

P A P E R S

RELATIVE TO

A LOAN OF THREE MILLION POUNDS STERLING

FOR THE

SERVICE OF NEW ZEALAND.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF
HIS EXCELLENCY.

WELLINGTON.

—
1865.

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. Julyan 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.

At our interview on the 23rd instant, I proposed that the Bank should grant the Government an overdraft of say £90,000 sterling, for next month's requirements; that £50,000 of debentures be put upon the New Zealand market, £200,000 on the Australian market, and (adopting your own figures as to the amount to be negotiated) that the balance, £450,000, be remitted for negotiation in London. That before the expiry of another month we would have some indication of the value of the debentures in Australia; if favorable, we would continue to make advances to the Government, not only against any unsold portion in Australia, but also against the amount remitted to London; if unfavorable, the Bank would ask the Government to make another arrangement, and if it was found impossible for us to agree to it, the unsold debentures, or the proceeds of those sold, would be held to the order of the Government for delivery to any other establishment with which they might deal. In the event of the debentures proving unsaleable, the Bank to have the power on behalf of the Government to pledge them, the Government paying any extra cost of such pledging beyond the rate of interest allowed us; the proceeds realised being available to repay advances made by the Bank, and to make further advances until advices of the sale of the debentures be received from London.

Your objections to this were—1st. That you must have your wants provided for during the next three months. 2nd. That a month was not enough fairly to test the Australian market. 3rd. That the successful manner in which paltry loans of Provincial Governments had been sold did not justify the apparent doubt of the value of your debentures.

To these objections I urged that it was not the Bank's intention to thrust £200,000 of debentures on the Australian market in one month, that only a small portion would at first be offered; that however successfully Provincial loans might have been sold, the state of the money market was altogether different now, and such loans were quite unsaleable.

You then proposed to give us £100,000 of debentures, with which to test the Australian market; that against these we should advance you £75,000 for next month, during which you would be enabled to "look about you" with a view to make propositions elsewhere, so that should we not be willing to make farther advances you would know to what quarter to apply.

To this I objected, that such an arrangement was so manifestly to our disadvantage it could not be agreed to, as it would bind us to increase the Government's indebtedness to the Bank by £75,000, on the security only of what might prove unnegotiable debentures; and this advance was suggested confessedly with the view to make proposals to another Bank, and thus terminate the Government connexion with the Bank to maintain which the Bank had made such great sacrifices.

At our interview on the 24th instant you repeated the last proposition, which was finally made the ultimatum of the Government.

On Mr. Sewell's making a memorandum of what he professed to understand as the conditions proposed by both parties, I at once took exception to, and entered my strongest protest against, the interpretation sought to be placed on the propositions of the Bank, and stated my regret that our negotiations had not been conducted by letter, requesting that such a course should still be adopted. You expressed a great aversion to correspond on such a subject, and distinctly declined to put your propositions in writing. I therefore requested you to allow me to write this letter; and on review of the various propositions I still trust the course suggested by the Bank will be considered calculated to meet the requirements of the Government, and that without entailing a too heavy responsibility on the Bank.

I have, &c.,

D. L. MURDOCH,
Inspector.

The Hon. the Colonial Treasurer.

No. 3.

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

DEAR SIR,—

Treasury, Auckland, 27th December, 1864.

There are a few points in your letter which I do not think are stated quite accurately.

The proposal that, in case our bills were found not to be marketable, you should borrow temporarily on their security (the Government paying the difference of interest and charges to which you might be put) was made by us to you, not as you state it, conversely.

Also, when we asked you to carry on our account for one month, so as to give you time to test the negotiability of our bills in the Australian market, we gave you our positive assurance that we did so in good faith, not meaning to transfer our account to another Bank, unless we should fail to make our arrangements with you.

I regret very much that we have been unable to make those arrangements. I will state briefly our view of what has taken place. We undertook, in the first place, to restore our London account with you by remitting £200,000 Treasury bills by the next mail to the Crown agents, and at your particular request, we conceded the point that these Treasury bills should be placed in your hands for negotiation (instead of those of the Crown agents) with instructions to sell, or failing that, to hypothecate them; and further, to instruct them, in case of absolute necessity, as an ultimate resort, to fall back upon the unlimited power, given them by Mr. Reader Wood, over the quarter-million 5 per cent. debentures, and pay over the proceeds to our credit with your bank in London, so as to cover that account. By these arrangements we in fact proposed to cover our liabilities to you in London, which in your letter you state at £495,000, to the extent of three quarters of a million, viz., £450,000 bonds, and £300,000 instalments payable to the Crown agents, already directed to be paid to our credit with you in London.

Having proposed this ample provision for the London account, our next care was to make proposals for carrying on our operations in the colonies. Our overdrawn account with you may be stated at this date at £22,836 19s. 6d., exclusive of interest on overdrawn accounts. We offered to give you £500,000 of our 8 per cent. Treasury bills, to be negotiated by you in Australia or London, as you might think best, and at the charges proposed by you, you undertaking to carry on the Govern-

ment accounts, and to make payments for us by way of advances to the extent of about £300,000 (including £100,000 of old debentures falling due) in the course of the next three months.

We proposed that if the bills were found not to be negotiable, we should hold you harmless for loss of interest and charges which you might sustain by reason of your being obliged temporarily to borrow the money.

In doing so we stipulated that you should deliver up the instrument authorising you to issue £500,000 5 per cent. debentures, referred to in the correspondence of the 27th September last. For obvious reasons it would not have been prudent in us to place so large an amount of our securities out of reach, without making provision for at least three months ahead. We proposed the period of three months, because we thought, and still think, that that is the shortest period during which it would be practicable fairly to test all the colonial markets and to receive back advices. This offer you declined: in other words, with power over a million of our securities, you declined to increase our liability to you by the sum of £300,000 spread over a period of three months.

However, having been driven out of this proposal, and bowing to your determination not to commit yourselves to so large an engagement until you had tested the marketability of our securities, we thought that if we gave you a month to test their value by putting a small portion, say £150,000 or £200,000, on the Australian market, you would be enabled thereby to feel your way, being at liberty if they were found not to be negotiable to decline further advances. We, on our part, should thus have time to make provisional arrangements for carrying on the Government payments if you declined at the end of a month to continue them.

We made you a proposal to this effect, in a perfectly friendly spirit, and with a real desire on our part to continue our connection with your Bank; but the proposal was rejected by you, I must say with some asperity, you imputing to us an intention merely to gain time for the purpose of transferring our account to another Bank.

We assured you that this was not our object, though it was obvious that if you declined to carry on our account (which could only be done by advances on our securities till we could realize them) we should be forced to make arrangements with another bank to do so. Otherwise it would be simply impossible for us to carry on the Government.

You will, I am sure, admit that our first duty in such a case is to the colony, and that we are not justified in placing in jeopardy the important interests committed to us from any mere private considerations.

There can be no misunderstanding as to what really took place, and we cannot suppose that you desire that there should be any, although you have omitted in your letter to notice the following circumstance, which was of itself sufficiently indicative of our desire to treat with your bank in a fair and equitable spirit: when you stated that your bank had been obliged to pay heavy interest in excess of that which had been stipulated to be charged to the Government, we requested you to prefer your claim, and assured you that we would recommend our colleagues to entertain it favorably.

With reference to your remarks on my disinclination to commit myself to writing, I simply repeat what I said to you, that I considered it a mere waste of time for two contracting parties, living within so short a distance of each other, to carry on a negotiation by correspondence, but that so soon as the terms had been sufficiently matured between us in conference I would reduce them to writing.

If we understand this to be your absolute ultimatum, you will, I am sure, perceive that no alternative remains open to us but to make the necessary arrangements for negotiating our securities and carrying on our account through another Bank.

I have, &c.,

WILLIAM FITZHERBERT.

D. L. Murdoch, Esq., Inspector, Bank of New Zealand, Auckland.

No. 4.

AGREEMENT between the NEW ZEALAND GOVERNMENT and the BANK OF NEW ZEALAND.

Auckland, 29th December, 1864.

It is this day agreed between the General Government of New Zealand and the Bank of New Zealand—

1st. That power to make and issue debentures for £750,000 be given to the Bank; £50,000 to be offered in New Zealand, £200,000 in Australia, and £500,000 in London, of which latter amount the Bank of New Zealand agree to take £100,000 at par, with a twelve months' currency, in lieu of the Treasury bills now in the hands of the Bank for that amount, and which mature in January, February, and March; this transaction to take effect from to-day, the interest up to the period of issue of the bills in London to be matter of account to be adjusted here.

2nd. That the bank advance upon these debentures for the ordinary requirements of the Government, at the rate of £60,000 per month, for two months from 31st instant.

3rd. That in consideration of the greatly increased rate of interest at which the Bank has been borrowing money for the wants of the Government, as compared with the rate allowed by agreement, that 7 per cent. be substituted in lieu of 5 per cent., on all balances due by the Government, since date of £400,000 being paid the Bank in London.

4th. The Bank to have power to hypothecate the debentures either in the colonies or London, should they prove unsaleable at or above par, all expense of such hypothecation, beyond the rate of interest allowed the Bank on advances, to be borne by the Government.

5th. A commission of $\frac{1}{2}$ per cent. clear to be allowed the Bank for negotiation of the debentures. All other needful expenses incurred by the Bank in the negotiation of the debentures to be defrayed by Government.

(For the Bank of New Zealand),

L. D. MURDOCH, Inspector,

WILLIAM FITZHERBERT, Colonial Treasurer.

FURTHER PAPERS RELATIVE TO

No. 5.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

SIR,—

Spring Gardens, London, S.W., 26th October, 1864.

In continuation of the letters addressed to you from this office by the mails of August and September, I now enclose a statement of your account with the Crown Agents for the Colonies, up to the 30th ultimo, on which date a balance of £1532 9s. 7d. remained in their hands. To that statement is annexed a revised estimate of assets and liabilities to the 15th of January, 1865, when the first dividend on the loan will fall due.

The Crown Agents will not fail, as soon as the further instalments of the loan shall come into their possession, to hand over all they possibly can to the Bank; but so long as the present state of the money market continues it will be hopeless to expect that a second issue of debentures would find purchasers, or that a temporary advance could be obtained upon them, if created, except at a most extravagant rate of interest.

None of those sold to the "Credit Mobilier" have yet been placed on the market, and although symptoms of returning confidence are said to be visible, yet the Bank rate continues at 9 per cent., and the probability of such a decline in the value of money as would render New Zealand debentures marketable, is still very remote.

Under these circumstances, the Crown Agents can only repeat the advice offered in their former letters, by recommending you to abstain, as long as possible, from attempting to negotiate any further portion of the unguaranteed loan.

I have, &c.,

The Hon. the Colonial Secretary, &c., &c., New Zealand.

P. G. JULYAN.

Enclosure 1 to No. 5.

The CROWN AGENTS for the Colonies in Account Current with The New Zealand Government,
Dr. from the 13th July to 30th September, 1864. Cr.

	£	s.	d.		£	s.	d.
To proceeds of the sale of Debenture Bonds	441,292	0	0	By payments to New Zealand Bank, viz. :—			
To amount received from purchasers of Debenture Bonds for accrued interest to date of purchase	3,868	2	10	July 27th	15,000	0	0
				August 9th	8,000	0	0
				September 2nd	100,000	0	0
				„ 15th	300,000	0	0
					423,000	0	0
				„ „ to Messrs. Grahame and Morrison	5,220	0	0
				„ „ to Victorian Government	3,592	1	8
				„ „ Messrs. Calisher and Terry, & Mr. Morrison, for Arms	7,000	0	0
				„ „ Miscellaneous	4,815	11	7
					443,627	13	3
				„ Balance	1,532	9	7
	£445,160	2	10		£445,160	2	10

STATEMENT showing the Estimated Assets and Liabilities of the New Zealand Government,
from the 1st October, 1864, to the 1st January, 1865.

ASSETS.	£	s.	d.	LIABILITIES.	£	s.	d.
To Balance brought down	1,532	9	7	By amount payable to Calisher and Terry & Mr. Morrison, for Arms, vide Mr. Woods' letter 24th July, 1864—			
To Amount payable by "Credit Mobilier" on the 20th November, for £253,800 Debentures @ £80	203,040	0	0	October instalment	7,000	0	0
To amount for 127 days accrued interest thereon	4,415	0	0	November „	7,000	0	0
				December „	7,000	0	0
					21,000	0	0
				„ „ to Messrs. Grahame and Morrison on the 20th November, vide Mr. Woods' letter 21st July, 1864	3,780	0	0
				„ „ Bank of New Zealand, on 20th November, vide Mr. Wood's letter 21st July, 1864	*145,000	0	0
				„ „ to be expended by the Crown Agents in the purchase of Arms	10,000	0	0
				„ „ „ purchase of Telegraph Materials, vide Mr. Wood's letter 23rd July, 1864	3,500	0	0
				„ Interest at 2½ per cent. on £800,000 Debentures, due 15th January, 1865	20,000	0	0
				„ Commission and Brokerage	1,160	0	0
					204,440	0	0
				„ Balance	4,547	9	7
	£208,987	9	7		£208,987	9	7

* This payment will be increased as much as the available funds in hand will permit.

