as the money can be drawn out at any time?—According to the Public Revenues Act I believe the money could be drawn out without notice.

Practically there is no distinction, then, as far as the bank is concerned?—So it would appear. At the same time I do not think it at all likely that such a result would occur. *I operate on the amount current, but leave the deposits alone.*

*The Chairman.*] In case the money were drawn out it would simply mean a forfeiture of interest?—Yes.

Do you consider that the entire control of these deposits rests with yourself and the Controller-General?—Yes; generally.

*Mr. Dargaville.*] Casting your eye over the range of similar operations before, have you found any approximating such magnitude as this in amount, or for any thing like a similar term?—No; the largest sum previously was £92,000, and the longest period twelve months, and the rate of interest, I think,  $5\frac{1}{2}$  per cent.

You think, by the Public Revenues Act, this money could be withdrawn at once without notice?—I understand so.

Is that not in case of any doubt arising as to the safety of the deposit?—I do not know.

I think you will find that it is in case of any doubt as to the soundness of the institution that the moneys can be withdrawn. Have you any conception of what the effect would be upon the bank of the immediate withdrawal of £225,000? My object is to arrive at the practicability of the suggestion that the money may be withdrawn?—I should say it ~~would~~ *might* be disastrous to the bank. I do not contemplate withdrawing any of the money.

Therefore, for all practical purposes, this money must be held not to be withdrawable without notice?—I certainly have no intention of withdrawing it. I think it is very good interest we get for the money.