

they would take them over. For this list cover was taken amounting to £55,233. The cover taken for the "B" and "C" lists (£327,205) was a general or "umbrella" cover—that is, the deficiencies on some accounts could be made up from the surpluses on others. The witnesses are all agreed that the cover provided will be sufficient. The "D" list (£102,274) contained accounts which were inoperative, and could not be taken over by the Bank of New Zealand.

Considerable difficulty arose as to the amount of cover necessary for the accounts in the "B" and "C" lists, and at one time negotiations were in consequence completely broken off. They were, however, resumed, and a final agreement was arrived at on the 18th October, 1895. This provided that the accounts in the "A" list should be taken over without cover; that the accounts in the "B" list should be managed, realised, and adjusted, under the supervision of the selling bank, by the purchasing bank for two years (subject to extension of time by mutual arrangement). At the end of that time the selling bank might resume control of the accounts, receiving at the same time the cover and securities held against them.

Although not expressly stated, it appears that the Bank of New Zealand can take over any account in the "B" list, but, if it does so, the cover provided for such account is thereby relinquished; but at the end of the two years, failing arrangement to the contrary, the Bank of New Zealand must take over all the accounts in the "B" list, receiving, however, the whole of the cover provided.

With respect to the accounts in the "C" list, the purchasing bank had three months in which to take them over, with the cover provided, or to reject them. The directors subsequently decided not to take them over.

The consideration for the transfer of the business of the selling bank is somewhat complicated. The amount agreed to be paid for good-will was £75,000. The book-value of the Colonial Bank premises was £125,000, and they were taken over at that price; but it was estimated that there would be a loss on realisation of from £30,000 to £35,000. This amount has therefore to be added to the £75,000. On the other hand, the Colonial Bank guaranteed the Bank of New Zealand against contingent losses in respect of an advance made by them of £20,000, and on another account of £5,000.

The advance of the first-named amount so guaranteed was recommended by the President of the Bank of New Zealand, and, upon representations made by him, was agreed to by the directors. It has, however, been stated in evidence that these representations were incorrect, Mr. Watson having been oversanguine at the time; and, as the Colonial Bank was interested in the account, it was deemed advisable to obtain their guarantee. This was done. These sums have since been paid to the Bank of New Zealand.

The sum of £5,000 represented advances made on certain bills of exchange which were met at maturity, but concerning which a difficulty arose after the payment of the draft, for which the Colonial Bank considered the Bank of New Zealand responsible, but finally withdrew its objection and guaranteed the amount. As the Committee is precluded from inquiring into private accounts, fuller information on this subject could not be obtained, and they therefore are unable to form any accurate estimate of the value of the guarantee or its influence on the amount paid for good-will.

On the 25th October, 1895, the agreement received legislative sanction, and the House recommended that legislation should be introduced to remedy any defect which might exist in the contract.

In accordance with this resolution, an amending Act was passed on the 31st October, 1895, ratifying the purchase agreement, and rendering it unnecessary to lay any of the lists on the table of the House, or to produce them in Court. This Bill originated with the bank, and was submitted to the Premier, who, since 1894, had charge of the banking question. He handed it to the Law Draftsman. The only instructions given were to make it as complete as possible, and it was with this object that the Law Draftsman inserted the clauses dispensing with the production of the lists. The Hon. Mr. Ward in no way promoted this legislation, but merely moved the second reading of the Bill, the details of which were furnished to him by the Law Draftsman.

Members of the Ministry were informed from time to time that negotiations were proceeding for the purchase of the Colonial Bank; but the evidence shows that no member of the Government took any part in the negotiations, or was informed of the contents of any of the lists.

Your Committee have made careful inquiry into the results of the purchase of the Colonial Bank by the Bank of New Zealand. The evidence all goes to show that the purchase was a desirable one, and that the Bank of New Zealand made a very good bargain. The Committee have carefully inquired into the increased earning-power of the bank obtained by the purchase, and, although it is somewhat early to speak with certainty, the evidence supports the estimate given to the Joint Committee in 1895 by the President.

Whilst the purchase is satisfactory to the Bank of New Zealand, it has proved disastrous to those clients of the Colonial Bank whose accounts are in the "B" and "C" lists, and the liquidation under the Companies Act has entailed loss on the shareholders of the Colonial Bank.

The evidence, without exception, is unanimously in favour of additional power being given to the liquidators, so as to enable them to compromise and nurse the accounts. The evidence goes to show that it would be advisable for the directors of the Bank of New Zealand and the liquidators of the Colonial Bank to arrange for the taking over of accounts, the cover being determined by arrangement. Your Committee are of opinion that if the suggestions of witnesses to give power to permit the present liquidators to continue the liquidation, as provided by the deed of settlement of the Colonial Bank, instead of being restricted by the provisions of the Companies Act, are to be given effect to, such power should be only given subject to the approval of the shareholders of the bank. Beyond this your Committee have no recommendation to make on this subject.