London, 26th October, 1864.

PENROSE G. JULYAN,

Crown Agent for the Colonies.

Enclosure 2 to No. 5.

BANK OF NEW ZEALAND to CROWN AGENTS.

DEAR SIR,—

Bank of New Zealand, London, 18th October, 1864.

I find by our advices from New Zealand that the Colonial Government is still drawing upon this Bank, under the impression that we have been placed in funds by the sale of the first million of the loan.

We have therefore to request, in pursuance with the instructions received from Mr. Wood; in his letter of 22nd July, that you will provide us with a sum of £50,000, on the 30th November next, in addition to the sum of £120,000, falling due on the 21st of same month.

I have, &c.,

The Crown Agents for the Colonies,
Spring Gardens.

F. LARKWORTHY,
Managing Director.

Enclosure 3 to No. 5.

CROWN AGENTS to BANK OF NEW ZEALAND.

SIR,—

Crown Colonies Office, 20th October, 1864.

I have to acknowledge the receipt of your letter of the 18th instant, stating that you find by your advices from New Zealand that the Colonial Government is still drawing upon the Bank of New Zealand, under impression that you have been placed in funds by the sale of the first million of the loan, and requesting therefore that the Crown Agents will, in pursuance of the instructions received from Mr. Reader Wood, in his letter of 22nd July last, provide you with a sum of £50,000, on the 30th November next, in addition to the sum of £120,000, falling due on the 21st of that month. On reference to Mr. Wood's letter of the 21st July last (no letter having been received from him of the date of the 22nd of that month) you will observe that the instructions in it are conditional, and that the issue of a further instalment of the loan is left to the judgment of the Crown Agents.

You are already aware that no exertions or sacrifices have been spared to place you in funds, and though the Crown Agents cannot pledge themselves to the payment of £50,000 on the 30th November next, they will be quite prepared to make over to you on that day any unappropriated balance belonging to the Government of New Zealand, after providing for the liabilities incurred under Mr. Wood's various instructions.

I have, &c.,

F. Larkworthy, Esq., Managing Director,
Bank of New Zealand.

W. C. SARGEANT.

No. 6.

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

GENTLEMEN,—

Colonial Treasury, 2nd January, 1865.

I transmit to you an Order in Council dated 2nd January, 1865, appointing you agents for the disposal of £250,000, part of one million authorised to be raised by "The New Zealand Debentures Act, 1864," a copy of which I transmit. The object of the Act is to authorise the issue of one million of 8 per cent. debentures at short dates, in anticipation of the Three-million permanent Loan of 1863, and to be replaced out of the proceeds thereof when disposed of.

I transmit at the same time for your information an Act of the General Assembly authorising the rate of interest on the unraised portion of the Three-million Loan to be increased from 5 to 6 per cent.

Also a copy of an Order in Council dated the 28th of December ultimo, raising the rate of interest accordingly from 5 to 6 per cent.

Also an Act passed in the recent session of the General Assembly for increasing the Customs Tariff, by which it is expected that an addition will be made to the Colonial revenue of nearly £200,000 a year.

With a view to elucidate the general position of the Colonial finances, I enclose six copies of the Financial Statement of Mr. Fitzherbert, the Colonial Treasurer, in the House of Representatives.

In order that you may be acquainted with the steps taken by the Government in reference to the disposal of the unraised portion of the Three-million Loan, and of £500,000, (part of the one million 8 per cent. debentures), I transmit copy of instructions sent by this mail to Messrs. Julyan and Sargeant, the Crown agents, and also a copy of instructions sent to Messrs. Larkworthy and others.

I have now to convey to you the instructions of the New Zealand Government relative to the authority now transmitted to you for disposing of £250,000 8 per cent. debentures.

It is agreed between the Bank and the Government, that the Bank shall be allowed $\frac{1}{2}$ per cent. commission upon the transaction, together with charges of advertisements, &c.

The debentures may be issued in such sums as you may think most advisable. The rate of interest will be 8 per cent. They may be made either with or without coupons, and be made payable either at the Colonial Treasury, Wellington, New Zealand, or at any place in Melbourne or Sydney, or at the Crown agents' or Bank of New Zealand in London, as you may think best. You will determine the periods of currency according to your judgment, bearing in mind that they cannot be made payable before the 31st December, 1865, nor later than the 31st December, 1867. If the debentures are made payable in London, the period of currency should not be less than eighteen months.

The debentures should be offered by public tender, after being sufficiently advertised throughout New Zealand and the Australian colonies. The tenders in New Zealand should be addressed (under cover) to the Colonial Treasurer, Wellington, and in the Australian Colonies, at such place or places as you may think fit.

The proceeds you will be so good as to place to the credit of the Colonial Government with the New Zealand Bank.

If from any circumstances you should fail to realise the debentures to a sufficient extent to cover

FURTHER PAPERS RELATIVE TO

the amount due in the Colony to the Bank, you are authorised to hypothecate an adequate portion of the debentures for the purpose of covering the amount due to the Bank, upon such terms as you may be able to obtain, the Government undertaking to pay any additional rate of interest, charges, &c., which may be incurred; but you will not have recourse to hypothecation except in case of extreme need.

I beg that I may be fully apprised of all which may be done in pursuance of these instructions at the earliest possible period.

I shall be further obliged by your transmitting to me 5000 blank forms of debentures, for the use of the Colonial Government.

I have, &c.,

HENRY SEWELL,

(for the Colonial Treasurer.)

Messrs. Murdoch, Kennedy, Waterston, and Williamson, &c., &c.,
Auckland.

P.S.—If you should obtain offers immediately, you are at liberty to accept them without tenders, at par, to the extent of £25,000.

No. 7.

The Hon. the COLONIAL SECRETARY to the DIRECTORS, Bank of New Zealand, London.

GENTLEMEN,—

Colonial Treasury, New Zealand, 2nd January, 1865.

I transmit herewith an Order in Council, dated the 28th December ultimo, appointing you agents for the disposal of £500,000, part of one million authorised to be raised by the "New Zealand Loan Debentures Act, 1864," a copy of which I transmit. The object of this Act is to authorise the issue of one million of 8 per cent. debentures, at short dates, in anticipation of the Three Million Permanent Loan of 1863, and to be replaced out of the proceeds thereof when disposed of. I transmit at the same time, for your information, an Act of the General Assembly, authorising the rate of interest on the unraised portion of the Three Million Loan to be increased from 5 to 6 per cent. Also, a copy of an Order in Council, dated 28th December ultimo, raising the rate of interest accordingly from 5 to 6 per cent.; also, an Act passed in the recent session of the General Assembly for increasing the Customs tariff, by which it is expected that an addition will be made to the colonial revenue of about £190,000 a year.

With a view to elucidate the general position of the colonial finances, I enclose copies of Mr. Fitzherbert, the Colonial Treasurer's, financial statement in the House of Representatives.

In order that you may be acquainted with the steps taken by the Government in reference to the disposal of the unraised portion of the Three Million Loan, I transmit copy of instructions sent by this mail to Messrs. Julyan and Sargeant, the Crown Agents.

I have to request that you will place yourselves in communication with those gentlemen in reference to the subject, so far as they concern the New Zealand Bank.

I have further to convey to you the instructions of the New Zealand Government relating to the authority now transmitted to you for raising £500,000.

It has been arranged between the Government and the directors of your Bank here, that the Bank shall be allowed $\frac{1}{2}$ per cent. commission upon the transaction, together with charges of advertisements, &c.

The debentures may be issued in such sums as you may think most advisable, the rate of interest will be 8 per cent. They may be made either with or without coupons, and be made payable either at the Colonial Treasury, Wellington, New Zealand, or at the Crown Agents, or at your Bank or elsewhere in London, as you may think best.

You will determine the period of currency according to your judgment, shewing that they cannot be made payable before the 31st December 1865, or later than the 31st December, 1867. If the debentures are made payable in London, the period of currency should if possible not be less than eighteen months.

The debentures should be offered for public tender after being sufficiently advertised.

The proceeds you will be so good as to place to the credit of the Colonial Government, with the New Zealand Bank.

If, from any circumstances, you should fail to realize sufficient to cover the balance due from the New Zealand Government to your Bank, you are authorised to hypothecate an adequate portion of the debentures for the purposes of covering the amount due from the Government to the Bank upon the best terms you can obtain, the Government undertaking to pay any additional rate of interest, charges, &c. But you will not have recourse to hypothecation except in case of extreme need.

I beg that I may be fully apprised of all which may be done in pursuance of these instructions, at the earliest possible period.

I have, &c.,

Messrs. Larkworthy, Porter and Graham,
&c., &c., &c., London.

HENRY SEWELL,

(for the Colonial Treasurer.)

No. 8.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.

GENTLEMEN,—

Colonial Secretary's Office, Auckland, 2nd January, 1865.

I transmit herewith an instrument under the hand and seal of the Governor, revoking the appointment of Mr. Reader Wood as agent for negotiating the New Zealand Loan, 1863, and constituting you agents for raising so much thereof as has not been already raised.

I transmit at the same time—

1. An Act of the General Assembly ("Rate of Interest Act, 1864") authorising the rate of interest on the unraised portion of the Three-million Loan to be increased from 5 to 6 per cent.

2. A copy of an Order in Council (see *Gazette* No. 51, of 1864, page 465) dated the 28th December ultimo, raising the rate of interest accordingly from 5 to 6 per cent.

3. An Act of the General Assembly ("Debenture Act, 1864,") authorising the issue of one million 8 per cent. debentures at short dates, in anticipation of the permanent loan, and to be replaced out of the proceeds thereof when disposed of.

4. I also transmit for your information copies of Orders in Council (see *Gazette* No. 1, of 1865¹ page 2) dated the 2nd January instant, authorising the directors of the New Zealand Bank to issue in England £500,000, and in the colonies £250,000 respectively, part of such last-mentioned one million debentures.

5. The new Customs Act ("The New Customs Duties Act, 1864,") whereby the Tariff has been increased so as to produce according to calculations an additional revenue of about £190,000 a year.

6. Also, with the view to elucidate the state of the Colonial finances and the measures adopted by the present Government in reference thereto (see Appendix to Journals), I send you copies of the Financial Statement made by Mr. Fitzherbert, the Colonial Treasurer, in the House of Representatives, in the late Session of the Assembly.

7. I also send you a copy of an instrument executed by Mr. Reader Wood, the late Colonial Treasurer, authorising Messrs. Kennedy and Murdoch (of the Bank of New Zealand) to raise £500,000, part of the Three-million Loan;

8. And a copy of the opinion (enclosed) of the Attorney-General in reference thereto.

I am unable to inform you whether the last-mentioned power has been acted on. I have to request you to be good enough to ascertain this from the directors of the New Zealand Bank in London.

You will observe that the Attorney-General considers that Mr. Wood's power did not enable him to delegate his authority for raising money under "The Loan Act, 1863" to another person.

The same remark applies to the authority which I understood Mr. Wood left with yourselves as to the disposal of £250,000, part of the Three-million Loan.

I shall feel obliged by your informing me whether the latter has been acted on, and if so, to what extent, and by your furnishing me with particulars in detail as to all issues of securities under such last-mentioned authority or otherwise, on account of the Three-million Loan up to the present time, with a statement of dates and amounts, forms of debentures and coupons, and where payable. Subject to whatever transactions may have actually taken place founded on Mr. Wood's delegation of authority and without interfering with the completion thereof, so far as the Colony is in good faith bound thereby, the Colonial Government desires that no further disposal of the 5 per cent loan shall take place, but that in accordance with "The Rate of Interest Act, 1864," and the Order in Council in pursuance thereof, so much of the Three-million Loan as remains unraised shall be raised at the increased rate of 6 per cent. You will observe that by a provision in the Act, securities issued at such increased rate cannot be disposed of below par.

You will observe the provision made by the Legislature, authorising the issue of one million 8 per cent debentures, payable in not less than one nor more than three years; also the authority given to the New Zealand Bank to raise in England £500,000, and in the Australian colonies, £250,000, on account thereof.

