

DISCOUNT RATE.

The discount rate, which had remained at 4 per cent. since the 19th November, 1938, was reduced to 3 per cent. on the 6th September, 1939, shortly after the outbreak of war.

EXCHANGE RATE.

The Bank's buying rate for sterling remained unchanged, but since the suspension of the obligation to redeem notes in sterling no selling rate has been quoted.

No alterations in the trading banks' telegraphic transfer rates for sterling were made during the year, either for buying or selling, but some small adjustments in the time rates were announced in September and later in December to meet changing circumstances.

BANK NOTES.

A new issue of bank notes was released for circulation on the 6th February, 1940, and thus coincided with the Centennial celebrations. Although the new notes embody certain historical features of special interest, they are not intended to be primarily a commemorative issue, but to replace gradually the original issue which was always regarded as of a temporary nature.

The new notes differ considerably from the old ones, both in size and design, and contain certain features which have been incorporated with a view to affording the maximum protection to the currency. The range of denominations has been widened by the addition of £10 notes; and distinctive colours and gradations of size have been adopted with a view to rendering the various denominations easily distinguishable.

The 10s. and £1 notes were reduced to what were considered to be more convenient sizes for the public; and although the £10 and £50 notes are of the same dimensions, it is considered that the marked distinction in colouring, in addition to the wide difference in the designs on the backs of those notes, should obviate the possibility of there being any confusion between these two denominations.

Despite the introduction of the new issue, the public were informed that the notes of the original issue are expected to remain in circulation for some time, and they have been requested to assist in prolonging the life of all notes in circulation as much as possible as a war-time measure of economy.

MANAGEMENT OF PUBLIC DEBT.

During the year the Bank undertook the issue of an internal loan of £4,500,000, the lists of which were closed on the 31st May, 1939. The loan was over-subscribed.

Investors were offered the following alternatives :—

- (a) 4-per-cent. Stock due 31st May, 1958, the Government having the option to redeem at par at any time after the 31st May, 1954, on giving three months' notice. The issue price was £96 per centum. A condition attaching to this issue is that if the market selling price falls below the price of issue, sums will be made available annually, as required, up to a total of 5 per cent. of the amount of the loan outstanding at the end of the previous financial year, towards the purchase for cancellation of any such stock on offer below that price. No other stock in New Zealand carries this provision.
- (b) 4-per-cent. Stock maturing on 30th November, 1948, the issue price being £99 per centum. This stock will be accepted at par at any time before maturity in payment of death duties in respect of the holder's estate provided that such stock has been in the beneficial ownership of the holder for at least six months prior to death.

The public favoured the longer-dated issue, as is shown by the amounts of the respective stocks allotted :—

	£
1948	1,413,390
1954-58	3,086,610
	<hr/>
	£4,500,000

Commencing with this issue, the fees previously charged for transfers and for the issue of certificates of title of Government stock domiciled in the Dominion were abolished.

These concessions should help to popularize Government Stock with the general public and facilitate dealings, especially in small holdings.

STATE ADVANCES CORPORATION.

The list of applications for the 3½-per-cent. Guaranteed Stock or Debentures (Series B) due 1st June, 1941, which had been on offer since the 15th February, 1937, was closed on the 30th May, 1939.

EXCHANGE CONTROL.

The most important developments in the operation of exchange control during the year arose out of a shortage of funds available overseas to meet the current demand for remittances in respect of licensed imports and for other authorized purposes.

It therefore became necessary to introduce in July a system of deferred remittances covering all requirements for overseas funds, with the exception of those for Government purposes and for the service of Local Body debt domiciled abroad. Under this arrangement, holders of import licenses who applied to the Reserve Bank were granted " Exchange Authorities " specifying the months during which payment could be made overseas, and those who had occasion to remit funds overseas for other purposes were granted " Exchange Permits " in a similar manner provided the object of their remittance was approved.