

might, as you say, have been forced to yield to much worse terms unless an improvement, which is not expected, speedily took place in the money market. In adopting the latter alternative, selling this Loan as you have, practically at a price little inferior to that at which this Colony has negotiated its two former Loans, at a time too when the money market was unprecedentedly high, and Colonial Securities were generally depreciated, you have, I think, used a wise discretion, and I have the pleasure of conveying to you the approval of this Government, and its thanks for the great trouble you have evidently taken in transacting this business.

With reference to that portion of your letter which relates to the negotiation of the million proposed to be guaranteed by the Imperial Government, you are aware that before any step can be taken in the matter, certain conditions imposed by the Imperial Act have to be considered by the General Assembly of New Zealand. That body meets on the 21st instant, and your instructions will depend altogether upon the action it may take.

I have, &c.,

WILLIAM FOX.

Messrs. Julyan and Sargeant, Crown Agent for the Colonies,  
Spring Gardens, London, S.W.

P.S.—Will you be good enough to return to me the Governor's authority to the Bank of New Zealand to make and sell £500,000 of Debentures, which the Bank has been instructed to hand over to you upon your paying them £500,000, on or before September 14th, 1864.

W. F.

### No. 25.

MR. MURDOCH TO THE HON. THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Auckland, September 27th, 1864.

The unfortunate result of the attempt to place in London the first instalment of the three million loan, as communicated by you, necessitates the reconsideration of the terms on which only, further advances can be made by this Bank to the General Government of New Zealand. The exceedingly liberal manner in which large advances have hitherto been made by this Bank, must, I am sure, commend the proposal now to be made to your most favorable consideration. The terms proposed, while in accordance with the same liberal policy, only tend to place the relations of the Bank to the General Government on a more secure footing, and to afford to the Bank some little extra benefit, for the great drain which has been made on its resources by the action of the Government.

I have therefore the honor to propose as follows:—

1. That on all advances granted in anticipation of the three million loan being negotiated in London, interest shall be allowed the Bank of New Zealand at the rate of five per cent., till receipt of advice here that such advances have been repaid in London.

2. That in the event of the Crown Agents not paying the amount agreed upon, to the Bank by 14th September, that any expense thereby incurred by the Bank, in excess of the 5 per cent. interest allowed on the overdraft, shall be paid by the Government; as also on any loans which it may be needful for the Bank to raise, to meet drafts which have been given by the Government for any further advances.

3. As it does not appear from your letter to Mr. Larkworthy, that provision has been made for meeting drafts given for such advances beyond £400,000, that unqualified instructions be transmitted by this mail, directing the Crown Agents to raise money to meet such drafts.

4. That as provision has been made by you, that the power to make the half-million debentures, given under the original agreement to the Bank in London, shall, in the event of the Crown Agents paying £500,000 to the Bank before 14th September, be handed to Messrs. Julyan and Sargeant; and as no security would then be held by the Bank for any advances made here beyond the £400,000, that debentures for half a million sterling be now deposited with the Bank in Auckland, with authority to the Bank, should all advances made or to be made to the Government, not be repaid before 31st December next, to hypothecate, or if necessary, to sell such debentures to the extent of such advances, at whatever price they will fetch. If hypothecated, the Government to pay any extra charge which may be made beyond the five per cent. allowed the Bank.

5. That in alteration of clause VIII of Memorandum of Agreement as to the three million loan, it be now agreed: that the whole of the loan, as negotiated, be paid into the Bank of New Zealand in London; that for any payments to be made to the Government here, thirty days' notice shall be given to the Bank for all sums in excess of thirty thousand pounds per month; and that no demand beyond eighty thousand pounds shall be made in any one month, without previous special arrangement.

6. That the Bank of New Zealand shall receive twelve months' notice before any change be made in the present banking arrangements of the General Government.

In urging upon you the propriety of giving a distinct pledge, that the General Government account shall not be removed from the Bank without twelve months' previous notice, I would quote as a precedent the arrangements under which the Bank of New Zealand are bankers for the Provincial Governments of Canterbury and Marlborough; and would also justify the application on the ground, that an earlier withdrawal of the account might, and very probably would, leave the Bank a heavy loser by the operations of the Government, to support which, the Bank has incurred a responsibility which I feel assured no other institution in the Colonies would have undertaken.

In consideration of the Government granting the foregoing terms, the Directors authorise me to state that further advances to the extent of eighty thousand pounds, will, if required, be made to the Government during the ensuing month.

I have, &c.,

The Honorable the Colonial Treasurer,  
&c. &c.

D. L. MURDOCH,  
Inspector.