

EVIDENCE

TAKEN BY THE

BANK OF ISSUE COMMITTEE, 1856.

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*Ordered to be printed, June 25th, 1861.*

*(Mr. Fitzherbert.)*



## ORDER OF REFERENCE.

*Extract from the Journals of the House of Representatives.*

TUESDAY, APRIL 29TH, 1856.

*Ordered,* That a Select Committee be appointed to take further evidence on the subject of the Bank of Issue. The Report to be brought up on Friday next. The Committee to consist of Mr. Fox, Mr. Stafford, Mr. Hall, Mr. Elliott, Mr. Fitzherbert, Mr. Daldy, Mr. Campbell, Mr. Ludlam, Mr. Sewell, and Mr. Macandrew.

A true Extract.

F. E. CAMPBELL,  
Clerk of House of Representatives.

WEDNESDAY, APRIL 30TH, 1856.

The Committee met at 10 o'clock.

PRESENT:—

Mr. Stafford,  
Mr. Elliott,  
Mr. Daldy,  
Mr. Macandrew,

Mr. Hall,  
Mr. Fitzherbert,  
Mr. Ludlam,

Mr. Fox in the Chair.

Mr. Charles James Fife Stuart called in and examined.

1. *By the Chairman.*] Are you engaged in the business of Banking?—I am Inspector of the Oriental Bank.

2. Are you acquainted with the operation of the Bank of Issue in this Colony?—Yes.

3. Have you known any instances of similar establishments in other Colonies?—Yes, two instances, in Ceylon, the other in Mauritius, both found to work badly, and both given up.

4. Do you consider the existence of the Bank of Issue in New Zealand an impediment in the way of the establishment of Banks of Discount doing general business?—Certainly I think so, as all Banks look to profit,—one legitimate source of which is, the circulation of their notes in connexion with local advantages.

5. Have you seen the Resolutions proposed to be moved in the House of Representatives by Mr. Macandrew?—Yes.

6. Do you consider that the guarantees required by such resolutions are sufficient to protect the Colony against the risk of an over-issue of paper money?—I think they are so far as any laws can do so; they are almost identical with the regulations proposed by the Treasury before Royal Charters are granted, or rather they form part of the provisions of such Charters.

7. Do you consider that the passing of an Act based on Mr. Macandrew's resolutions would remove the obstacles which exist in the way of the establishment of private Banks in this Colony?—Certainly, remove all the legal obstacles.

8. *By Mr. Hall.*] Is it your opinion that the business of Banking including the issue of paper currency should be left to private competition?—Yes, the system is found to work well in Scotland and in every Colony with which I am acquainted.

9. Do you know the real objections which have been found against the working of the Bank of Issue in Ceylon and Mauritius?—The objections are twofold, in one case the funds having been applied so as not to be available when required, the notes were not readily convertible;—in the other case, (Mauritius), it was thought that the money being invested at a distance, was abstracting so much capital from the Colony.

10. *By Mr. Stafford.*] Is the exclusive issue of notes the only obstruction against the establishment of other Banks, which the Bank of Issue presents?—So far as I understand its working.

11. Would the permission to issue their own notes on the part of private Banks, be likely to tend in a small community, with but few articles of Trade, to an over-issue encouraging over speculation, followed by a reaction producing monetary crisis and derangement of Trade?—I have not that fear, from what I have seen in other similar communities.

12. *By Mr. Ludlam.*] Do you think the Governor should have the power to issue Charters, or shall the power be confined to the General Assembly?—I cannot say decidedly, but I think a double security is afforded by having the matter referred to the General Assembly.

13. *By Mr. Macandrew.*] In the event of the Oriental Bank being established in New Zealand and their obtaining the business of the General Government is it your opinion that they would relieve the Colony of the Bank of Issue?—If the Oriental Bank should decide on extending its operations to New Zealand, and the General Government feel disposed to arrange with it for the transaction of its business, in connection with the abolition of the Bank of Issue, it would no doubt be met on liberal terms.

14. *By Mr. Fitzherbert.*] In what consists the advantage to a Bank of using notes?—The advantage of additional capital for which it pays nothing, by that I understand the power of using credit as capital.

15. What is the average profit on which a Bank may calculate for the non-appearance of the notes issued by it?—I am not prepared to answer, but I would say from my own experience that the profit is very small, on the other hand, it is understood that the Scotch Banks, all having large issues of notes, are considerable gainers. I think in order to induce a Bank to establish itself in New Zealand it ought to have every privilege which can be bestowed including the issue of notes. There are Branches of the Oriental Bank established at the three Presidencies in India, Ceylon, Mauritius, Hong Kong, Canton, Shanghai, Singapore, Melbourne, and Sydney, paid up capital £1,250,000, with power to increase to £2,000,000, the reserve fund is £250,000, returns made monthly to Treasury and published in Gazette. Understanding the principle on which the Bank of Issue is established in this country, and the way in which its specie is invested, I cannot see that the country derives any advantage from it.

16. *By Mr. Daldy.*] What in your opinion would be the effect of a sudden demand for specie on the present Bank of Issue, looking at its public accounts?—That its notes would be dishonored unless the Commissariat supplied it with specie, and in any case of immediate sale of its securities, a loss would be entailed on the Country.

17. *In reply to Mr. Fitzherbert.*] In a new country I am of opinion that a greater elasticity may be extended to Banking with safety than in an old, that is to say, always subject to proper restrictions.

It was moved by Mr. Hall and seconded by Mr. Macandrew, that the following report be adopted and presented to the House,—

That this Committee are of opinion that it is necessary to afford facilities for extending Banking operations in this Colony, and that any obstructions now existing should be withdrawn as speedily as possible, for which purpose the prohibition of the issue of notes by private Banks should be forthwith repealed.

WILLIAM FOX,  
Chairman.