It may be useful to you to be acquainted with the instructions given to the New Zealand Bank in reference to the issue of such last-mentioned securities. I transmit a copy of such instructions accordingly.

I have now to convey to you the instructions of the New Zealand Government in reference to the disposal of the Three-million Loan under the authority now transmitted.

The Government is in the first place anxious to fulfil all engagements made on its behalf with the New Zealand Bank, and to cover the balance if any due from it to the Bank. It is believed that the securities now placed in the hands of the Bank for disposal will more than suffice for this purpose; but the Government desires you in concert with the Bank to take all such steps as may appear to you requisite as far as possible to ensure the object in view, and therefore if it should be found necessary or expedient by reason of the failure of funds from the sources indicated, you will consider yourselves authorised to sell or hypothecate a sufficient portion of the 6 per cent. loan so as to command the necessary funds to cover the balance due to the Bank. The New Zealand Government undertakes in case of temporary hypothecation to pay all interest and charges which may be incurred incidental to any such transaction.

You will not however have recourse to any such temporary hypothecation, except in case of extreme need and failing other resources.

I have already pointed out that no part of the Three-million Loan must hereafter be disposed of at a lower rate than par.

Subject to these remarks the Government desires, if a favorable opportunity should occur, to realize the 6 per cent securities, say to the extent of £500,000, but not to press them upon the market. They rely in fact on the issue of 8 per cent debentures for covering their present wants until the money market shall improve and better terms may be obtained for the permanent loan. As the first application of the proceeds of the loan will be to pay off the debentures, you will be careful so to arrange that there may be as little loss of interest in the transaction as possible.

The proceeds should be paid from time to time as they accrue to the New Zealand Bank to the credit of the Colonial Government.

In order that the securities now to be placed on the money market may be favorably received, the measures to which I have drawn your attention for improving the revenue and securing the credit of the Colony, should be generally made known.

It will be desirable that you should place yourselves in communication with the New Zealand Bank, and as far as possible, act in concert with them.

Messrs. Julyan and Sargeant,

Crown Agents for the Colonies, Spring Gardens, London.

I have, &c.,

WALTER MANTELL,
(for the Colonial Secretary.)

FURTHER PAPERS RELATIVE TO

Enclosure to No. 8.

MEMORANDUM by the Hon. the ATTORNEY-GENERAL.

"The New Zealand Loan Act, 1863," empowers the Governor to appoint one or more person or persons to be an agent or agents for the purpose of raising and managing the loan proposed to be raised under that Act.

It also gives authority to such agent or agents to borrow by bonds, debentures, or otherwise, a sum not exceeding Three Millions sterling.

The provisions of the Act apply to securities so created, and to no others.

My attention has been drawn to the instrument, dated the 5th January, 1864, by which Mr. Reader Wood was appointed, by the Governor, the agent for raising the loan; and to the instrument dated the 28th September, 1864, by which Mr. Wood delegated his authority, to the extent of £500,000, to Messrs. Murdoch and Kennedy.

I observe also in the latter instrument, a recital of a similar delegation of authority, to the extent of £250,000, to the Crown Agents, Messrs. Julyan & Sargeaunt.

In my opinion the Loan Act does not authorise Mr. Wood to delegate his powers; the Governor alone has power to appoint agents for raising the Loan.

The appointment of Mr. Wood as agent should be revoked, and a new appointment made.

Messrs. Murdoch and Kennedy, as well as the Crown Agents, should be apprised of the view taken by the Colonial Government as to the insufficiency of their authority.

The Colonial Treasurer will point out what other steps should, in his opinion, be taken for giving practical effect to former engagements of the Government, bearing in mind that the loan, or any part thereof, cannot be raised except by agents authorized by the Governor. And also that by "The Rate of Interest Act," and the Order in Council about to be issued under the same, the rate of interest will be raised to 6 per cent., and no debentures can be sold under par.

HENRY SEWELL.

No. 9.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.

GENTLEMEN,—

Colonial Secretary's Office, Auckland, 2nd January, 1865.

I transmit to you copies of Resolutions passed by the House of Representatives relative to the offer of the Imperial Government to guarantee one million of the Three-Million Loan of 1863. You will perceive by these Resolutions that, for the reasons therein stated, the Colony have declined such offer.

I have, &c.,

WALTER MANTELL,
(for the Colonial Secretary.)

Messrs. Julyan and Sargeaunt, Crown Agents for the Colonies,
Spring Gardens, London.

No. 10.

The New Zealand Government AGENT to the Hon. the COLONIAL SECRETARY.

Office of the New Zealand Government Agency,

SIR,— 3, Adelaide Place, King William-street, London, E.C., 25th November, 1864.

Since I had the honor to address you on the 20th September ultimo, the condition of the money market is somewhat easier, the minimum Bank rate of discount having been reduced from 9 to 8 per cent. on the 10th instant, and again from 8 to 7 per cent. yesterday.

The reductions have had the effect of reviving financial operations. Of those recently brought forward may be mentioned the Egyptian loan for £5,704,200, in 7 per cent. bonds of £100 each, the subscription price for which was 93, the bonds to be paid off in 15 years at par. Of this loan, £2,000,000 was privately subscribed, and the issue of the remainder to the public was successfully floated by Messrs. Fruhling and Goschen.

At this moment there is submitted under the auspices of eminent banking and financial firms, £2,800,000 debenture certificates of the Atlantic and Great Western Railway (American). These certificates will be issued at £90 for £100, and are to be redeemed at par at the end of three years, the interest at 8 per cent. per annum, being guaranteed by the Consolidated Bank, late Messrs. Hankey's and Messrs. Heywood, Kennard's & Co. Of this loan, £1,200,000 has been privately subscribed, and it may be observed that the interest, although nominally 8 per cent., is equivalent to more than 12 per cent.

The Government of Queensland 6 per cent. debentures for £270,000, unsuccessfully offered by the Union Bank of Australia months ago, have now been taken up at par, carrying interest from date of issue.

The South Australian Banking Company, during the past month, offered to the public £150,000 6 per cent. debentures, of the Provincial Government of Otago, at the price of £80 for £100 bonds.

The New Zealand 5 per cent. debentures, on the 22nd instant, were, for the first time, marked on the Stock Exchange at 88 to 90. Transactions have taken place in the 6 per cent., at 104 to 105. The 5 per cent. debentures of the Government of Canada varied during the month from 82 to 90½, the 6 per cent. from 98 to 101. New South Wales 5 per cent. remain at 95. Although transactions have taken place during the past month in all these securities, the amount of business done is quite nominal, and to attempt to realise to any extent could not be effected, without submitting to considerably lower prices.

The Government may gather from these remarks information which I trust may be interesting, and of service.

I have, &c.,

The Hon. the Colonial Secretary, Auckland, New Zealand.

JOHN MORRISON

No. 11.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

Spring Gardens, London, S.W., 26th November, 1864.

NEW ZEALAND 5 PER CENT. LOAN.

SIR,—

In continuation of my letter of the 26th ultimo, I have now the honor to inform you that on the 21st instant a further sum of £207,266 13s. 7d. was received by the Crown Agents for the colonies, on account of the above Loan, from the "Credit Mobilier, Limited." This sum, added to the small cash balance previously in hand, increased the total amount standing to the credit of the New Zealand Government in the books of this office to £208,781 5s. 8d., which was immediately disposed of as follows:—

Paid to the Bank of New Zealand, £149,000; making the total sum paid to that establishment, up to the present date, out of the proceeds of the loan, £572,000.

To Mr. Morrison, for the purchase of small arms, £14,000; making the total sum paid on that account, up to the present date, £21,000.

To the Crown Agents, for brokerage and commission, £1269.

Placed on deposit, at seven days' call, with the London Joint Stock Banking Company, at 5 per cent. interest, £44,000.

This latter sum is comprised of—

£20,000 reserved for the payment of interest falling due on debentures on 15th January next.

£10,000 appropriated to the purchase of ordnance and ammunition, in respect of which the Crown Agents are in communication with Major Millward, of the War Office.

£3,000 to pay for telegraphic materials, contracted for under Mr. Gisborne's inspection.

£3,780 on account of emigration.

£7,000 to be paid to Mr. Morrison, on "small arms" account, during the month of December; and

£220 on account of contingent expenses.

The payments to the Bank of New Zealand having exceeded £500,000, the instrument granted by Sir George Grey to three of the directors of that Bank, empowering them to raise that sum on debentures, has been formally cancelled, and is now in the possession of the Crown Agents for the colonies.

The telegraph materials, according to the agreements entered into, will be ready for shipment about the end of December next.

With respect to the negotiation of any portion of the second million of the 5 per cent. loan, although the market shows signs of improvement, and the Bank rate of interest has been reduced to 7 per cent. during the present week, yet the time has not yet arrived for effecting further sales of your debentures. The great bulk of the last issue is still in the hands of those who speculated in it, and there is at present little or no demand for the debentures at any price. They were marked in the official list of the Stock Exchange on Tuesday last for the first time.

The sale of the Otago 6 per cent. debentures (under strong assurance from the vendors that the guarantee of the New Zealand Government will shortly be extended to them) at a price which will—including 2 per cent. of accrued interest—pay the purchasers nearly 8 per cent., has seriously depreciated the 5 per cent. loan of your Government, and the effect cannot fail to be prejudicial to our next operation in that loan.

It appears to the Crown Agents that the interests of the Provincial, no less than those of the General Governments, might be promoted by making such arrangements as would prevent any competition of this nature in the negotiation of their several loans in this market. To do this effectually, it would appear advisable that all New Zealand loans, General and Provincial, should be brought before the public through one and the same channel. Whether that channel had better be this department or not, it is for the New Zealand Government to determine. The Crown agents simply direct your attention to the point as one seriously affecting your interests, and therefore, it would appear to them, worthy of the consideration of the New Zealand Government.

I have, &c.,

The Hon. the Colonial Secretary, &c., &c., New Zealand.

PENROSE G. JULYAN.

No. 12.

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

SIR,—

Bank of New Zealand, Auckland, 27th January, 1865.

By the mail steamer, which arrived yesterday from Sydney, I received letters from our Inspector, Mr. Murdoch, and from the Oriental Bank Corporation, Sydney, respecting the floating of £200,000 in Australia under "The Debenture Act, 1864;" and I beg to quote for your information extracts therefrom, viz.:—

Extract from letter from D. L. Murdoch, dated Sydney, 17th January, 1865.

"I arrived here on the 11th instant, and leave to-day for Melbourne. I find money exceedingly tight here, and am not at all sanguine about selling any considerable portion of the 8 per cents. in this market; there will be tenders for a few thousands, but not more. The news by the mail is reassuring, and may assist me in Melbourne, where I hope to find money more abundant than here, though the accounts from that quarter are not encouraging. The tenders are returnable at Melbourne on 23rd instant. I found I could not get the debentures engraved here in time to take them with me, and therefore forwarded to Melbourne by steamer on 12th the form and an order for all required both here and in New Zealand. I will send you the proportion for the £50,000 as soon as completed."

I have, &c.,

A KENNEDY,

General Manager.

The Hon. the Colonial Treasurer.

No. 13.

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

SIR,—

Melbourne, 31st January, 1865.

I have the honor to report that in reply to advertisements inserted in the newspapers both here and in Sydney from 10th to 23rd instant, calling for tenders for £200,000 of 8 per cent. debentures of the General Government of New Zealand, I have received tenders for £31,300 only—£19,050 of which were at and over par, and £12,250 below par. Of the £19,050 which I have accepted, there were tenders for £10,050 from Sydney, and £9,000 from Melbourne. I enclose specifications of the various tenders, with particulars of the numbers of the debentures prepared for issue to the various parties.

I have negotiations for a further sum of £10,000 now pending, but beyond this I have little expectation of effecting sales of any considerable portion of the loan. Besides the tightness of money prevailing in these colonies, and the high rates of interest offered by the Banks for money at call (as high as 7 per cent. being given), I find there is a very general distrust in the public mind of all New Zealand securities, and this feeling, I regret to add, is carefully fostered by interested parties.

Since 23rd instant I have advertised the unsold portion of the loan as open for sale by private negotiation, and if there should be no satisfactory result during this week, I will endeavour to arrange a loan by hypothecation of the debentures. This will be reported to you by an early mail.

The five thousand debenture forms required by the Government are forwarded by the "Albion" steamer, to the manager of the Bank of New Zealand, Dunedin, whence they will be despatched to you by first opportunity.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

D. L. MURDOCH.

No. 14.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.

GENTLEMEN,—

Colonial Secretary's Office, Wellington, 11th February, 1865.

