

FURTHER PAPERS RELATIVE TO A LOAN OF £3,000,000 FOR THE SERVICE OF NEW ZEALAND.

No. 1.

The COLONIAL SECRETARY to the CROWN AGENTS for the Colonies.

New Zealand, Colonial Secretary's Office,

Auckland, 10th December, 1864.

GENTLEMEN,—

I am directed by the Colonial Secretary to request you to be good enough to withdraw from the market all debentures under "The New Zealand Loan Act, 1863," not actually disposed of before your receipt of this letter, and to suspend all further operations in reference to them, subject of course to the fulfilment of any engagements that may have been entered into by you in pursuance of any previous instructions from the Government of New Zealand.

Important financial bills are now passing through the Legislature of this Colony, and you will be fully advised on the subject by the next mail.

I have, &c.,

Messrs. Julian and Sargeaunt, Crown Agents for the Colonies,
Spring Gardens, London, S.W.

W. GISBORNE,
Under Secretary..

No. 2.

The INSPECTOR, Bank of New Zealand, to the Hon. the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Auckland, 26th December, 1864.

With reference to what has passed at the interviews I have had with you and the Attorney-General during the last week, with a view to prevent any future misconception of the chief points discussed and the several propositions made on either side, I have now the honor to state that, having been sent for by you on Friday, the 16th December, you were pleased to explain that it was for the purpose of advising with me as to the best course to be adopted to negotiate the debentures which you were authorised to issue under the recent Act. You requested me to make some suggestions.

Explaining the great responsibility which had been undertaken by the Bank in former advances made to the Government in anticipation of sales of debentures in London, I assured you we could not again enter into so extended an arrangement; but my advice to the Government was, to place on the New Zealand and Australian markets enough debentures to cover the requirements of the Government for the next five months, to remit the remainder to London for negotiation, and by the expiry of the above period the Government would be in possession of advices from London as to the value of their debentures, which would enable them to obtain further advances from the Bank; or if the debentures proved unsaleable, to revise their measures. In the meantime, their wants will be supplied by a sale of the debentures retained for negotiation in the Colony. This proposition appeared to meet your and Mr. Sewell's approval, but time was taken for consideration. I suggested that the Bank be empowered to negotiate the debentures, and be allowed a commission of $\frac{1}{2}$ per cent. on the transaction.

At our interview on the 22nd December, you proposed that, as the requirements of the Government during the next three months would be about £100,000 sterling per month, inclusive of £100,000 sterling Treasury bills due in January, February, and March, that the Bank agree to advance £300,000 sterling, at the rate of £100,000 sterling per month, if required. That the Government give the Bank power to make and issue £500,000 sterling debentures, to be placed on the New Zealand and Australian markets, as the Government would direct; that the Government remit £200,000 sterling in debentures to Crown agents, with instructions should any portion of the liability of the Government to the Bank, as at 31st December, be unpaid, that these debentures be negotiated, and the liability discharged; that failing, the agents being able to negotiate the debentures at or above par, as required by the Act, that their instructions be imperative to sell the £250,000 5 per cent. debentures now in their hands; that the Government require the Bank to deliver the instrument authorising them to make and issue £500,000 sterling debentures, should all advances made by the Bank to the Government not be repaid by 31st December.

My objections to this proposition were—1st. That we should be asked to come under an engagement to advance £300,000 sterling against debentures, of the negotiability of which we had no indication. 2nd. That £500,000 sterling was in my opinion a great deal more than might be expected to be sold in New Zealand and Australia. 3rd. That any remittance of debentures to London should be made through the Bank, and not to the Crown agents. 4th. That seeing there was still an existing liability (as far as we were advised) of £495,000 sterling due by the Government to the Bank in London, it was unreasonable to ask the Bank to deliver a security as to which the Government had been assured that advantage would be taken of it only in the event of the Crown agents' neglect or failure to carry out the instructions of the Government; and the further contingency of the failure of the sale of the 8 per cent. debentures in London.