

No. 20.

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

SIR,— Inspector's Office, Bank of New Zealand, Auckland, February 24, 1866.

I have now the honor to reply to your letters, Nos. 195, 196, and 197, of 15th instant, receipt of which I have previously acknowledged.

2. No. 195.—I regret to find that my meaning as to what would be regarded as an increase of the indebtedness of the Government was not made sufficiently plain in my letter of 27th ultimo. That meaning will, I trust, be made apparent by paragraph 4 of this letter. From your letter now under reply, I gather that, at Wellington, you may have a credit balance, over which you desire to retain power to operate for your current necessities; and this balance you appear to think should have interest allowed upon it, equal to that charged by the Bank upon the account of the indebtedness of the Government, representing as the latter does, an over-draft of a comparatively permanent character. In other words, you stipulate for seven per cent. on a current account balance. It will be at once apparent to you that such a rate cannot be afforded by the Bank; but for any such credit balance in the working account of the Treasurer, my Directors are willing to allow the same rate as on Sub-Treasurer's balances.

3. No. 196.—In reply to this letter, I have the honor to refer you to the agreement of 27th September, 1864, in clause 1 of which it is provided that advances to the Government shall bear interest till receipt of advice here that such advances have been repaid in London.

4. No. 197.—Referring to the subject of this letter, it appeared to my Board that the working account of the Government was that in which were detailed the general operations of the Treasurer, and not that which represented the mere amount of advances made by the Bank to the Government, or any transactions in reduction thereof, and which it was intended should be kept at this office. This working account, as understood by us, was transferred to Wellington; but as it is now apparent that you desire the advance account to be also there, I will by next mail transfer the balance, as it then may appear on our books, to Wellington Branch. This account it is intended to keep distinct from the other, under the designation of "Treasury Advance Account;" and at any time when the state of the working account will admit of a transfer being made to the credit of "Advance Account," such transfer will be regarded as a permanent reduction of the indebtedness of the Government, and over which the Treasurer has lost control. Should the funds at credit of your working account not be sufficient for current liabilities, the Manager at Wellington is authorized to allow the balance of the advance account to be increased to the amount of £10,000 in any one month without reference to this office.

I have, &c.,

D. L. MURDOCH,

Inspector.

The Honorable the Colonial Treasurer, Wellington.

No. 22.

Copy of a Letter from the HON. E. W. STAFFORD to the INSPECTOR of the BANK OF
(507) NEW ZEALAND, Auckland.

SIR,— Treasury, Wellington, 12th April, 1866.

With reference to the correspondence between the Treasury and the Bank of New Zealand, relative to the Government account with the Bank, I have to express my disappointment that up to the present time the Bank has not acceded to the proposals made by me, with the object of altering the position of that account.

The counter proposals made by the Bank, when summarized, merely amount to the Bank undertaking—Firstly to remit monies for the Government, at par, to London, by Bills at 60 days sight, and to Australia, by Bills at 15 days sight, when Bills at shorter dates are required half per cent. under current Bank rates to be charged; and secondly to allow three-and-a-half per cent. interest on the minimum monthly credit balances of the accounts of the respective Sub-Treasurers, and of the Colonial Treasurer at Wellington.

The Government cannot feel satisfied with such a position, and especially with the mode of treating the credit balances of the Government. These balances are at all times very considerable, occasionally amounting to fifty thousand pounds, and are, virtually, for all operations, the account of the Colonial Treasurer of New Zealand, in like manner as the operations of the branches of the Bank are the operations of the Bank as a whole. It is impossible, therefore, to understand on what principle seven per cent. interest should be charged by the Bank on the debit Balance of the Government, at one Branch, while three-and-a-half per cent. only is allowed on its credit balances at other branches of the same Bank.

The inconsistency of such a system is transparent, in the proposal of the Bank to allow but three-and-a-half per cent. on the credit balance of the Colonial Treasurer, or what the Bank chooses to term "his working account," while seven per cent. is charged against the debit balance of what the Bank now proposes to call the "Treasury Advance Account," but which is in fact one and the same account, and which was always so treated to the time when the Colonial Treasury was removed from Auckland, the Treasury Account being up to that time one account, charged with interest from day to day, as the overdraft was reduced or increased.

The Government has also to complain that, while on the 16th December last, the Bank professed to transfer the Colonial Treasury account from Auckland to Wellington, no such transfer has been effected. The account of the Colonial Treasurer at Wellington being in exactly the same position as before the