I am directed by Mr. Weld to transmit to you the accompanying Bank draft for £5000, being half-year's sinking fund on one million issued of the Three Million Loan of 1863. At the same time I am directed to inform you that owing to the absence of His Excellency the Governor from the Seat of Government, the necessary steps for appointment of trustees in whose names the sinking fund is to be invested, cannot be taken by this mail. But that by the next mail the necessary appointments will be made, and in the meantime you will be good enough to retain the amount transmitted to you for this special service.

I have, &c.,

Messrs. Julian and Sargeant,

W. GISBORNE,

Crown Agents for the Colonies, 6, Adelphi Terrace, Strand, London.

Under Secretary.

No. 15.

The AGENT for the New Zealand Government to the Hon. the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Auckland, 24th February, 1865.

On 31st ultimo I had the honor to advise you from Melbourne of the unsuccessful result of my mission to Australia. The only further sale of debentures effected subsequent to that date was £1000 (at par, with three years currency, principal and interest payable in London,) to Mr. B. A. Ferard, on 10th instant, to whom I issued debentures Nos. 217 to 226, for £100 each.

I waited on every private capitalist of importance, and saw the managers of the various Banks likely to be purchasers, and was invariably met by doubts as to the security of New Zealand debentures. Finding it impracticable to make further sales, I then exhausted every probable source from which a loan on security of the debentures might be expected, and regret to say that the same distrust which prevented the sale operated fatally against the negotiation of a loan on the security of the debentures. The Savings' Banks and some of the local Insurance Companies are prohibited by their Act of Incorporation from investing their funds in other than the securities of the Colony in which they are incorporated; the Banks from which the money must be withdrawn for purchase of a loan on debentures reported adversely of the security of the debentures; the rate of interest allowed by Banks for money even at call is as high as 7 per cent; the mode of issuing debentures by an agent was altogether new in the Australian Colonies. These, with the general tightness of money, were causes which militated much against the success of the negotiation. The chief causes of failure, however, were—the general ignorance which prevails as to New Zealand affairs, and the impression that the Colony is involving itself in debts, the redemption of which will be problematical. No mere verbal evidence adduced by one so personally interested as I in removing such an impression, could be expected to be received by capitalists as sufficient justification for investment of their money when such investment was disapproved by their own bankers.

As a last resource, I applied to the Bank of Victoria for a loan on the debentures guaranteed by the Bank of New Zealand, and succeeded in this way in getting £40,000 to be repaid in six months, or if not then required, on receiving three months' notice, and to bear interest at 10 per cent. per annum. The debentures lodged for this loan were Nos. 417 to 456, for £1000 each, with three years currency, principal and interest payable in London, which I authorised the manager to sell till further advised at par, with accrued interest added, and agreed to pay him $\frac{1}{4}$ per cent. on any sales so effected.

The following debentures were left by me with the Oriental Bank, to be delivered to purchasers as applied for on the same terms as above, viz. :—

Nos. 167 to 216—50 of £100 each, representing	...	...	£5,000
267 to 316—50 of £500 each	"	...	25,000
367 to 416—50 of £1,000 each	"	...	50,000

In all ... £80,000

all having three years' currency, and principal and interest payable in London.

On my return to Sydney, I found a little enquiry being made for debentures, and employed Messrs. Lennon and Cape to effect sales at par with accrued interest, lodging with their bankers, the Commercial Banking Company of Sydney, the undermentioned debentures, viz. :—

Nos. 227 to 266—40 of £100 each ...	...	...	...	£4,000
317 to 366—50 of £500 each ...	...	...	...	25,000
457 to 466—10 of £1,000 each ...	...	...	...	10,000
467 to 516—50 of £100 each ...	...	...	...	5,000
517 to 541—25 of £500 each ...	...	...	...	12,500
542 to 554—13 of £250 each ...	...	...	...	3,250
555— 1 of £200 ...	...	...	...	200
				<u>£59,950</u>

These will be delivered to the brokers in exchange for an equivalent in money, and I have agreed to pay the Commercial Bank for this trouble, and for keeping a correct record of the bonds $\frac{1}{2}$ per cent. on the sales effected.

I enclose a full statement of the whole of the debentures signed by me.

I have, &c.,

D. L. MURDOCH,

Agent for General Government.

The Hon. the Colonial Treasurer, Wellington.

Enclosure 1 to No. 15.

STATEMENT of DEBENTURES signed by D. L. MURDOCH, in Sydney and Melbourne, as Agent for the General Government of New Zealand.

Nos. 1 to 166 as per statement rendered to Treasurer on 31st January... £19,050

The following Nos. were all of three years' currency, and with principal and interest payable in London :—

Nos. 167 to 216, of 100 each ...	...	...	£5,000
267 to 316, of £500 each ...	...	...	25,000
367 to 416, of £1,000 each ...	...	...	50,000

Deposited with the Oriental Bank in Melbourne ... £80,000

Nos. 417 to 456, of £1,000, deposited with Bank of Victoria ... 40,000

217 to 226, of £100, to B. A. Ferard ... 1,000

227 to 266, of £100 ... £4,000

317 to 366, of £500 ... 25,000

457 to 466, of £1,000 ... 10,000

467 to 516, of £100 ... 5,000

517 to 541, of £500 ... 12,500

542 to 554, of £250 ... 3,250

555 ... of £200 ... 200

Deposited with Commercial Banking Company in Sydney ... 59,950

£200,000

Enclosure 2 to No. 15.

TENDERS for Eight per Cent. Loan, of GENERAL GOVERNMENT OF NEW ZEALAND, received up to 28th January, 1865.

Name.	Address.	Amount.	Rate.	Currency.	Principal and interest payable at	Accepted.	Refused.	Debentures preferred for Issue.
		£				£	£	
J. B. Darvall . .	Sydney	5,000	1s. $\frac{1}{2}$ cent. pr.	3 years	London	5,000	...	50 of £100 each, Nos. 1 to 50
G. R. Whiting . .	"	500	£1 $\frac{1}{2}$ cent. pr.	3 years	Sydney	500	...	5 of £100 each, Nos. 51 and 61 to 64
Mark Davis . .	"	800	10s. $\frac{1}{2}$ cent. pr.	3 years	London	800	...	8 of £100 each, Nos. 52 to 59
Mary Ann Adams . .	"	150	par	3 years	Sydney	150	...	1 of £150, No. 60
Michael Samuels . .	"	2,500	10s. $\frac{1}{2}$ cent. pr.	3 years	London	2,500	...	25 of £100 each, Nos. 76 to 100
Cyrille Veyrett . .	"	300	par	3 years	Sydney	300	...	3 of £100 each, Nos. 65 to 67
Robert Payne . .	"	500	par	3 years	Sydney	500	...	5 of £100 each, Nos. 68 to 72
Richard Bligh . .	"	300	par	3 years	Sydney	300	...	3 of £100 each, Nos. 73 to 75
J. W. Gibbons . .	"	250	2 $\frac{1}{2}$ cent. disc't.	...	...	...	250	
Laurence Munro . .	Melbourne	2,000	5 $\frac{1}{2}$ cent. disc't.	...	...	...	2,000	
T. B. Payne . .	"	10,000	10 $\frac{1}{2}$ cent. disc't.	...	...	...	10,000	
Simon Fraser . .	"	2,000	par	3 years	Melbourne	2,000	...	20 of £100 each, Nos. 101 to 120
Maximilian Clifton	"	2,000	par	3 years	Melbourne	2,000	...	20 of £100 each, No. 121 to 140
Charles Lister . .	"	5,000	par	3 years	London	5,000	...	20 of £100 each, Nos. 141 to 160, and 6 of £500 each, Nos. 161 to 166
		31,300				19,050	12,250	

FURTHER PAPERS RELATIVE TO

No. 16.

The INSPECTOR, Bank of New Zealand, to the Hon. the COLONIAL TREASURER.
 Bank of New Zealand, Auckland, 24th February, 1865.

SIR,— Referring to the advance of £40,000 obtained from the Bank of Victoria on account of the General Government, and which could only be procured on the guarantee of the Bank of New Zealand, I am instructed by my Board of Directors to inform you that in addition to the rate of interest charged by the Bank of Victoria, they think the Bank of New Zealand fairly entitled to the usual guarantee commission of $2\frac{1}{2}$ per cent., and that they propose to add such charge to the interest to be debited to the General Government.

The loan, as you are already advised, is repayable in six months from 10th instant, but may be continued for a longer period if it suits the Bank of Victoria. In such case, it will be repayable on three months' notice. The directors trust they may depend on your making timely provision for repayment of this loan.

I have, &c.,
 D. L. MURDOCH,
 Inspector.

The Hon. the Colonial Treasurer.

No. 17.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.
 Offices of the Crown Agents for the Colonies,
 Spring Gardens, London, S.W., 24th December, 1864.

SIR,— I have very little to add to the communication addressed to you from this office on the 26th ultimo, as the slight improvement in the money market here gives no reasonable prospect of our being able at present to place on the market a further instalment of your 5 per cent. loan.

I have to acknowledge the receipt of the Hon. Mr. Reader Wood's letter of the 30th September last, No. 281, requesting the Crown agents to raise sufficient funds by hypothecating debentures to meet drafts on the Bank of New Zealand, and as it appears from a statement which the managing director has furnished us, that the liabilities of the New Zealand Government to the Bank amount to £231,365 we are endeavoring, without much hope of success however, to obtain an advance on a new issue of debentures.

I have, &c.,
 W. C. SARGEANT.

The Hon. the Colonial Secretary, &c., &c., New Zealand.

No. 18.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.
 Colonial Secretary's Office, Wellington, 8th March, 1865.

GENTLEMEN,— I am directed by the Colonial Secretary to transmit to you the enclosed Warrants, under the hand of His Excellency the Governor, appointing you to be Trustees under "The New Zealand Loan Act, 1863."

I have, &c.,
 W. GIBBORNE,
 Under Secretary.

Messrs. Julyan and Sargeant,
 Agents for Crown Colonies, Spring Gardens, London.

No. 19.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.
 Colonial Secretary's Office, Wellington, 11th March, 1865.

GENTLEMEN,— I transmit herewith a copy of a Resolution passed by the House of Representatives relative to the claims of the Imperial Government upon this Colony. I also transmit copy of an official Minute by Ministers relative to the same subject, which has been transmitted by His Excellency the Governor, to the Right Honorable the Secretary of State for the Colonies.

In accordance with the above Resolution and Minute, and referring to the letter to you of the number and date quoted in the margin, from this department, relative to the disposal of the unraised portion of the Three Million Loan, I have the honor to request that you will be so good as to issue, under "The New Zealand Loan Act, 1863," in favor of the Imperial Government, debentures to the amount of five hundred thousand pounds (£500,000) (part of the unraised portion of the Three Million Loan), such debentures to bear interest at the rate of 4 per cent. per annum, and to be taken by the Imperial Government towards liquidation of the debt due from this Colony to the Imperial Government.

You will be good enough to place yourselves in communication with the Imperial Government, and arrange for making the debentures in such form and for such several amounts, &c., as may best suit their views. The interest may be made payable in London, at the Crown Agents' Office. The interest and the sinking fund provided by "The Loan Act, 1863," will be remitted in due course.

In the Order in Council, dated the 29th December, 1864, (a copy of which was transmitted to you in the letter before referred to) the Governor, in pursuance of "The Rate of Interest Act, 1864," ordered that the rate of interest on moneys to be hereafter from time to time borrowed under "The New Zealand Loan Act, 1863," may be raised to 6 per cent., and you are therefore not precluded from issuing debentures at a less rate of interest.

I have, &c.,
 WILLIAM FITZHERBERT,
 (for the Colonial Secretary.)

Messrs. Julyan and Sargeant,
 Crown Agents for the Colonies, Spring Gardens, London.

Enclosure to No. 19.
 MEMORANDUM by MINISTERS.

Ministers transmit to His Excellency copy of letter of instructions sent by this mail to the Crown Agents, requesting them to deliver to the Lords of the Treasury £500,000 colonial debentures, being

part of the Three Million Loan authorised to be raised under "The Loan Act, 1863," the interest to be at 4 per cent.

The arrangement contemplated by the late Colonial Treasurer (Mr. Reader Wood) was founded on a supposed guarantee, to be given by the Imperial Government, for a loan of one million sterling, at 4 per cent, out of which a sum somewhat less than £500,000 was to be retained by the Imperial Government to liquidate the claims on the Colony. For reasons already sufficiently made known, that proposal failed.

