a first charge on the assets, they want a first charge on the assets because they think the bank is going to fail, so they withdraw their deposits in the form of notes, and presently that bank reaches its limit. Then, I suppose, it would try and call in its advances, and of course could not get them in quickly. The bank has to be solvent on the day; it is no good to be solvent on paper, or a week or month hence; it must be solvent on the day. That bank would either have to close its doors, as banks have often done and have been forced to do in America, or it would have to get help. Either the other banks or the Government might come to its aid. If it happened to all the banks, you would have to look around for a motive, because there must be some cause. It would want people to hold the notes of all the banks if they thought all the banks were going to smash and wanted a first charge on the assets. They could do so; it would be possible, but it would not be in the national interests. When the notes reached their limit, a banking crisis would arise, and probably legislation would be altered to enable more notes to be held. In that case I think it much less likely that they would call in their overdrafts.

Captain Rushworth.] Would legislation be required to enable them to hold more notes?—Oh, yes.

Cannot the banks issue notes against public securities? The Government can issue public securities and they can issue notes against them?—Yes; the Government could buy the money from them, but what would happen? As does happen when the note-issue is limited, some legislation is passed to enable that to be exceeded. Where legislation does not already exist, they would give the conditions for which it might be exceeded, but I do not think advances would be recalled in such a case, because that would naturally aggravate the position engendered by the lack of confidence causing the money to be withdrawn.

On the last occasion you were asked a question about the exchange on cheques; it was considered by some of the members, I think, that the rate was excessive, and then, of course, reference was made to the Old Country where there was nothing charged for exchange, but there was a definite arrangement made in regard to overdrafts?—You mean the bank charges, but I read somewhere since that exchange is charged in some cases in England.

That was admitted here; it was not said to be general, but do you think that the rate of exchange could be reduced? Do you not think that is a big charge—a heavy tax upon the customers of the bank?—The charge is 2s. 6d. on £100, but it operates as a clearing system and any clearing system costs a fair amount of money, and in New Zealand the charge is considered to be a fair one, and it is one of the charges made for the banking service. They have whittled them down as far as they possibly can.

It is considered by the banks that the charge is a fair one?—It means that they have lowered it as far as possible; their overhead is a certain amount and they have to meet it.

But you did not hesitate to increase the charge for the customers' accounts from 10s. to £1?—And the Government did not hesitate to increase the note-tax.

They had to have money?—So did we! The banks have intimated that when the note-tax is reduced they will be pleased to lower the bank charge.

I am afraid that may be a long time?—It will not be a long time because the Reserve Bank is taking over the note-issue, and our own note-issues will gradually go off—I think, in two years. The matter would be immediately *sub judice* with the banks.

Dr. Sutch.] They are intending, then, to lower the charge?—That would be a matter crystallized at a meeting, but my own view is that, when the cause of the charge is removed—the note-tax which puts the rate on—the bank charge will come down.

The Chairman.] I asked that last time, but you were not then sure?—I said it would be *sub judice* and would have to be decided at a meeting.

The increase in the exchange-rate in normal times (leaving out the depression altogether): How is the question of the reduction or *vice versa* arrived at? Does it happen when you have an accumulation, or is it settled through a meeting of the associated banks, or directed from London?—It is settled out here through a meeting of the associated banks; London has no say in the matter.

No influence on it?—It would be impossible to say anything has no influence. The bankers have a meeting and a decision is made, here in New Zealand, and put into effect in New Zealand, by co-operation of the banks.

Mr. Langstone.] With regard to the reply that you gave to Mr. Nash in connection with the 3 per cent. dividends on the actual assets and capital involved in the bank?—Put it this way, that the return on the investment to the shareholder is under 3 per cent.

If the shares were sold on the Stock Exchange for £2 10s. or £3, that has nothing to do with the bank?—That has nothing to do with the bank, but from the point of view of the investment, the shareholder expects——

Does the dividend that the bank has paid determine the rate?—It certainly does. The dividend is declared on the actual capital paid up, but the earnings are a very much lower sum.

Then your secret reserves must be very much more?—They are not secret reserves.

If they are only paying 3 per cent. on dividend, and the Bank of New Zealand are paying $13\frac{3}{8}$ per cent.——

Mr. Shaw: No, $11\frac{1}{4}$ per cent.

Mr. Langstone: It was $13\frac{3}{8}$ per cent. some time ago; it may be $11\frac{1}{4}$ per cent. now?

Mr. Fussell: Of course you have to take other aspects into it; people will be prepared to accept a smaller return on bank shares because of the safety of the investment.

Mr. Langstone.] It seems to me that if we are to take the 3 per cent. literally ——?—You must take into consideration that the rates quoted have come down a good deal.

I asked previously about the question of the taxing of the banks on their assets, their landed property and premises. In 1900 these stood at £422,339 and in 1932, £481,463?—You are referring to the New Zealand premises of the Bank of New Zealand?