

VI. And it is submitted that, in order to economy, and thereby the better security of the State, arrangements be made for the redemption of the £1,500,000 5½-per-cent. debentures, which are now a first charge on the assets, which impose a heavy and quite unnecessary burden of interest, and so lessen the resources to which the colony has to look for the protection of its guarantee, and which stand in the way of a satisfactory rearrangement of the administration.

It is believed that this can be effected without raising any more money by loan. If part of the money already raised be used for extinguishing so much of these debentures, there will, on the contrary, be an actual reduction in the amount owing.

But this means, by the resumption of some of the estates under the Land for Settlements Act, and by assistance from the bank itself, the incubus referred to can be got rid of.

Wellington, 11th September, 1894.

JOHN MURRAY.

THE undersigned, being of opinion that an amalgamation between the Bank of New Zealand and the Colonial Bank of New Zealand would be mutually advantageous and in the interests of the colony, agree, as regards the Bank of New Zealand, to recommend to the approval of the Government, and, as regards both banks, to recommend to their respective directors and shareholders, the following terms:—

I. The assets of each bank to be reviewed by a Board or other tribunal, upon which the other bank's representatives shall be preponderant. Upon these Boards respectively being satisfied that the assets of each bank are so far sound that any deficiency can be made good by the provisions available therefor, the Bank of New Zealand to assume the liabilities of the Colonial Bank and take over its assets, as hereinafter provided.

II. The Bank of New Zealand to take the necessary measures to increase its capital by the creation of new shares, of the nominal value of one million pounds sterling, to be designated B shares. Of these, four hundred thousand pounds to be issued to the shareholders of the Colonial Bank in lieu of, and exchange for, the present paid-up capital of that bank; the shares so issued to be considered as fully-paid-up shares, and to carry no further liability whatever. The remaining six hundred thousand pounds in shares to be vested in the President of the bank for the time being, and to be held for the present as unissued, but to be at the disposal of the shareholders of the Bank of New Zealand or their transferees at a period to be appointed by the directors of the bank for the time being, but not later than the end of the year 1903. The subscriptions to be *pro rata* to the holdings of the C shares hereinafter mentioned, and six months to be given to subscribers in which to pay for the shares by instalments. When all the instalments are paid, the shares to carry no further liability. Such of those shares as are not subscribed for by those having a right to do so shall thereafter be absolutely the property of the bank as then constituted, and free from any restriction as to issue. The Bank of New Zealand to write down its present paid-up capital of nine hundred thousand pounds to six hundred thousand pounds, the sum of three hundred thousand pounds so released to be used as hereinafter provided. The old shares so written down to be designated C shares.

The capital of the bank after amalgamation thus to be:—

	£
Guaranteed preference stock (A)	2,000,000
B shares, fully paid up	400,000
C shares, fully paid up	600,000
	3,000,000
B shares unissued	600,000
	£3,600,000

III. The first Board of Directors shall consist of seven members, of which four shall be elected by the present shareholders of the Bank of New Zealand, and three shall be elected by the present shareholders of the Colonial Bank, or their respective transferees. It is of the essence of this agreement that the Bank of New Zealand shall have a preponderance of one member on the new Board of Directors. Therefore, if the Government should appoint as President of the bank a person heretofore connected with either bank, such President shall stand for one of the directors to be nominated by that bank.

IV. With the exceptions of the principal executive officers—namely, the joint general managers, chief inspector, and London manager (regarding which a separate agreement has been entered into)—the officers of the bank shall be selected by the new Board of Directors from the present staffs of both banks, and appointed to their various posts. These selections, so far as may be practicable, shall be made in accordance with the numbers and positions of the present officers of the two present staffs relatively, departure from this condition being only made where deemed necessary in the interests of the bank. The Colonial Bank officers coming in shall have no rights in the present Bank of New Zealand Guarantee and Provident Fund. Officers dispensed with to be compensated by the bank to which they at present belong.

V. The liabilities and assets of the Colonial Bank shall be taken over by the Bank of New Zealand as provided in clause I., excepting such assets or advance business which by the new Board of Directors (having a preponderating number elected by the Bank of New Zealand) shall