Adverting to the various negotiations which from time to time have been entered into respecting the liquidation of the debt due from the Colony to the Imperial Government, and to the fact that the promises relative thereto, whether expressed or implied, still remain unfulfilled, Ministers are of opinion that the good faith of the Colony absolutely requires that it should no longer delay making definite provision for the discharge of this debt.

It now remains for the Colony to do its part towards carrying out an arrangement for satisfying the Imperial claim, which it is considered will practically be effected in the manner stated. The Colony having transferred to the Imperial Government £500,000 4 per cent debentures, it will rest with the Imperial Government either to hold such securities, or to cover them with a guarantee, and realize them in the English money market. The Colony will account annually for the interest and sinking fund provided for in the Act of 1863.

In taking this step, Ministers have been anxious to avoid the dilemma of an indefinite postponement into which the increasing liabilities of the Colony might have unavoidably placed it. On that point they observe, that on the one hand the Colonial Parliament would not (in their opinion) sanction, nor indeed could the Colony bear the burthen of any additional unguaranteed loan; and on the other, that, after deducting the present large payment, the most sanguine calculations, based upon an assumption that hostilities will almost immediately cease, only show a possible remainder of the Three Million Loan barely adequate to meet such an expenditure as may enable the Colonial Government to carry out the outline of those precautionary measures of defence which prudence will demand on the conclusion of five years' warfare in a country of mixed races.

His Excellency is aware of the extreme financial embarrassment under which Ministers have had to conduct his Government during the last few months; and will at the same time, they believe, readily admit that they have never proposed to recoup war expenditure by hasty and indiscriminate sale of confiscated land, whilst they have endeavoured cordially to co-operate with him in a firm but just and temperate policy towards the native race.

Under all the circumstances of the case, at a time when the Colony, instead of clinging to a Commissariat expenditure, is proposing to rely on the energy and manhood of the settlers, and the loyalty of both races, in order to secure the future peace of these Islands, and is thus adopting a policy one of the main features and immediate results of which will be to relieve the Imperial Exchequer of an annual expenditure of at least one million,—an expenditure which for some years past has entailed a sacrifice on the British tax-payer which the Colony recognises with gratitude; at a time when capitalists decline the Colonial securities because New Zealand has been involved in a protracted and disastrous war, for which the Colony cannot certainly be deemed wholly if at all chargeable; and at a time when the Colony is parting with a considerable portion of its remaining securities to repay arrears to the Imperial Government; Ministers submit that, at such a time, the Colony has a reasonable and just claim on the Mother Country for some pecuniary aid towards enabling it to bear the heavy responsibilities it is about to undertake.

They trust, therefore, that the Home Government will extend its aid to the Colony, either by covering the remainder of the Three Million Loan by the Imperial guarantee, or by making to the Colony an annual grant in aid of extraordinary expenditure for the next four or five years.

Ministers respectfully request that His Excellency will be pleased to transmit this Memorandum to Her Majesty's Secretary of State.

WILLIAM FITZHERBERT.

23rd March, 1865.

No. 20.

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

SIR,—

Treasury, Wellington, 15th March, 1865.

I have the honor to acknowledge the receipt of your letter of the 24th ultimo, in which you inform me of the little success you had met with in your attempts to dispose of the debentures of this Government in Australia. It is quite unnecessary for me to say that I have read your letter with great regret, and that I am much disappointed by the results of your mission.

Your claim for a commission of $2\frac{1}{2}$ per cent. on the debentures advanced upon by the Bank of Victoria shall be submitted to my colleagues, but I shall be obliged if you will inform me more fully of the reasons for making such a claim. I beg to know whether I am to regard it strictly as a guarantee commission, and if so, whether the Bank of New Zealand will be prepared to pay the amount advanced at the period named (six months after the 10th of February) supposing the Government not to be in a position to do so.

I have also to add that I made an application on the 2nd instant, through the Manager of the branch of your Bank here, to be allowed to overdraw my account for an additional sum of £60,000 during the present month, pending further arrangements. May I request a reply to this without delay.

I have, &c.,

WILLIAM FITZHERBERT.

D. L. Murdoch, Esq.,
Inspector Bank of New Zealand, Auckland.

D.

No. 21.

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

SIR,—

Treasury, Wellington, 17th March, 1865.

I have the honor to acknowledge your favor of the 31st January, in which you inform me of what you had done up to that date in respect to negotiating the debentures in Australia, and also that five thousand debenture forms had been forwarded by the "Albion" steamer, to the manager of the Bank of New Zealand, Dunedin, whence they would be despatched to me by first opportunity. Having already replied to the former part of this letter in my letter No. 184 of the 15th instant, I now refer to it for the purpose of asking you to be good enough to ascertain why these debenture forms were not forwarded as you intimated they would be. The "Albion" arrived here on the 10th February, and as I had no advice of any parcel by her, I enquired of the manager of the branch of your Bank here, and ascertained that he had not received them. I then waited until the beginning of the present month, and at length was obliged to print other forms to supply my requirements here. After this, on the 13th of this month, I received your parcel with shipping note, shewing that they had been put on board the "Albion," in Dunedin, on the 8th instant. You will readily appreciate the inconvenience and expense to which this delay has subjected me, and I trust that you will enable me to ascertain who it is that has been the cause of it.

I have, &c.,

D. L. Murdoch, Esq.,

Inspector of the Bank of New Zealand, Auckland.

WILLIAM FITZHERBERT.

No. 22.

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

SIR,—

Bank of New Zealand, Auckland, 22nd March, 1865.

I have the honor to acknowledge receipt of your letters of 10th and 15th instant, the former requesting a schedule of all debentures issued by the agents in Australia and New Zealand, to latest date, which I now beg to enclose herewith.

In reply to your request to be informed more fully of the reasons for making a claim of 2½ per cent. guarantee commission on the loan of £40,000 obtained from the Bank of Victoria, I have the honor to state that that establishment would not lend money to the Government of New Zealand, and it was only on my agreeing to give the guarantee of the Bank of New Zealand that I obtained the loan. If at maturity the Government should not be in a position to pay the amount, there is a clear liability on the part of the Bank to meet the obligation. I trust, however, you will adopt measures to relieve the Bank of New Zealand of any such prospective liability.

Mr. Bridges will have made you aware, in reply to your letter of the 2nd instant, of the desire of the Bank of New Zealand as far as possible to meet the wishes of the Government.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

D. L. MURDOCH,

Inspector.

No. 23.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

SIR,—

Spring Gardens, London, S.W., 26th January, 1865.

The Crown Agents for the Colonies are glad to find by your letter of the 2nd November last, that their proceedings in respect to the first issue out of the £3,000,000 had given satisfaction to the New Zealand Government. If anything were wanting to confirm the Crown agents in the belief that they had acted judiciously in disposing of the first million at the price they did, it would be found in the fact brought to light by the payment of the first half-year's interest during the present month, viz.:—That out of the whole amount there still remains in the hands of those who speculated in the loan no less than £938,100, showing that in addition to what the Crown agents disposed of by public tender (£46,200), there had only been taken up by actual investors during the four and a half months since elapsed the small sum of £15,700.

The bank rate of interest has now fallen to 5½ per cent., but still there is no flow of capital towards the New Zealand debentures; and although they are quoted in the share lists at 87 to 88 the quotation is but nominal, and sales cannot be effected at any price. The market for the debentures of other colonies is also very flat.

With this state of things you will not be surprised to learn that nothing has been done with regard to the second instalment of £250,000, which the Crown agents were authorised conditionally to deal with.

The Bank of New Zealand press very hard for more money, and represent your liabilities to them as exceedingly heavy, and although it is not very clear whether the directions contained in Mr. Reader Wood's letter of the 30th September last had reference to anything beyond the first million of the loan, yet the Crown agents have not hesitated to use every exertion to raise a further sum by the hypothecation of a further £250,000, in order to satisfy in some measure the demands of the Bank. They have not however found it possible up to the present moment to do so, except on terms too extravagant to be thought of in the absence of any definite information from you as to the conditions on which the Bank's advances to the New Zealand Government have been made.

On this head, as well as in respect of your probable future requirements, I would suggest your keeping the Crown agents constantly advised, in order that they may know how to avoid as far as possible making any unnecessary sacrifices on your behalf.

The Governor's authority to the Bank of New Zealand to make and sell £500,000 of debentures which has been redeemed by the payment of the money to the Bank, is herewith enclosed agreeably to your request.

I have, &c.,

The Hon. the Colonial Secretary, Auckland, New Zealand.

PENROSE G. JULYAN.

No. 24.

The New Zealand Government AGENT to the Hon. the COLONIAL SECRETARY.

Office of the New Zealand Government Agency,

SIR,— 3, Adelaide Place, King William Street, London, E.C., 26th January, 1865.

I had the honor to report to you on the 26th ultimo relative to the state of the English money market. Since then a further decline has taken place in the value of money. The Directors of the Bank of England, at their weekly meeting, reduced the minimum rate of discount from 6 per cent., at which it was fixed on the 15th ultimo, to $5\frac{1}{2}$, and the tendencies of the market is still to greater ease. This favorable turn however is no sooner manifest than financial undertakings of almost every form and character are brought forward, whereby the market is kept sensitive, and its future bearing rendered extremely doubtful.

During the past month the event of the greatest magnitude is the Italian 5 per cent. Sale Domain Loan of Eight Millions. The General Credit Company are the negotiators in this country. The bonds of £20 each and of larger amounts are redeemable in fifteen years. The issue price for the redeemable bond at £100 is £77 10s., and taking into consideration the period of redemption, together with the issue price and date of call, the investment is calculated to pay over 10 per cent. to the allottee.

The Crown Agents for the Colonies invited tenders for Cape of Good Hope Government 5 per cent. debentures to the extent of £234,000, in sums of £100, £200, and £500 each, and redeemable on the 31st December, 1900; interest equal to about $1\frac{1}{4}$ per cent. had accrued on these securities. On the 17th instant the total amount applied for was £307,700, at prices varying from 81 to 105. The minimum was fixed by the Crown agents at 90. Tenders above £91 0s. 6d. received in full, whilst those below that price were rejected. The average rate at which the £234,000 was placed was about £91 12s. 3d. per cent.

The readiness with which the above loan was floated may be attributed to the following circumstances:—

1st. The loan in question was brought out for the purpose of paying off a like amount of 6 per cent. debentures falling due; it did not therefore create additional debt on the Colony.

2nd. No money was required or withdrawn from the market to take up this loan; the tenders received were chiefly from holders of the old debentures, who purchased and paid in those securities for the new ones.

3rd. The much more favorable state of the money market rate of discount, being $5\frac{1}{2}$ per cent., or quite $2\frac{1}{2}$ per cent. lower than when the New Zealand 5 per cent. loan was offered in July last.

These circumstances, so far as I am able to ascertain, acted much in favor of the Cape Loan realising the price it did, which is considered to be higher than what New Zealand securities of like per centage would at present realise.

The only New Zealand securities for which tenders have been publicly invited during the past month are the 8 per cent. debentures of the Dunedin Gaslight and Coke Company, Limited. These have been advertised by the New Zealand Banking Corporation, the amount required being £15,000. It has not transpired what has been applied for, or the price at which the tenders, if any, have been made.

I have, &c.,

JOHN MORRISON.

P.S.—Since writing the foregoing, the Bank of England rate of discount has this afternoon been reduced to 5 per cent.

J. M.

The Hon. the Colonial Secretary, Auckland, New Zealand.

No. 25.

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

SIR,— Treasury, Wellington, 10th April, 1865.

The pass-book of your Bank, which I have just received, has informed me, to my very great surprise, that you have debited my account as Colonial Treasurer, with the sums named in the enclosed schedule, amounting to £23,620 2s. 6d.

I must most respectfully but earnestly protest against such a mode of procedure; it not only usurps, but goes far beyond my power, as I make no payments except on warrant.

I am far from saying that the items are not correct, or that they will not be approved when submitted, but still until they have been laid before me, I cannot make the payment, nor sanction its being charged in my account with the bank; I must therefore request that a full statement of the various charges may be supplied, supported by the daily statement of balances with accruing interest thereon, and that until such has been examined and sanctioned, the items be eliminated from the account.

I have, &c.,

D. L. Murdoch, Esq.,

Inspector of Bank of New Zealand, Auckland.

WILLIAM FITZHERBERT.

No. 26.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.

GENTLEMEN,— Colonial Secretary's Office, Wellington, 13th April, 1865.

I have the honor, by the direction of Mr. Weld, to transmit to you a bank draft, noted in the margin, for the sum of twenty-five thousand pounds (£25,000,) being a remittance to provide for interest at 5 per cent. on debentures for one million (1,000,000,) issued under "The New Zealand Loan Act, 1863," for the current half-year. I also send a statement of particulars of the remittance.

