

on the completion of the tenth year of the life of a certificate tending to induce holders to retain each certificate at least until the completion of the full 10 years. We think, however, that a considerable number of holders might be ready to convert earlier if compensation were given for the loss of the bonus by reason of premature conversion. We recommend, therefore, that where a holder desires to convert his entire holding, without waiting for the maturity of all his certificates, he should receive, as the value of each certificate prematurely converted, one penny for each completed month since the date of purchase, in addition to the principal of 15s. 6d. This, in fact, is equivalent to a bonus, as compared with the ordinary encashment scale, of ninepence when the certificate has been held less than five years, and sixpence where it has been held not less than five but less than 10 years.

Conversion of certificates into Conversion Loan on the terms proposed above should, we think, be made possible at any time; but in the case of transfer to the proposed Savings Bonds it would seem desirable that conversion should not be made until the holder has at least one certificate that has run for 10 years. This would tend to spread the applications for conversion over the period up to 1932.

19. There are two cases in which a person may hold certificates in excess of the normal maximum of 500; (a) where he has inherited certificates, and (b) where he holds special War Gratuity Certificates purchased with money paid to him in respect of a war gratuity. We do not recommend that the maximum individual holding either of the proposed Savings Bonds (£500) or of current issue certificates (500 certificates) should be extended to provide for the investment of these exceptional holdings on maturity. But we think that it should be open to a holder of these certificates to convert either the whole or any part of his holding into Conversion Loan, on which no limit need be placed, under the special conditions proposed above.

20. Each of the conversion operations suggested above should, we think, be carried out without the necessity for actually encashing the certificates. No question of encashment and reinvestment would arise in connection with the issue of the suggested Savings Bonds or with that of Conversion Loan, but we think that it is important that cash should not pass where conversion is into certificates of the current issue, or where, if a holder so desires, the proceeds of Savings Certificates are transferred to a Savings Bank account. These recommendations do not, of course, exclude the right of any holder to cash his Savings Certificates at any time if he so desires.

21. We desire also to make clear that no question should arise, as a result of our recommendations, of the Treasury being liable to make available any additional sums to Local Authorities under the arrangement by which a Local Authority may apply for a loan from the Local Loans Fund up to the equivalent of half the gross proceeds of sales of Savings Certificates. Our