

2nd. The second proposition would have little or no practical effect. The amount on which interest is to be allowed must either be the average balance of the month, or the mean between the highest and lowest of the daily balances, and the rate of interest should be not less than five per cent. This would still give the Bank a clear gain of two per cent., besides the many other collateral advantages which the Bank derives from holding the Government account.

3rd. The course you propose with respect to remittances would in practice be but a slight improvement on that heretofore followed, and in respect of Post Office money orders (which are required to be at sight or at three days sight) be scarcely a concession. It will be necessary that whenever remittances to England or Australia are required at a less currency than sixty days, they shall be made for one half per cent. under current rates of exchange, but in no case under par.

4th. Your proposal to transfer to the Bank of New Zealand the loan of forty thousand pounds from the Bank of Victoria will be accepted. An order on the Crown Agents at sixty days' sight will be given on the understanding that no interest is to be charged on the amount transferred after the date of the payment of the said sum by the Crown Agents to the Bank of New Zealand in London.

With respect to the last paragraph in your letter now under consideration, while I am willing to admit that the Bank of New Zealand has on various occasions conferred obligations on the Government, I cannot consent, on the part of the Government, to make any engagement for a prolonged continuation of its present banking arrangements, and under no circumstances can any arrangement be entered into which should not be terminable at any time when the Bank was unable or unwilling to meet the requirements of the Government.

I have, &c.,

E. W. STAFFORD,

The Inspector Bank of New Zealand, Wellington.

No. 11.

Copy of a Letter from the INSPECTOR OF THE BANK OF NEW ZEALAND to the HON. the COLONIAL TREASURER.

SIR,—

Inspector's Office, Bank of New Zealand, Auckland, 3rd January, 1866.

In reply to your letter of the 18th ultimo, received by me in Wellington, and on the subject of which you requested I would consult the Board of Directors, before giving a reply, I have the honor to state that I am instructed by my Directors to inform you that, in the present financial condition of the colony, they must decline to entertain the terms specified in your letter. They authorise me to renew the offer of terms named in my letter of the 16th ultimo, accepting the modifications of clauses 1 and 4, suggested by you, viz. :—that the new business, requiring 21 days notice, to the Manager at Wellington, shall involve an advance exceeding £5,000, and that the order on the Crown Agents for £40,000 shall be at 60 days' sight, and I will be glad to learn by return mail whether these, or the terms on which the account has recently been conducted, will be most acceptable to you. In the event of you accepting the terms specified in my letter, I would beg, in elucidation of clause 3, to be allowed to state that it is understood that all ordinary business of the Government with London, is to be effected by sixty days' drafts, and referring to clause 4, I have the honor to request you will hand to the Manager at Wellington, for transmission by the outgoing mail, an order on the Crown Agents, at sixty days' sight, for £40,000.

I have, &c.,

D. L. MURDOCH.

The Honorable the Colonial Treasurer, Wellington.

No. 12.

(32) Copy of a Letter from THE ASSISTANT TREASURER to the INSPECTOR OF THE BANK OF NEW ZEALAND, Auckland.

SIR,—

Treasury, Wellington, 12th January, 1866.

I am instructed by the Colonial Treasurer to acknowledge your letter of the 3rd instant, referring to the proposed future arrangements for the Government account with your Bank, and to say that, before the Government can come to any determination, it requires to be specifically informed as to the sense in which the terms "involve an advance exceeding (£5,000) five thousand pounds" are used and understood by you. The view of the Government is :—

1. That advance, as used here, means an excess of drawings above deposits, within a specified period, irrespective of the state of the account generally.

2. That a time should be fixed (say a calendar month) during which, if the Government require to draw more than five thousand pounds above sums deposited within that period, that then the twenty-one days' notice shall be required, and not otherwise.

I am further instructed to ask whether the Bank understands that the balances at its various branches, on which it is willing to allow interest, include all balances of public accounts, whether standing in the names of Sub-Treasurers, Collectors of Customs, Receivers of Land Revenue, or other Receivers of public money.

The Colonial Treasurer desires me to add that, as he understands from your letter that you have