

WELLINGTON, WEDNESDAY, 7TH MARCH, 1934.

Witnesses: Messrs. T. G. A. HARLE, E. C. FUSSELL, and J. SHAW, representing the
ASSOCIATED BANKS OF NEW ZEALAND.

The Chairman: Gentlemen, we have this morning Mr. Harle, Mr. Fussell, and Mr. Shaw, representing the associated banks. Now, the Committee first of all decided to send in one or two questions, and these have been replied to and the answers distributed last evening. The banks, on the other hand, have prepared a statement as from the associated banks, and this, of course, will be incorporated in the evidence as they have prepared it, I take it, to assist the Committee in their deliberations. I have not read it through, as it has only just arrived; of course it will be for the Committee to raise any questions that they care to put in regard to that statement itself. We have not arranged for any other witnesses, realizing that the banks' requests will take up a great deal of time, and no doubt we will be carrying on with them this afternoon.

I would like to ask you, Mr. Harle, if you would first of all read this statement, as we have not had time to look at it, and then possibly you may care to make a statement—it would be quite optional. Mr. Fussell and Mr. Shaw may also care to make a statement—you take the matter as you think fit. If it is not your desire to make a statement or to amplify what you have put in, then the Committee will take up the matter by way of question.

Mr. Harle: I thank you for your suggestions. We have prepared a reply to your questionnaire, as you will observe, very fully, so that your Committee will have the matter fully before you. We have prepared this minor statement with the object of placing before you a general outline of the banking schemes in New Zealand. I do not think there will be any need to amplify it, but we will be very pleased to endeavour to answer on all these matters whatever questions the Committee put. We may ask your indulgence to speak on another matter also.

Mr. Harle read the first statement. This was included as evidence:—

We have thought it desirable, with a view to saving your Committee's time in the ensuing discussions, to place before you a résumé of the incorporation of the trading banks doing business in New Zealand, showing how they obtain the franchise they hold, their functions, and some of the statutory restrictions imposed upon them.

1. There are six trading banks operating in New Zealand, and we deal with them in order of age in New Zealand:—

The Union Bank of Australia, Ltd.—A British bank with registered headquarters in London. Branches throughout New Zealand and Australia. Commenced operations in New Zealand in 1840. Received its statutory powers originally under Ordinance (Session III, No. 1) of the Legislative Council of New Zealand. This was repealed by a fresh Act (Private, No. 1) of 1882, which laid down the basis of the bank's right of note-issue in New Zealand.

Bank of New South Wales.—An Australian bank with headquarters in Sydney. Established 1817. Has branches throughout Australia, New Zealand, Fiji, and New Guinea. Commenced business in New Zealand in 1861. There is a special Act of the New Zealand Legislature in existence (Bank of New South Wales Act, 1861) dealing with its operations and right of note-issue in New Zealand.

Bank of New Zealand.—An institution with headquarters in New Zealand. Formed 1861. Branches throughout New Zealand, also in Melbourne, Sydney, Fiji, and Samoa. Various enactments of the New Zealand Legislature give the Bank of New Zealand its legal franchise. Its right of note-issue is governed by the New Zealand Bank Act, 1861, as amended by the Bank of New Zealand Act, 1920. The State is a shareholder to the extent of one-third in the Bank of New Zealand. In addition to the ordinary functions of banking, the Bank of New Zealand has a special long-term-mortgage department.

Bank of Australasia.—A British company with headquarters in London. Branches throughout Australia and New Zealand. Former under Royal Charter dated 1835. Commenced operations in New Zealand in 1864. Its rights of note-issue are granted under its charter. The charter would, of course, be subservient to such special legislation as is contained in the New Zealand Banking Act, 1908.

The National Bank of New Zealand, Ltd.—A British company registered in 1872 under the Imperial Companies Act. By special Act of 1873 the New Zealand Legislature granted it powers of note-issue. Branches of this institution are confined to New Zealand.

The Commercial Bank of Australia, Ltd.—Founded in Australia in 1866. Has branches throughout Australia and New Zealand. Commenced operations in New Zealand in 1912, when the New Zealand Legislature passed the Commercial Bank of Australia, Limited, Act, 1913, under which this bank obtained its right of note-issue in New Zealand.

All the foregoing institutions conduct general banking business, and, in addition to their various branches, have agents throughout the world.

2. New Zealand banking operations come under the following main heads:—

- (a) The resources of the trading banks come (1) From shareholders' capital, (2) shareholders' reserves, (3) funds deposited (i) on time deposit at interest, and (ii) on current account (*i.e.*, demand) deposits from the public and/or Government.
- (b) The banks, under their existing franchise, issue the bank-note currency of New Zealand.
- (c) They accept deposits as set out above.
- (d) They make advances on overdraft to borrowers and also discount bills.
- (e) They purchase bills (including produce bills) on places outside New Zealand—that is, our “export” bills—and, on the other hand, they sell bills to pay for imports into New Zealand.
- (f) They act as the medium through which overseas loans are arranged for municipalities.
- (g) They act as repositories for the safe-keeping of their clients' documents and valuables.
- (h) They conduct a “clearing system” throughout the country for the collection of the cheque currency.
- (i) They act as bookkeepers for their customers.
- (j) They are a source of large revenue to the Government.

3. *Shareholding in Trading Banks.*—As has been pointed out in the press in Australia, a commonly entertained but utterly erroneous belief is held by some people that the banks are owned by a limited number of wealthy people. There are nine trading banks in Australia and their shares are owned by some 71,000 people. The average capital holding is £528. The shareholders are drawn from every class in the community, except only the improvident; and