

DISCOUNT RATE.

The discount rate was altered to 2 per cent. on the 27th May, 1940. The rates quoted since the Bank commenced business are as follows:—

	Per Cent.
As from 1st August, 1934	4
As from 29th July, 1935	3½
As from 2nd March, 1936	2½
As from 29th June, 1936	2
As from 19th November, 1938	4
As from 6th September, 1939	3
As from 27th May, 1940	2

EXCHANGE RATE.

The Bank's official buying rate for sterling remained unchanged and no official selling rate was quoted.

MANAGEMENT OF PUBLIC DEBT.

Interest-free Loans for War Purposes.

It was arranged that all persons lending money to the Government in response to the appeal by the Minister of Finance for interest-free loans should receive New Zealand Government Stock for the amounts lent. The Bank undertook the management of these interest-free loans, contributions to which totalled £2,589,563. Of this amount, £1,142,182 was converted into New Zealand Government War Loan, 1953, leaving £1,168,381 outstanding at 31st March, 1941.

New Zealand Government War Loan, 1953.

The Bank issued the prospectus of this loan on the 26th September, 1940. It is non-interest bearing until the 1st October, 1943, but thereafter interest will be paid at the rate of 2½ per cent. per annum. Subject to the provisions of section 41 of the New Zealand Loans Act, 1932, this Stock will be accepted at par in payment of death duties at any time before maturity in respect of the estate of the original holder. It was indicated in the prospectus that the Minister of Finance would not regard any person as having subscribed in proportion to his means unless that person had subscribed at least the amount of the income-tax payable by him in respect of income derived during the year ended the 31st March, 1939, decreased in the case of individuals by £50 and in the case of companies by £70.

Individuals and companies who had already made interest-free loans were given the option of converting them to this issue.

In addition, persons who had made gifts of money direct to the War Expenses Account were permitted to reduce their contributions to the loan by the amount of such gifts.

On the 18th October, 1940, a *Gazette* notice was issued requiring all persons and companies to subscribe to the loans on the terms set out above. The closing date for applications was extended to the 8th November, 1940.

The total applied for under this loan was £9,284,737, including the above-mentioned amount of £1,421,182 converted from interest-free loans. The Bank decided not to make the usual issue and conversion charges to the Government for the work undertaken in connection with this loan, whilst the trading banks and the Stock Exchange Association of New Zealand agreed to forego the commissions ordinarily payable to them.

New Zealand Government National Development Loans, 1945 and 1956–59.

On the 3rd January, 1941, the Bank issued a prospectus for these loans. Two classes of Stock were offered:—

- (1) 3-per-cent. Stock maturing 15th July, 1945, at an issue price of £100.
- (2) 3½-per-cent. Stock maturing 15th January, 1956–59, at an issue price of £97 5s.

The closing date of the loans was not fixed nor was any maximum amount specified.

The proceeds of these loans are to be used for general development purposes comprising railway construction, hydro-electric development, land development and afforestation, housing, roads and highways and public buildings, including telegraph and telephone extensions. As at 31st March, 1941, the loans were still open, but the shorter-dated loan has since been closed.

The Board desires to place on record that the task of issuing the above-named loans was greatly facilitated by the helpful co-operation of the trading banks and the Stock Exchange Association of New Zealand.

EXCHANGE CONTROL.

So far as licensing of overseas trade is concerned, the procedure has not substantially changed except that the fifth licensing period covers the whole of 1941. Previous licensing periods covered six months, though in some cases an extension was made.

Net overseas assets continued at a level which rendered it unnecessary on the whole to "spread" approved remittances during the year under review.

A fuller degree of control was, however, taken over foreign exchange transactions by the Finance Emergency Regulations 1940, which were introduced in April, 1940.

These regulations eliminated the free exchange market by prohibiting all transactions (other than those officially approved) involving the taking or sending of money or securities from New Zealand, or disposing of any money or securities held or payable abroad. At the same time, any foreign exchange transactions at other than the current exchange rate were also prohibited.