

86. Are there any officers of the bank at the present time, holding high positions, who have a special agreement with the directors that, in the event of their losing their positions, they will be entitled to sums of money?—There was a special agreement after Mr. Watson's appointment, and with Mr. Butt after his appointment.

87. Can you tell the Committee what that special agreement was?—I have not a very distinct recollection of the terms; but I think, in substance, the agreement with Mr. Watson provided that, so long as he remained President of the bank, the bank would continue to pay the salary agreed upon; and, with regard to Mr. Butt also, I believe they were advised that—both he and Mr. Watson—the agreement to which I have referred, and which Mr. Watson had considered was desirable, was necessary—the agreement was necessary, in the case of Mr. Butt, to protect the position he held in the bank, which entitled him to a pension and some other consideration in the event of his retiring from, or being dismissed from, his position as Government Auditor. The two agreements provided for these things, as far as I remember.

88. In the case of Mr. Butt, you know that he became a Government officer?—Yes.

89. And that he was Government Auditor?—Yes.

90. Do you think it was a proper thing to make a private agreement with him that, if dismissed from the Government service, he should be retained in the bank at a certain salary?—Well, we had some reason to think afterwards that it was a matter about which the Government ought to have been consulted. But the papers were brought to us by the President of the bank, and we were asked by him and by Mr. Butt to accept these papers on the assurance that they were proper and necessary papers to be signed—as arranged by their legal advisers—in order to make their arrangements with the Government complete.

91. Do you not think that in doing so you sapped the independence of the Government Auditor?—I do not think the Government Auditor is a man whose independence would be sapped or interfered with by that.

92. The question is—you admit that the directors have done so—do you not think the Government should have been consulted before their officer was tampered with in this way?—I do not think it is fair to say that we interfered with them, or that we interfered with their position in relation to the Government. It was the President of the bank who broached the matter to us, and who had—no doubt, as he thought, very properly—taken legal advice as to the security of the appointments from the bank. He brought the matter before us, and, with this assurance from their legal adviser, we felt no difficulty in acceding to their wish. It did occur to us afterwards, because of some dissatisfaction having been expressed and reported to us, that it would have been, perhaps, better to have gone aside from the President, and reported the matter to the Government.

93. Do you not think it would have a tendency to destroy Mr. Butt's independence?—In his case I think not; but I think the natural tendency would be ordinarily to interfere with the independence of an auditor.

94. You were aware that the Government Auditor reported to the Government, in connection with the Estates Company, that debentures had to be given to the Estates Company to something like £200,000 more than other officers that had been asked to examine into the amount that the Estates Company was entitled to get?—Yes, I am aware of that.

95. Without in any way imputing anything to Mr. Butt, do you not think that, even in a case of that sort, his actions might be misconstrued?—I think the inquiry that is being made will satisfy the Government that there was nothing approaching to partiality in favour of the bank in the report that Mr. Butt made; and, substantially, it was entirely a misapprehension on the part of the special auditors—a natural one, perhaps, arising out of the fact that they were not familiar with the special, and perhaps peculiar, arrangements or conditions under which the accounts had been presented to them.

96. I suppose you will admit that it is very hard for a man to serve two masters?—We do not think that he is serving two masters.

97. You told us in your evidence that you purchased from the Colonial Bank the "A," "B," and "C" lists?—Not entirely so. We purchased the "A" list and the "B" list, and the other part of the business, which, of course, could not be embodied in the lists.

98. You told us in your evidence that you gave so much for good-will, so much for the buildings, full value for the "A" list, and in connection with the "B" list you wanted cover. Then, with regard to the "C" list, you were simply acting as agents for the Colonial Bank?—That is so.

99. Is that all the business you got from the Colonial Bank?—We had some London business; their exchange business, their deposits, and their note-circulation.

100. And in what list was the London account put?—I do not think I could give you any particulars about that without going to the books.

101. Would you get the particulars about the London accounts?—I could get and supply all particulars about it that would not infringe the confidential relations of the bank with its customers in London.

102. Is it not possible that you may have got an account transferred to you in London that is not included in the "A," "B," and "C" lists?—Outside of those accounts, the value of which we are able to determine, we took from the Colonial Bank a guarantee which covered all undisclosed business.

103. What do you mean by undisclosed business?—There were moneys on the way from New Zealand to London, and from London to New Zealand, and there was business that we were not able to examine, and we took a guarantee from the Colonial Bank that what we could not examine for ourselves would be made secure to us.

104. Have you got the names of the people who are in London?—I think everything we provided for has been attended to.