I have, &c.,

W. GISBORNE,

Under Secretary.

Messrs. Julyan and Sargeant, Spring Gardens, London.

No. 27.

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

SIR,—

Bank of New Zealand, Auckland, 18th April, 1865.

I have the honor to acknowledge receipt of your letter of 10th instant, protesting against the proceedings of the Bank in charging various items of interest, &c., to your account on 31st ultimo, and requesting that until a full statement of daily balances and accruing interest be supplied, examined, and sanctioned, the items complained of should be eliminated from the account.

I beg to remind you that the 31st March was the end of the official half-year, and that the course pursued in this instance by the Bank is in strict accordance with ordinary banking practice. I trust it will be apparent to you, that without usurping such power as you complain of, it would be impracticable for the Bank to close the books of the establishment at the end of the official half-year. The charges for interest, &c., are always open for subsequent revision by the customers of the Bank, and the directors will be glad to afford every facility for checking the correctness of the various items.

The account is a very intricate one, and to supply you with such particulars as you refer to, would entail a great amount of work upon the staff, and in all probability would not be satisfactory to you. I would therefore respectfully suggest that advantage be taken of the present visit to Auckland, of Dr. Knight, the Auditor-General, to have the account and various charges carefully revised, for which object every possible assistance will be afforded by the Bank.

Trusting this suggestion will meet your views,

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

D. L. MURDOCH, Inspector.

No. 28.

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

SIR,—

Treasury, Wellington, 25th April, 1865.

Your communication of the 18th instant is before me, and under the circumstances referred to by you, I have no hesitation in acceding to your proposal to have the account and various charges submitted to Dr. Knight for his revision.

I have therefore to inform you that instructions will be sent to that officer accordingly.

I have, &c.,

D. L. Murdoch, Esq.,

WILLIAM FITZHERBERT.

Inspector, Bank of New Zealand, Auckland.

No. 29.

The New Zealand Government AGENT to the Hon. the COLONIAL SECRETARY.

SIR,—
Office of the New Zealand Government Agency,
3, Adelaide Place, King William-street, London, E.C., 27th February, 1865.

I do myself the honor to enclose to you herewith particulars of the New Peruvian Loan (5 per cent.), of which £4,000,000 is offered to the public by Messrs. Thomson, Bonar and Co. at 83½ per cent., or equal to 81 net, allowing for the dividend due 1st July. The list will not close until the 28th; I am therefore unable to report with what success it has been introduced.

I likewise enclose and direct your attention to the particulars of the Mauritius Government 6 per cent. loan of £300,000, for which the Crown Agents for the Colonies invited tenders. It was not all taken up. The total amount applied for was £330,100.

The minimum was fixed at 103, at and above which price debentures to the extent of £118,800 and registered stock to the extent of £31,600 were disposed of at an average price of £4 15s. 4d. premium. The Crown agents intimated they would receive tenders for the unallotted portion, amounting to £179,700, at prices not less than 103, until one p.m. on the 28th instant.

I beg also to state that the New Zealand Banking Corporation notified by public advertisement that the 8 per cent. debentures of the Dunedin Gaslight and Coke Company (£15,000) had been allotted. It is reported the prices at which they were placed varied from 80 to 95. For the correctness of this I cannot vouch.

The money market during the past month has been quiet, with a tendency to greater ease. Whilst the minimum rate of discount fixed by the directors of the Bank of England continues at 5 per cent. (which is lower than it has been for the last fourteen months), the rates of the Banks of France, Prussia, and Holland have been reduced during the past month to 4 per cent., leading many to entertain the idea that a lower rate than 5 per cent. may before long be current here.

Notwithstanding this increased ease it has imparted little advantage to New Zealand securities, and although the price of New Zealand 6 per cent. debentures is quoted by the official list of the Stock Exchange at 104 to 105, and 5 per cents. at 87 to 89, it would be impracticable to realise such prices for any considerable quantity.

The large amount of provincial debentures known to be hypothecated and held in London for sale, and the hitherto prolongation of hostilities in the colony have done much to create the present disinclination on the part of the public to invest in them.

The Government have already been informed that the committee of the Stock Exchange decline to recognise or allow Provincial debentures to be marked in their list, they are consequently unsaleable, except at a heavy discount, which prejudices most unfavorably the General Government securities.

It may therefore be a consideration with the Government whether some means may not be devised by which the debentures that the various provinces have yet to offer may not be withdrawn from the market.

I have, &c.,

The Hon. the Colonial Secretary, Auckland, New Zealand.

JOHN MORRISON.

No. 30.

The CROWN AGENT to the Hon. the COLONIAL SECRETARY.

SIR,—

Office of the Crown Agents for the Colonies,
Spring Gardens, London, S.W., 27th February, 1865.

I have the honor to acknowledge the receipt of your letter of the 10th December last, requesting the Crown Agents to withdraw from the market, all debentures under "The New Zealand Loan Act, 1863" not actually disposed of, and suspend all further operations in reference to them.

You have already been informed by Mr. Julyan's letter of the 26th ultimo, of the steps taken by the Crown Agents up to that date, and I have now to inform you that the exertions were continued to raise money by hypothecating debentures to the amount of £250,000, under authority of Mr. Reader Wood's letter of 30th September last, but without satisfactory results.

As no bargain had been made, the Crown Agents on the receipt of your letter of 10th December, withdrew from further negotiations.

The "Credit Mobilier" paid £165,809 on the 20th instant, being the last instalment due by them. Of this amount, the interest, viz. £5,809, will be retained for repayment when due to the debenture holders, and £160,000 has been already paid to the Bank of New Zealand, making the total payments to that Bank by the Crown Agents, between July last and the present date, £732,000. To which may be added £10,000, originally reserved for the purchase of large guns, adverted to in my letter of 26th ultimo, which the London Joint Stock Bank have been instructed to repay on the 28th instant.

Of the proceeds of the one million debentures issued, the Bank of New Zealand will, on the first proximo, have received £742,000.

Pending further instructions from your Government, the Crown Agents will take no steps for the sale or hypothecation of fresh debentures.

The Hon. the Colonial Secretary, New Zealand.

I have, &c.,

W. C. SARGEANT.

No. 31.

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

SIR,—

Bank of New Zealand, Auckland, 2nd May, 1865.

I have the honor to acknowledge receipt of your letter of 25th April, and to thank you for acceding to the suggestion made in my letter therein referred to.

I enclose a letter reporting further sales of debentures in Sydney, which I regret by inadvertence was not forwarded by last steamer.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

D. L. MURDOCH,

Inspector.

Enclosure to No. 31.

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

SIR,—

Bank of New Zealand, Auckland, 26th April, 1865.

I have the honor to advise you that I have received from Sydney by this mail intelligence of the sale of £11,400 of debentures at par, with accrued interest added. I beg to enclose specification of these debentures, with the proceeds of which, £11,625 7d., your account was credited on the 25th instant.

The brokers report there is a probability of their soon clearing off the remainder of the debentures left by me in Sydney, in which case I will have a further portion transferred from Melbourne.

I have also to advise you that debentures for £500, Nos. A. 64 to 68, five debentures of £100 each, principal and interest payable in London, have been disposed of to Dr. J. Mouat, and the amount with £11 18s. 11d. accrued interest added, in all, £511 18s. 11d. credited to your account.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

D. L. MURDOCH,

Inspector.

No. 32.

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

SIR,—

Bank of New Zealand, Auckland, 22nd May, 1865.

In accordance with the desire expressed in your letter of 3rd instant, that you should have early intimation of the intelligence from London bearing on the prospective sale of New Zealand securities, I have the honor to advise that by the arrival of the mail from Sydney to-day, I am in possession of advices from our managing director in London, in which he encloses copy of letter addressed to the Honorable the Colonial Treasurer, dated 25th March, which gives all the information which I could otherwise afford. In case of any delay in the delivery of the Wellington mail, I enclose copy of that letter. The managing director informs me that he would forward a telegram after receipt of tenders on 31st March, detailing the result, but I regret to say this is not yet to hand.

I am advised by the brokers in Sydney that the following sales of 8 per cent. debentures have been made since date of last advices, viz. :—

Nos. 490 to 494 of £100 each, payable in London, to E. Mitchell	...	£500
546 of £250	"	250
326 to 345 of £500	"	Sydney, to Rachel Cohen
495 to 502 of £100	"	J. H. Goldfinch
503 to 504 of £100	"	London, to D. P. M'Ewen
*502 of £500	"	500
505 to 509 of £100	"	Sydney, to S. H. Terry
		500

E

FURTHER PAPERS RELATIVE TO

510 to 511 of £100	„	„	London, to Mark Davis	...	200
346 to 347 of £500	„	„	„ W. R. Davidson	...	1,000
547 to 548 of £250	„	„	„ S. H. Terry	...	500
In all					<u>£14,450</u>

With proceeds of which your account at this office has this day been credited.

The debenture numbered "502" marked with an asterisk, must be wrongly quoted as to number, no £500 debenture of that number having been left in Sydney by me. I will by first opportunity write the brokers, and give you the correct number at an early date. I have, &c.,

The Hon. the Colonial Treasurer,
Wellington.

D. L. MURDOCH,
Inspector.

Enclosure to No. 32.

The AGENTS for the New Zealand Government to the Hon. the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, London, 25th March, 1865.

We have the honor to acknowledge your letter of 2nd January, 1865, informing us that we have been appointed agents for the disposal of £500,000, part of one million authorised to be raised by "The New Zealand Debentures Act, 1864," instructing us as to the disposal of the debentures, and handing us at the same time, various documents, all of which have arrived in safety.

We are also informed of the financial policy of the Government and the nature of the arrangement entered into by the Government with the Bank of New Zealand, and are requested to place ourselves in communication with the Agents for Crown colonies, with a view to carry out satisfactorily the objects of the Government so far as they relate to the Bank of New Zealand.

On receipt of your letter we placed ourselves in communication with the Crown agents, and were unanimous in opinion, that in the continued depression of the market for public securities, and more especially New Zealand securities, it was not advisable to offer for public competition any portion of the 6 per cent. debentures, and that no other course was open to us but to dispose of the Treasury bills with as little delay as possible.

We have accordingly called for tenders, in the enclosed form, the dates at which the bills fall due being fixed in accordance with the suggestion of the Crown agents.

We were informed by last mail of the unsuccessful result, up to 25th January, of the attempt to negotiate £200,000 of the securities in the Australian colonies, and we regret to say that the information has been made public here.

We apprehend also, that in the event of any portion of these securities having been subsequently taken up for remittance to this country, they may be expected to arrive by next mail, and any delay in the sale of that portion committed to our care, would result in a clashing of interests, which we have endeavored to avoid by fixing a date for opening tenders, prior to that upon which telegraphic information may be received from the colony.

We hope to be in a position next mail to advise you of a satisfactory sale.

We have, &c.,
F. LARKWORTHY,
ROBERT PORTER,
W. S. GRAHAME.

The Hon. the Colonial Treasurer, Wellington.

No. 33.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Office of the Crown Agents for the Colonies,

SIR,—

Spring Gardens, London, S.W., 27th March, 1865.

We have the honor to acknowledge the receipt of your letter of the 2nd January last, with its enclosures informing us of the steps which the New Zealand Government have decided upon taking with a view of raising money in this market, and instructing us generally in the matter.

2. The question of Mr. Reader Wood's authority to delegate to another his power of negotiating any part of the loan of 1863 is not material, so far as the Crown Agents' acts are concerned, inasmuch as they have been confined entirely to the disposal of the first million, the bonds for which were signed by Mr. Wood himself; and we are given to understand, that the power to which you refer as having been granted by Mr. Wood to Messrs. Kennedy and Murdoch, of the New Zealand Bank, to raise £500,000 under The Three-Million Loan Act, has not been acted upon either.

3. A short time ago, under the influence of great pressure from the New Zealand Bank, we were in treaty with capitalists here for a temporary loan of £150,000, which would have necessitated the hypothecation of a part of the £250,000 which we considered ourselves justified in dealing with under Mr. Wood's instructions; but the terms demanded (8 per cent.) were higher than we felt justified in giving, and the matter fell through, as reported to your predecessor in our letter of the 27th ultimo.

4. We shall take care that no further transactions take place in the 5 per cents., and will follow your instructions with reference to the remaining two millions to be borrowed on 6 per cent. debentures.

5. With respect to the million to be raised by way of temporary loan, by the issue of 8 per cent. debentures through the Bank of New Zealand, we have already informed the managing director that any advice or assistance in our power, tending to secure the objects which the New Zealand Government have in view, we shall at all times be happy to afford the Bank. Copies of the only written communications that have yet taken place between us on the subject, and copy of the Bank's advertise-

ment inviting tenders of the first instalment of the 8 per cent. loan in Treasury bills, are herewith enclosed.

6. It does not appear, from your instructions to the Bank, that any limit as to price has been fixed for these 8 per cent. securities other than the Act prescribes. This being the case, and considering they will have such short periods to run, the Bank can hardly fail to find a market for them.

7. Irrespective of the difference in the rate of interest, there can be no doubt that, in the present financial condition of New Zealand, securities having fifty years to run are less marketable than those redeemable in three years. If, therefore, hypothecation must be resorted to, the 8 per cents. would command better terms than the 6 per cents. The short bonds are not only the more valuable of the two, but they can be hypothecated, with power to the lender, in default of the punctual repayment of the sum borrowed, to sell at a rate which would pay the buyer 8 per cent.; whereas "The Rate of Interest Act, 1864," prevents us from entering into any engagements that might result in the final sale of the long bonds at a price that would pay more than 6 per cent.

8. We need hardly add that money could not be so raised, unless at an exorbitant rate, without granting to the lender full power to recoup himself, in the event of default, by selling the 6 per cents. at the market price for the time being; and we should fall short of our duty to the New Zealand Government if we failed to tell you that, in the present state of affairs, there would not be the most remote chance of disposing of any considerable amount of the 6 per cent. debentures. At no time during the last twelve months could such an operation have been effected, and still less could it now be hoped for in the presence of a forthcoming loan of a million of 8 per cent. stock, all of which we are assured by the New Zealand Bank—and we see no reason ourselves to doubt the fact—will find its way to the London market.

9. It appears to us, therefore, that your instructions, both with regard to sale and hypothecation, will for the present, and probably for a long time to come, be rendered nugatory by the limit which has been placed on the selling price.

10. The raising of the rate of interest on the unraised portion of the Three-Million Loan, from 5 to 6 per cent., will not, in our opinion, place the money at your disposal at a cheaper rate, nor render the debentures more saleable, than before. Our experience with other colonies tends rather to an opposite conclusion. It is only about a month ago that we successfully placed a 5 per cent. loan in the market for the Cape of Good Hope Government. Their former issues had all been in 6 per cents., but upon our recommendation the rate was altered to 5, and the result proved highly satisfactory.

11. This principle, however, applies more especially to colonies where 6 per cent. stocks command a premium, and the reason is simply as follows: Premium-bearing securities are not sought after by trustees and others, who object to investments which finally result in a reduction of the capital, while those producing opposite effects, from being bought at a discount, are not open to the same objection, and therefore a more extended market and better prices are found for them, provided the expectant benefit is not too long deferred, as in the case of your 5 per cents., which are not redeemable until after the expiration of fifty years. With these exceptions, it is not important for this market what the nominal rate of interest is. Dealers in such securities, and we may add the general public, know how to measure the relative values between one rate and another to a nicety. The only points on which they experience any difficulty in measuring the value of a loan are those bearing on the solvency and necessities of the borrower; and in making up their minds on these points, they are doubtless influenced in some degree by the price which the borrower shows a willingness to pay for the money as indicated by the rate of interest specified in the Act authorising the loan. It is in this respect that we fear the issue of an 8 per cent. loan will prove prejudicial to future financial operations of the Colony.

12. The greater part of the first instalment of the Three-Million Loan disposed of by us in September last is still in the market, and we have reason to believe that we could at this moment, if it were so desired, repurchase at least half a million at the price at which it was originally sold by us. Considering that when the sale took place the Bank of England rate of interest was 9 per cent., and that it is now only $4\frac{1}{2}$ per cent., with a strong tendency downwards, it would not appear that these securities have grown in popular favor. But in fact the demand for colonial securities generally is extremely limited as compared with past years. The supply is in excess of the demand; and the high dividends paid by joint-stock banks and large companies formed under "The Limited Liability Act," offers so very much greater attraction to capital than these securities do, that we believe all Colonial Governments seeking money in this country must be content for some time to come to give a higher rate for it than they have for the last five or six years been accustomed to pay.

13. Every new colonial loan now brought forward tends to the corroboration of these views. It was only a week or two ago that we disposed of £400,000 Mauritius 6 per cents.; and although the securities of that colony have always stood high in popular favor, and money at the time was abundant at $4\frac{1}{2}$ per cent., we were obliged to submit to a considerable reduction in price as compared with the rates heretofore obtained.

14. On the 31st instant, the results of the Bank's efforts to dispose of the first instalment of the 8 per cent. loan will be ascertained, and we shall be glad if they are such as to afford good grounds for believing that our apprehensions with regard to your 6 per cent. loan are unfounded. By the next mail we hope to be able at all events to write more definitely on the subject.

15. We purpose, by the steamer leaving Southampton on the 20th April, to send you all the vouchers connected with the negociation of that portion of the 5 per cent. loan which has already been placed in the market.

I have, &c.,

PENROSE G. JULYAN,
(for self and colleague.)

P. S.—We learn that the authority granted by Mr. Reader Wood to Messrs. Kennedy and Murdoch, referred to in the second paragraph of this letter, still remains in the possession of the Bank in Auckland.

The Hon. the Colonial Secretary, New Zealand.

P. G. J.

Enclosure 1 to No. 33.

The MANAGER, Bank of New Zealand, to the CROWN AGENTS.

DEAR SIR,—

Bank of New Zealand, London, 16th March, 1865.

I gathered from our conversation yesterday that you coincided with me upon the following points, viz.:—That it is inexpedient to endeavor to place by public competition any portion of the 6 per cent. debentures. 2nd. That no other course is open to the Bank under existing circumstances than to sell the 8 per cent. Treasury bills. 3rd. That such Treasury bills should be redeemable on the 31st December, 1867, the longest time allowed by the Act.

If I have misunderstood you on any of these points please let me know by bearer.

I have, &c.,

F. LARKWORTHY.

P.S.—The advertisement will appear to-morrow.

P. G. JULYAN, Esq

Enclosure 2 to No. 33.

The CROWN AGENTS to the MANAGER, Bank of New Zealand, London.

DEAR SIR,—

Spring Gardens, 17th March, 1865.

I quite agree with propositions 1 and 2 contained in your note of this day; with respect to the third, I think it will be desirable, having regard to the redemption of these temporary debentures, that they should not mature all at once, but be made payable in about equal proportions, at say, three equi-distant periods, the last of which should be 31st December, 1867. As New Zealand obligations of this kind for short periods will, irrespective of the rate of interest, be more valuable than 6 per cent. debentures having fifty years to run, and as the New Zealand Government are relying upon the negotiation of a 6 per cent. loan at par for the means of returning these temporary securities as they fall due, it appears to me desirable, in order not to damage the credit of the Colony, and thus remove all chance of disposing of the 6 per cent. loan within the limits laid down, that the Bank of New Zealand should not in the first instance at all events dispose of these short bonds at a price which would cost the Government more than 6 per cent. for the money borrowed.

I am, &c.,

F. Larkworthy, Esq.

P. G. JULYAN.

No. 34.

MINUTE by Mr. FITZHERBERT on Statement of Interest and Commission charged by BANK OF NEW ZEALAND on General Government Accounts in London, to 31st December, 1864; and Auckland, to 31st March, 1865.

I have examined this statement of interest and commission charged by the Bank of New Zealand, and particularly the item marked "F." (additional interest).

In deciding upon its admission, I am bound to take into consideration the whole circumstances of the case, and the assistance rendered by the Bank to the Government during the last twelve or fifteen months.

I can easily understand the objections of the Bank directors to allow copies of the London Bank account current, and of the statement of the debtor balances, to be made for official purposes; the Bank business is probably so mixed up with the Government transactions that the objection cannot be regarded as unreasonable.

On the whole, bearing in mind the exigencies of the Government, and the extremely tight condition of the money market during the period alluded to, I do not consider the charges excessive and accordingly direct that the amount be put in warrant.

13th June, 1865.

WILLIAM FITZHERBERT.

No. 35.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

Spring Gardens, London, S.W., April 24th, 1865.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 11th February last, transmitting a draft at sixty days' sight, on the Bank of New Zealand, for £5000, being the half-year's sinking fund on the one million raised of the Three Million Loan of 1863. The proceeds of this bill when received will be held, as requested, to the order of your Government.

I take this opportunity to mention that another half-year's interest on one million—viz., £25,000, becomes due to the debenture holders on 15th July next, for which liability you will doubtless, on behalf of the Government of New Zealand, make timely remittance to this office.

I have, &c.,

The Hon. F. A. Weld, Colonial Secretary, &c., New Zealand.

W. C. SARGEANT.

No. 36.

Messrs. LARKWORTHY, PORTER and GRAHAME, to the Hon. the COLONIAL SECRETARY.

SIR,—

London, 26th April, 1865.

We addressed you on 26th ultimo, and on 19th instant forwarded duplicate of our letter *via* Southampton.

We have now to inform you that, in accordance with our advertisement of 18th March, we met on the 31st March to open tenders received for the 8 per cent. debentures. The particulars of the applications on that day are as follows:—

	First Series.	Second Series.	Third Series.
Applications on 31st March	£249,000	£303,100	£87,800
Average rate per cent. premium on applications of 31st March, 10s. 6d.			
Tenders accepted on 31st March	£100,000	£18,300	£6,800
Average rate per cent realised on 31st March...	£1 1s. 1d.	£1 8s. 5d.	£3 2s. 3d.
We again invited tenders by public advertisement for the balance unallotted, at the minima, up to the 3rd April, when the following was the result:—			
Applications on 3rd April ... ..	...	£18,100	£15,900
Average rate per cent. premium on applications 3rd April, £1 14s. 3d.			
Tenders accepted 3rd April ... ..	...	£18,100	£15,900
Average rate per cent realised on 3rd April ...	...	£1 10s. 7d.	£1 19s. 3d.
Since that date we have kept the matter open, and have received various applications for small amounts, the result being on this date—			
Sold of First Series at and above minimum ... ..	...	...	£100,000
Sold of Second Series at and above minimum ..	...	...	45,900
Sold of Third Series at and above minimum ...	...	...	27,700
On the 1st of May we propose to give the tenderers at the highest prices below the minimum the opportunity of renewing their offers for any portion of the debentures which on that date may still be unsold, and have little doubt that by next mail we shall be in a position to advise you that the whole of the debentures have been placed.			
We shall then furnish you with a full detail of the numbers and amounts of the bonds issued, together with the price at which they were sold, accompanied by statement of account.			
We are happy to state that in all our arrangements we have acted entirely in accordance with the views of the Crown agents; and regretting the result has not been more favorable,			

We are, &c.,

F. LARKWORTHY,
ROBERT PORTER,
WM. S. GRAHAME,

The Hon. the Colonial Secretary.

No. 37.

The New Zealand Government AGENT to the Hon. the COLONIAL SECRETARY.

Office of the New Zealand Government Agency,

SIR,— 3, Adelaide Place, King William-street, London, E.C., 26th April, 1865.

Since the departure of the last mail the money market has continued quiet. The directors of the Bank of England on 30th ultimo, announced the reduction of the rate of discount from $4\frac{1}{2}$ to 4 per cent.

The chief feature of interest to the Colony has been the tenders that were received on the 1st instant for the £400,000 Government 8 per cent. Treasury bills, particulars of which I do not furnish, as the Government will doubtless be duly informed by the agents specially accredited for the negotiation of these securities.

On the 13th instant, the Crown Agents for the Colonies, by command of the Secretary of State, offered £100,000 British Columbia Government 6 per cent. debentures.

The total amount applied for being £11,100, at par, which was the minimum price fixed.

The Union Bank of Australia have advertised that the directors will be prepared to receive tenders for £127,500 six per cent debentures of the Government of Queensland, being the undisposed balance of the loan authorised by the Colonial Legislature in 1863.

The date fixed for opening the tenders is the 3rd May next.

I beg to enclose particulars of the tenders received for the British Columbia Loan.

I have, &c.,

JOHN MORRISON.

The Hon. the Colonial Secretary, Wellington, New Zealand.

Enclosure to No. 37.

British Columbia 6 per cent. debentures, offered at par—

£1,500	0	0	...	...	5s. premium.
300	0	0	...	...	2s. 6d. premium.
9,300	0	0	...	...	par.
<hr/>					
£11,100	0	0			

No. 38.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

SIR,— Spring Gardens, London, S.W., 26th April, 1865.

On the 27th ultimo we wrote to you fully on the subjects treated of in your letter of the 2nd January last, and forwarded a duplicate of our letter *via* Southampton, on the 19th instant.

The expectations we had then formed as to the New Zealand Bank being able to find a market for the 8 per cent. securities have not, we regret to state been fully realised, notwithstanding that the Bank of England rate for money had fallen to 4 per cent. before the tenders for the loan were sent in to the New Zealand Bank.

The want of success was not apparently due to a lack of applications, but arose from the prices offered being below the minimum; and we feel convinced, supposing all the tenders to have been *bona fide*, that there will still be little difficulty in placing the remainder of the £400,000 on the market at something above par.

We propose so far to analyse the results of this operation as may serve to help the New Zealand Government to form an opinion as to the prospects of negotiating the 6 per cent. loan in this country within the limits fixed by "The Rate of Interest Act, 1864."

We find that the aggregate amount of the public tenders received by the New Zealand Bank on the 31st ultimo was £639,900, of which £249,000 were for twenty-one months' bills, at an average premium of 12s. 10d. per cent.; £303,000 for twenty-seven months' bills, at an average premium of 7s. 11d. per cent.; and that the general average premium on the total amount tendered was 10s. 6d. per cent.

The securities disposed of amounted altogether to £125,100, in the following proportions, viz.:—

In twenty-one months' bonds, £100,000.

In twenty-seven months' bonds, £18,300.

In thirty-three months' bonds, £6,800.

The number of persons who tendered were thirty-eight, and of those whose tenders were accepted, fourteen.

Out of all the tenders received, nearly five-eighths in amount (or about £400,000) were, it is believed, made for purely speculative purposes, and only about £240,000 for actual investment.

By re-advertising the balance there have been further sales made between the 1st and 25th instant, inclusive—

Of the twenty-seven months' bonds, £16,800; and

Of the thirty-three months' bonds, £21,900.

Making the total amount disposed of from the beginning £163,800, or something less than one-third of the amount of the first instalment of the one million 8 per cents. which the New Zealand Bank have been authorised to place on the English market.

From these facts we think the following inferences may be fairly drawn—

1. That the real demand for New Zealand securities is extremely limited, and that it will be difficult, in the probable event of the other moiety of the 8 per cent. loan finding its way shortly to this country, to maintain the price above par.

2. That a decided preference is shown by the public for the short bonds, as indicated by the prices and amounts offered for the twenty-seven and thirty-three months' bonds as compared with those of twenty-one months; and by thus showing a desire to limit their risk to the shortest possible period, a want of confidence is manifested by the public in the financial future of the Colony.

3. The small number of applicants and—omitting speculative offers from stock brokers—the smallness of the amounts for which they apply, show to what a limited extent real investors have been attracted to the loan.

4. As speculative purchases merely multiply negotiators, without taking the stock out of the market, the amount actually absorbed by the public must be reduced to the extent of such purchases, and the speculator becomes a competitor with the agents for the loan as long as they are both sellers.

Taking all these points into consideration, we believe that the expectations formed by the New Zealand Government of being able to find a market in this country for two millions of 6 per cent. debentures at par will be found to end in disappointment, and we strongly advise the amendment of "The Rate of Interest Act, 1864," and "The New Zealand Loan Act, 1863," in so far as relates to the two millions yet to be borrowed, by removing the limit as to the selling price in the former, and by altering in the latter the time at which the loan is to be paid off, from fifty years to any period which the Governor shall direct, not being less than twenty years from the date of issue.

Such changes would necessitate corresponding alterations in the annual rate payable to the sinking fund, but at the same time they would increase your chance of getting the money, and would leave it open to you to make the several instalments placed on the market redeemable at different periods, say at intervals of five or ten years. It is possible that before the second instalment is brought forward New Zealand securities may have risen into greater favor, and longer bonds be found marketable.

We would also strongly recommend to the New Zealand Government the adoption of a uniform mode of bringing its public loans upon the market. We have had numerous enquiries since the 8 per cents. were advertised for sale as to whether they were Government stock or not; whether they were secured on the general revenues of the Colony concurrently with the 5 per cents.; and if so, why they were not issued from the same Government office? Although we give enquirers every assurance that you could desire in such cases, yet we are unable to inform them why your loans, and even portions of loans, are brought forward through different channels, but we are convinced that the practice is prejudicial, and operates against the sale of the stock. For instance—

1. The New Zealand Bank was authorised, under certain conditions, to sell the first instalment of £500,000 out of the Three Million Loan. This authority was not acted upon, but it was well-known to exist, and was discussed in the market here when the loan was advertised.

2. The Crown agents were next authorised to negotiate a million out of the same loan; and while doing so, the stock brokers were setting forth the possibility of the Bank coming forward with their £500,000 and flooding the market.

3. The Crown agents were authorised to dispose of a further sum of £250,000, which was known in monied circles also.

4. The New Zealand Bank were authorised to raise a further instalment of £500,000, which was not acted upon.

5. The New Zealand Bank were authorised to raise £750,000 in 8 per cent. stock.

6. The Crown agents were authorised to raise two millions in 6 per cents.

All these matters are as well-known in London as in New Zealand, and we believe their effects have been prejudicial.

As we have no personal interest whatever in the matter, we cannot be supposed to be influenced by any selfish motives in making these recommendations. As officers of the Imperial Government we perform such services for New Zealand as we should for any other Colony; and if the Government of New Zealand find themselves under obligations to the Bank, or consider it otherwise to their interest to constitute them their sole loan agents, we beg that you will have no delicacy in setting aside any supposed obligation towards us in respect to the unsold portion of the Three Million Loan.

We feel it to be our duty as public officers of the Crown plainly to point these matters out to you, and having done so, shall be quite satisfied to leave the Government of New Zealand to make what use they please of the information placed before them.

I have, &c.,

PENROSE G. JULYAN,

(For self and colleague).

P.S.—A telegram just received from Mr. Larkworthy informs us that £10,000 more of the second series have been sold to-day at the minimum.

The Hon. the Colonial Secretary, Wellington, New Zealand.

No. 39.

The Hon the COLONIAL TREASURER to AGENTS for the New Zealand Government.

GENTLEMEN,—

Treasury, Wellington, 14th July, 1865.

With reference to your letter of the 26th April, I have the honor to remark, that whilst it appears that every anxiety has been evinced by the agents for the negotiation of the 8 per cent. debentures, to guard the interests of the Colony and secure a maximum price; yet it is to be regretted that that maximum was fixed at so high a rate as to prevent the sale of the whole on the day they were first offered.

The high rate of interest, coupled with the short currency of the securities, and the fact that a minimum of par was fixed by law, all clearly indicated an intention to command the market and realise at that minimum, if practicable; and the amount actually tendered for affords sufficient proof that these calculations were fully justified, and that the whole of the debentures might have been quitted on the 31st March, at that minimum, if not at a slight advance.

Neither can it be doubted, that if the whole amount of the New Zealand securities which had been offered for sale at a particular date, had been taken up at that date, that fact would have had a very beneficial effect on the sale of the remainder, and on the general credit of the Colony.

It is to be hoped, however, that the course you have adopted will not prejudice the sale of the debentures remaining in your hands, and that the next mail will bring advices that the whole of them have been placed.

I have, &c.,

WILLIAM FITZHERBERT,

Colonial Treasurer.

Messrs. Larkworthy, R. Porter, and W. S. Grahame, London.

No. 40.

The Hon. the COLONIAL SECRETARY to the CROWN AGENTS.

GENTLEMEN,—

Colonial Secretary's Office, Wellington, 14th July, 1865.

I have the honor to acknowledge the receipt of your letter No. 34-498, dated 26th April, 1865.

With regard to your observations as to the importance of maintaining an uniformity of agency for all New Zealand Loans, and the injury which has already arisen owing to a departure from this course the Hon. the Colonial Treasurer, whilst fully recognizing the force of these observations, remarks that the circumstances of the case, so far as relates to the short dated 8 per cent debentures were altogether of an exceptional character. The Bank of New Zealand was under very heavy advances to the New Zealand Government, and while such advances remained uncovered, and further advances were absolutely required to meet extraordinary current expenditure, it was deemed not unreasonable to concede the negotiation of the securities above referred to. But the Government have hitherto steadily declined to vary the agency already established for the negotiation of the Three Million Loan, which may be regarded as the the New Zealand Loan.

The suggestions relative to this loan made by you are in many respects similar to those which had already presented themselves to the notice of the New Zealand Government, and they will probably be proposed for adoption to the Legislature.

Of this and any other financial arrangements that may be made by the New Zealand Government you will be kept duly advised, and the Government tenders its thanks to you for the attention you have hitherto given to the financial interests of the Colony.

I have, &c.,

J. C. RICHMOND.

Messrs. Julyan and Sargeaunt, Spring Gardens, London.

No. 41.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

Spring Gardens, London, S.W., 26th May, 1865.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 11th March last, in which you request the Crown Agents for the Colonies to issue 4 per cent. debentures to the extent of £500,000 in favor of the Imperial Government, on account of the debt due by the Colony to that Government.

The time which has elapsed since the receipt of your instructions, has been too short to admit of anything more than personal communications between the Imperial authorities and the Crown Agents; but from all I could gather during a conversation I had on the subject with the Secretary of State for the Colonies, and with the Secretary of the Treasury, there did not appear to be any indisposition to entertain your proposal favorably.

It is not stated distinctly in your letter at what rate or price the debentures are to be handed over to the Imperial Government, but I understand your intentions to be that £500,000 in debentures shall extinguish £500,000 of debt. This being so, the Treasury may not consider the offer a fair equivalent, seeing that your 8 per cent. debentures are selling in the London market below par. The Crown Agents will, however, do all they can to bring about a favorable settlement of the matter, and will report the result to you by the June mail.

The Hon. the Colonial Secretary, Wellington, New Zealand.

I have, &c.,

PENROSE G. JULYAN.

No. 42.

The CROWN AGENTS to the Hon. the COLONIAL SECRETARY.

Offices of the Crown Agents for the Colonies,

SIR,—

Spring Gardens, London, S.W., 26th May, 1865.

I have to acknowledge the receipt of your letter No. 43, of the 8th March last, with its enclosed warrant under the hand of His Excellency the Governor, appointing Mr. Julyan and myself trustees to receive and invest the sinking fund provided by "The New Zealand Loan Act of 1863."

On reference to the warrant you will observe the trustees are to invest the sinking fund "in manner set forth in the said recited Act," whilst the Act provides that it shall be invested "in such manner as the Governor shall from time to time direct."

Until we are informed in what securities the Governor directs the sinking fund to be invested, the £5,000 remitted in your letter of the 11th February last, will be retained for this special service, and deposited at interest with one of the large joint stock Banks.

Most Colonial sinking funds have been invested in Imperial Government securities, which yield an interest of a fraction over 3 per cent. per annum. There is, however, nothing in the provisions of "The New Zealand Loan Act" to prevent the Governor selecting, should he see fit to do so, Indian or Colonial Government securities.

The best Colonial Government securities may be purchased at a price to refund the premium given for them, and pay about 5 per cent. per annum; and I may mention that amongst the best, or those to which the market at present give preference, are the debentures of Ceylon, Victoria, Mauritius, and Cape of Good Hope.

The Hon. the Colonial Secretary, Wellington, New Zealand.

I have, &c.,

W. C. SARGEANT.

No. 43.

Messrs. LARKWORTHY, PORTER, and GRAHAME, to the Hon. the COLONIAL TREASURER, Wellington.

SIR,—

London, 26th May, 1865.

We wrote you on 26th ultimo, and forwarded duplicate of the same, *via* Southampton, on 19th instant. On the 1st instant, in conformity with the terms of our last letter, we communicated with the unsuccessful tenderers for the loan, informing them that we were disposed to treat with them for the sale of those portions of the debentures still on hand; and on the 4th instant, our negotiations resulted in the sale of the balance—viz., £105,100 of the 2c Series, and £129,000 of the 3c Series, at £100 13s. 4d. per cent., including accrued interest from 1st April.

Terms of payment:—

£5 per cent. -	-	-	-	-	-	-	Cash.
£45 per cent.	-	-	-	-	-	-	On the 15th instant.
£50 13s. 4d. per cent.	-	-	-	-	-	-	On 30th instant.

The last mail brought a considerable number of these debentures to this country, and they are now being offered at par, with coupon, due 1st July, attached.

We enclose Account Current from the books of the Bank of New Zealand to this date, and by next mail, when the payments have been fully made, we will forward a detailed statement of receipts and disbursements on account of this loan.

We have, &c.,

The Hon. the Colonial Treasurer, Wellington.

ROBERT PORTER,
F. LARKWORTHY,
WM. S. GRAHAME.